

Report of the Directors

The directors present their report and the audited financial statements for the company for the year ended 31 March 2000.

Principal Activities Highams is a specialist IT systems services group and its principal activities are the provision of IT recruitment services, business consultancy, financial software and IT training. The group operates principally in the insurance, finance and telecoms sectors. Further details of the group's operations are given in the Group Managing Director's Report.

Results and Dividends The group recorded a loss before taxation for the year of £309k (1999: profit £1.52m) on a turnover of £26.86m (1999: £34.07m).

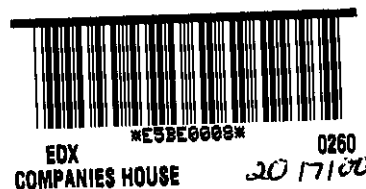
As noted in the Chairman's statement, the directors recommend a final dividend of 0.25p per share (1999: 1.1p). No interim dividend was paid during the year (1999: £nil).

Directors The directors of the company are set out on page 12. All served throughout the year except for Mr CF Northam and Mr C Williams who were appointed to the board on 26 July 1999.

In accordance with the company's Articles of Association, Mr MA Eve and Mr BJ Martin retire by rotation and offer themselves for re-election. Mr CF Northam and Mr C Williams also offer themselves for election. Biographical details for all four are provided on page 12.

Directors' interests in shares The persons who held the office of director at 31 March 2000 had the following interests in fully paid ordinary 5p shares of the company at the beginning and end of the financial year:

	31 March 2000		1 April 1999	
	Shares	Options	Shares (or appointment if later)	Options
NN Graham Maw	90,126	-	69,350	-
EI Andrews	3,400,000	-	3,400,000	-
DJ Drinan	1,953,980	-	2,188,780	-
MA Eve	50,400	-	50,400	-
JE Higham	8,527,649	-	8,527,649	-
BJ Martin	52,181	240,000	41,500	210,000
CF Northam	470,000	78,000	2,800	598,000
C Williams	-	103,440	-	103,440



Notes:

1. NN Graham Maw's interest includes 22,000 shares held by his personal pension plan.
2. DJ Drinan's interest includes 183,600 shares held by his wife, 200,000 by the Drinan Trust (1996) and 134,800 held by his personal pension plan.
3. MA Eve's interest includes 37,200 shares held by his wife and children.
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. JE Higham's interest includes 200,000 shares held by his wife and 1,230,000 shares held by The John Higham Family Trust.
6. BJ Martin's interest includes 11,524 shares held jointly by himself and his wife.

On 30th November 1999, CF Northam exercised options over 40,000 shares in the Unapproved Employee Share Option Scheme at a profit of £18,600. On 14th February 2000, he exercised further options over 480,000 shares, also in the Unapproved Employee Share Option Scheme at a profit of £199,200. He has remaining, options over 45,522 shares in the Inland Revenue Unapproved Executive Share Option Scheme, exercisable at £1.15 on 33,522 shares between June 2001 and May 2005 and at 52.5p on 12,000 shares between June 2002 and May 2005. He has further options over 32,478 shares in the Inland Revenue Approved Employee Share Option Scheme, exercisable at 62.5p on 14,000 between June 2000 and May 2006 and at £1.15 on 18,478 shares between June 2001 and May 2006.

On the date of appointment, C Williams had options over 77,353 shares in the Inland Revenue Unapproved Executive Option Scheme, exercisable at £1.15 on 47,353 shares between June 2001 and May 2005 and at 52.5p on 30,000 shares between June 2002 and May 2005. He had further options over 26,087 shares in the Inland Revenue Approved Employee Share Option Scheme, exercisable at £1.15 between June 2001 and May 2006. There has been no change since the date of appointment.

At 31 March 1999, BJ Martin had options over 177,522 shares in the Inland Revenue Unapproved Executive Option Scheme, exercisable at 10p on 120,000 shares between November 1999 and May 2005 and at £1.15 on 57,522 shares between June 2001 and May 2005. During the year, he was granted options over 30,000 exercisable at 52.5p between June 2002 and May 2005. At 31 March 1999, he had further options over 32,478 shares in the Inland Revenue Approved Employee Share Option Scheme, exercisable at 62.5p on 14,000 shares between June 2000 and May 2006 and at £1.15 on 18,478 shares between June 2001 and May 2006. No further options were granted during the year.

Substantial Shareholders As at 14 June 2000, the following substantial shareholdings have been notified to the company:

	Number of Shares	% of Issued Share Capital
Singer & Friedlander	674,103	3.46%

Increase in share capital Details of movements in share capital are shown in note 19 to the accounts.

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 17 to 19 upon the extent to which the company already observes and complies.

Supplier payment policy The group's policy is to pay its contractors by direct credit into their bank accounts immediately correct 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 2000 was 16 (1999: 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.

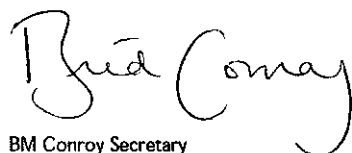
Year 2000 Compliance The group has not encountered any problems following the Year 2000 date change. The directors are satisfied that appropriate actions have been taken to minimise any residual risks associated with the date change.

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 £50 (1999: £650). 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 23 June 2000.



BM Conroy Secretary

Report of the Auditors

To the shareholders of Highams Systems Services Group plc

We have audited the accounts on pages 21 to 40 which have been prepared under the historical cost convention and the accounting policies set out on page 26.

Respective responsibilities of directors and auditors

As described on page 17, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

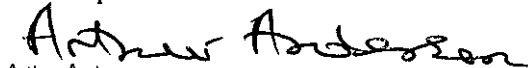
Basis of opinion

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 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 2000 and of the group's loss 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

23 June 2000

Consolidated Profit & Loss Account

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Turnover	2	26,863,817	34,069,990
Cost of Sales		(23,656,116)	(29,560,780)
Gross profit		3,207,701	4,509,210
Administrative Expenses			
- excluding goodwill amortisation		(3,385,828)	(2,916,269)
- goodwill amortisation		(124,062)	(56,862)
		(3,509,890)	(2,973,131)
Operating (loss)/profit	2	(302,189)	1,536,079
Interest receivable	4a	4,821	5,366
Interest payable	4b	(11,136)	(16,590)
(Loss)/profit on ordinary activities before taxation	3	(308,504)	1,524,855
Tax on profit on ordinary activities	7	11,611	(506,400)
(Loss)/profit for the financial year		(296,893)	1,018,455
Dividends	8	(48,736)	(207,655)
(Loss)/retained profit for the year	20	(345,629)	810,800
(Loss)/earnings per share - basic			
(Loss)/profit for the financial year before goodwill amortisation	9	(0.92)p	5.94p
(Loss)/profit for the financial year	9	(1.58)p	5.62p

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

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 March 2000

	2000 £	1999 £
(Loss)/profit for the financial year	(296,893)	1,018,455
Loss on foreign currency translation	(45,684)	-
Total recognised gains and losses	(342,577)	1,018,455

Consolidated Balance Sheet

31 March 2000

	Notes	2000 £	1999 £
Fixed Assets			
Goodwill	10	811,571	935,633
Tangible Assets	11	295,268	497,241
Investments	12	50,406	50,406
		1,157,245	1,483,280
Current Assets			
Debtors	15	4,962,008	6,555,941
Cash at bank and in hand		525,170	239,043
		5,487,178	6,794,984
Creditors: amounts falling due within one year	16	(1,960,310)	(3,256,715)
Net Current Assets		3,526,868	3,538,269
Total Assets less current liabilities		4,684,773	5,021,549
Creditors: amounts falling due after more than one year	17	(19,707)	(31,005)
Provision for liabilities and charges	18	(15,000)	(18,600)
Net Assets		4,650,066	4,971,944
Capital and reserves			
Called up share capital	19	974,715	943,888
Reserves	20a	3,675,291	4,028,056
Equity shareholders' funds	20a	4,650,006	4,971,944

The accounts on pages 21 to 40 were approved by the Board of Directors on 23 June 2000.

NN Graham Maw & EI Andrews, Directors

Nigel Graham Maw *EI Andrews*

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

Parent Company Balance Sheet

31 March 2000

	Notes	2000 £	1999 £
Fixed Assets			
Tangible Assets	11	187,613	352,230
Investments	12	875,067	835,067
		1,062,680	1,187,297
Current Assets			
Debtors	15	4,833,850	6,377,362
Cash at bank and in hand		213,916	111,118
		5,047,766	6,488,480
Creditors: amounts falling due within one year	16	(1,428,322)	(2,671,226)
Net Current Assets		3,619,444	3,817,254
Total Assets less current liabilities		4,682,124	5,004,551
Provision for liabilities and charges	18	(15,000)	(18,600)
Net Assets		4,667,124	4,985,951
Capital and reserves			
Called up share capital	19	974,715	943,888
Reserves	20b	3,692,409	4,042,063
Equity shareholders' funds	20b	4,667,124	4,985,951

The accounts on pages 21 to 40 were approved by the Board of Directors on 23 June 2000.

NN Graham Maw & EI Andrews, Directors

Nigel Graham Maw *EI Andrews*

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

Consolidated Cash Flow Statement

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Net cash inflow from operating activities	21	1,052,060	596,163
Returns on investments and servicing of finance			
Interest received		4,821	5,366
Interest paid		(3,862)	(11,972)
Interest element paid on finance leases		(7,274)	(4,618)
Net cash outflow		(6,315)	(11,224)
Taxation			
UK Corporation tax paid		(495,512)	(469,059)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(74,953)	(301,044)
Sale of tangible fixed assets		33,333	19,725
Purchase of own shares			(10,080)
Subsidiary consolidated			2
Net cash outflow		(41,620)	(291,397)
Acquisition			
Purchase of subsidiary undertaking			(547,159)
Net cash acquired with subsidiary			(45,456)
Net cash outflow			(592,615)
Equity dividends paid		(196,591)	(80,732)
Financing			
Net proceeds from issue of shares		58,311	588,025
Capital element of finance leases	22	(24,514)	(21,829)
Net cash inflow		33,797	566,196
Increase/(decrease) in cash in the year	22	345,819	(282,668)

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

Notes to the Accounts

for the year ended 31 March 2000

1. 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 subsidiary undertakings for the year ended 31 March 2000 using the acquisition method. The results of acquired businesses are consolidated from the date of acquisition.

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 impairment. 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 impairment.

Finance and operating leases Assets held under finance leases or hire purchase agreements have been capitalised in the financial statements and depreciated over the shorter of the lease term and 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.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are dealt with through reserves. All other differences are included 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	
	2000	1999	2000	1999	2000	1999	2000	1999
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover								
Sales to third parties	22,833	29,557	2,555	3,788	1,476	725	26,864	34,070
Segment profit/(loss)	1,759	2,720	361	839	(618)	(137)	1,502	3,422
Goodwill amortisation (note 10)							(124)	(57)
Common costs							(1,680)	(1,829)
Operating (loss)/profit							(302)	1,536
Interest receivable							4	5
Interest payable							(11)	(16)
(Loss)/profit on ordinary activities before taxation							(309)	1,525
Segment net assets/(liabilities)	3,112	3,847	583	594	(1,017)	(343)	2,678	4,098
Goodwill							812	936
Unallocated net assets/(liabilities)							1,160	(62)
Net assets							4,650	4,972

Segment (loss)/profit figures given above have been derived from the Group's internal management accounts.

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 assets/(liabilities) comprise those fixed assets and other assets and liabilities which cannot be separately identified by segment.

(b) Geographical segments:

	Turnover by origin		Turnover by destination	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
United Kingdom	24,693	31,422	22,761	28,307
Rest of World	2,171	2,648	4,103	5,763
	26,864	34,070	26,864	34,070

Notes to the Accounts
for the year ended 31 March 2000

3. (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging:

	2000 £	1999 £
Auditors' remuneration - for audit services	32,000	28,250
- for other services payable to group auditors	15,434	3,500
Goodwill amortisation (note 10)	124,062	56,862
Depreciation and amounts written off tangible fixed assets		
- owned assets	226,834	167,593
- leased assets	30,427	13,350
Operating lease rentals		
- buildings	289,973	149,279
- vehicles and computers	195,204	110,350

4. Interest

(a) Interest receivable

	2000 £	1999 £
Bank deposit	4,821	5,366

(b) Interest payable

	2000 £	1999 £
Bank overdraft	3,862	11,972
Interest payable under finance leases	7,274	4,618
	11,136	16,590

5. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	2000 £	1999 £
Wages and salaries	2,517,228	2,754,444
Social security costs	333,728	339,694
Other pension costs	196,580	179,860
	3,047,536	3,273,998

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:

	2000 Number	1999 Number
Management	12	9
Production and administration	57	68
Sales and marketing	32	14
	101	91

The average numbers for 1999 include only the apportioned staff numbers for Trainers Limited which was acquired part way through the year on 15th October 1998. The year to 31 March 2000 includes the full annual numbers in comparison.

6. Directors' remuneration

Aggregate remuneration

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

	2000 £	1999 £
Emoluments	619,635	436,273
Gains on exercise of share options	217,800	-
Money purchase pension contributions	100,253	77,421
	937,688	513,694

(a) Directors' emoluments

	Fees/basic salary £	Taxable benefits £	Gains on exercise of share options £	Money purchase pension contributions £	2000 £	1999 £
Executive						
JE Higham	124,015	10,229	-	33,950	168,194	161,401
EI Andrews	115,625	8,193	-	40,200	164,018	144,449
MA Eve	48,125	-	-	-	48,125	46,795
BJ Martin	90,572	8,430	-	18,000	117,002	110,049
CF Northam (appointed 26th July 1999)	105,565	6,548	217,800	2,150	332,063	-
C Williams (appointed 26th July 1999)	43,481	3,852	-	5,953	53,286	-
Non-Executive						
NN Graham Maw	42,000	-	-	-	42,000	38,000
DJ Drinan (resigned 31st March 2000)	13,000	-	-	-	13,000	13,000
Aggregate emoluments	582,383	37,252	217,800	100,253	937,688	513,694

The services of NN Graham Maw are secured by a letter of appointment, and his appointment can be terminated by the company in general meeting at any time. EI Andrews, BJ Martin, CF Northam and C Williams are employed under service agreements which can be terminated at any time giving six months' prior notice by the directors and twelve months' notice by the company. The services of MA Eve are secured by an agreement which can be terminated on three months' notice. JE Higham resigned as Chief Executive and became a non-executive director from 1st April 2000. His services on becoming non-executive are secured by a letter of appointment. DJ Drinan resigned as non-executive director on 31st March 2000. JE Higham waived emoluments of £18,000 (1999: £23,000) and EI Andrews waived emoluments of £18,000 (1999: £23,000).

Notes to the Accounts
for the year ended 31 March 2000

6. Directors' remuneration *continued*

(b) Directors' pension entitlements

Five 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' share options and interests are shown in the directors' report on page 14.

7. Tax on (loss)/profit on ordinary activities

The tax (credit) at 30%/charge at 31% for the year comprises:

	2000 £	1999 £
Corporation tax on the adjusted (loss)/profit for the year	-	498,281
Deferred taxation	(3,600)	-
	(3,600)	498,281
Prior year adjustments	(8,011)	8,119
	(11,611)	506,400

8. Dividends

	2000 £	1999 £
Final dividend of 0.25p per share proposed (1999: 1.1p)	48,736	207,655

9. Earnings per share

	Loss 2000 £	Weighted average number of shares 2000 Number	Per share 2000 p	Earnings 1999 £	Weighted average number of shares 1999 Number	Per share 1999 p
(Loss)/profit for the financial year before goodwill amortisation	(172,831)	18,824,566	(0.92)	1,075,317	18,110,556	5.94
Goodwill amortisation	(124,062)	-	(0.66)	(56,862)	-	(0.32)
(Loss)/profit for the financial year	(296,893)	18,824,566	(1.58)	1,018,455	18,110,556	5.62
Dilutive effect of options	-	-	-	-	742,641	(0.22)
	-	-	-	1,018,455	18,853,197	5.40

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

10. Goodwill

	£
The carrying value of goodwill comprises:	
Cost	
At 31 March 1999 and 2000	992,495
Amortisation	
At 1 April 1999	56,862
Charge for the year	124,062
At 31 March 2000	180,924
Net book value at 31 March 2000	811,571
31 March 1999	935,633

Goodwill 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 1999	165,020	757,059	242,721	238,707	1,403,507
Additions	3,420	51,876	19,295	16,423	91,014
Disposals	-	(1,580)	-	(82,605)	(84,185)
31 March 2000	168,440	807,355	262,016	172,525	1,410,336
Depreciation					
1 April 1999	50,774	590,217	155,563	109,712	906,266
Charge for the year	43,266	126,590	59,285	28,121	257,261
Disposals	-	(116)	-	(48,343)	(48,459)
31 March 2000	94,039	716,691	214,848	89,490	1,115,068
Net book value 31 March 2000	74,401	90,664	47,168	83,035	295,268
31 March 1999	114,246	166,842	87,158	128,995	497,241

Notes to the Accounts
for the year ended 31 March 2000

11. Tangible fixed assets continued

(b) Company

	Leasehold improvements £	Computer equipment £	Furniture, fittings and office equipment £	Motor vehicles £	Total £
Cost					
1 April 1999	61,650	362,097	145,932	238,707	808,386
Additions	-	11,154	-	10,102	21,254
Disposals	-	-	-	(82,605)	(82,605)
31 March 2000	61,650	373,251	145,932	166,204	747,035
Depreciation					
1 April 1999	8,658	248,333	89,453	109,712	456,156
Charge for the year	8,469	88,911	26,742	27,489	151,611
Disposals	-	-	-	(48,343)	(48,343)
31 March 2000	17,127	337,244	116,195	88,858	559,424
Net book value 31 March 2000	44,523	36,007	29,737	77,346	187,613
31 March 1999	52,992	113,764	56,479	128,995	352,230

12. Investments

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Subsidiary undertakings (see note 13)	6	6	824,667	784,667
Own shares	50,400	50,400	50,400	50,400
	50,406	50,406	875,067	835,067

The investment in own shares is shown within the balance sheet as a fixed asset at cost, and is in respect of a holding of 130,953 of the company's 5p shares. This represents 0.7% of the company's share capital at 31 March 2000, at which date the market value of these shares was £75,298. These shares are held by the Employee Share Benefit Trust, further details of which are given in note 24.

13. Subsidiary undertakings

	2000 £	Company 1999 £
Trainers Limited	784,659	784,659
Highams Recruitment Services (N.E.) Limited	2	2
Highams Holding B.V.	40,000	-
Non-consolidated subsidiaries	6	6
	824,667	784,667

The non-consolidated subsidiaries comprise, in 2000, three dormant subsidiaries. These have not been consolidated as the amount is considered immaterial. Trainers Limited and Highams Recruitment Services (N.E.) Limited are incorporated in the UK.

Highams Holding B.V. was incorporated in the Netherlands on 11th April 2000. The intention to incorporate was filed on 22nd October 1999. All subsidiaries are wholly owned.

14. Derivatives and other financial instruments

The group's financial instruments comprise borrowings, cash and items such as trade debtors and creditors that arise as a result of normal operations. The group does not enter into derivative transactions and does not trade in financial instruments.

The main risks arising from the group's financial instruments are interest rate risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The policy for eliminating foreign currency risk changed during the year and is summarised below.

Interest rate risk

The group finances its operations through a mixture of retained profit and bank borrowings. The group borrows in pounds sterling and US dollars at floating rates of interest.

Interest rate profile

The group overdraft facilities are charged at 1.125% above the UK base rate.

Foreign currency risk

The group trades within Europe. Transactions in Europe tend to be priced and invoiced in Guilders for the majority of transactions. The group's current policy is to eliminate significant currency exposures on sales at the time of sale by entering into forward contracts. Prior to this, the group did not enter into forward contracts.

Currency exposure

The table below shows the group's currency exposure. Such exposure comprises the net monetary assets of the group that are not denominated in sterling. This exposure is as follows:

	US\$ £	Guilder £	Euro £	Total £
31 March 2000	11,531	345,059	37,835	394,425
31 March 1999	-	344,044	-	344,044

Notes to the Accounts

for the year ended 31 March 2000

14. Derivatives and other financial instruments *continued*

Maturity of financial liabilities

The overdraft facility is repayable on demand. The maturity profile of the group's other financial liabilities is shown in note 23.

Borrowing facilities

The group has a sterling overdraft facility of £1,000,000 and a temporary facility for US dollars. At 31 March 2000, the group has not drawn down any of the sterling facility and there is no additional US dollar facility.

Fair values

The fair values of the financial assets and liabilities at 31 March 2000 are not materially different from their book values.

15. Debtors

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	4,389,372	6,259,616	3,759,951	5,509,714
Amounts due from subsidiary undertakings	-	-	653,295	701,919
Other debtors	41,374	126,844	-	66,965
Corporation tax	89,367	-	72,000	-
Prepayments and accrued income	442,495	169,481	348,604	98,764
	4,962,608	6,555,941	4,833,850	6,377,362

16. Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank overdrafts	38,209	67,199	38,209	48,582
Amounts owed to subsidiary undertakings	25,000	25,000	67,814	25,000
Trade creditors	1,124,724	1,942,185	806,111	1,563,935
Corporation tax	-	486,156	-	482,399
Other taxes and social security costs	169,181	166,964	134,656	120,898
Obligations under finance leases	28,506	25,661	-	-
Accruals and deferred income	504,783	335,895	330,469	222,757
Dividends	48,736	207,655	48,736	207,655
Other creditors	21,171	-	2,327	-
	1,960,310	3,256,715	1,428,322	2,671,226

Details of the bank overdraft are given in note 14.

17. Creditors: amounts due after more than one year

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Amounts due under finance leases	19,707	31,005	-	-
Finance leases are repayable as follows:				
Within one year	28,506	25,661	-	-
Between one and two years	6,976	26,644	-	-
Between two and five years	8,805	4,361	-	-
After five years	3,926	-	-	-
	48,213	56,666	-	-

18. Provision for liabilities and charges

Group:

	Deferred taxation £
As at 1 April 1999	18,600
Released to the profit and loss account	(3,600)
As at 31 March 2000	15,000

Company:

	Deferred taxation £
As at 1 April 1999	18,600
Released to the profit and loss account	(3,600)
As at 31 March 2000	15,000

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.

Notes to the Accounts
for the year ended 31 March 2000

19. Share capital

(a) Summary

	2000 Number	Authorised 1999 Number	2000 £	Authorised 1999 £
Ordinary 5p shares	24,000,000	24,000,000	1,200,000	1,200,000
	Allotted, called up and fully paid 2000 Number	Allotted, called up and fully paid 1999 Number	Allotted, called up and fully paid 2000 £	Allotted, called up and fully paid 1999 £
Ordinary 5p shares	19,494,298	18,877,760	974,715	943,888

(b) Changes in share capital

During the year, 616,538 ordinary shares of 5p each in the company were allotted and issued as follows:

- (i) 16,538 ordinary shares having an aggregate nominal value of £827 were issued in lieu of cash dividends, at a deemed price of 66.9p per share;
- (ii) 600,000 ordinary shares having an aggregate nominal value of £30,000 were allotted under the company's share option schemes for a consideration of £60,000.

(c) Contingent rights to the allotment of shares

As at 31 March 2000, options have been granted in respect of 837,240 (1999: 1,298,439) 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 2000 £	Total 1999 £
Issue of new shares	30,827	40,237	-	-	71,064	946,769
Expenses on issue of shares	-	(1,689)	-	-	(1,689)	(24,975)
(Loss)/profit for the financial year	-	-	-	(296,893)	(296,893)	1,018,455
Dividend proposed on equity shares	-	-	-	(48,736)	(48,736)	(207,655)
Exchange rate differences	-	-	-	(45,684)	(45,684)	-
Net (reductions)/additions to shareholders' funds	30,827	38,548	-	(391,313)	(321,938)	1,732,594
Opening shareholders' funds	943,888	641,114	221,792	3,165,150	4,971,944	3,239,350
Closing shareholders' funds	974,715	679,662	221,792	2,773,837	4,650,006	4,971,944

(b) Company

	Share capital £	Share premium £	Merger Reserve £	Profit and loss account £	Total 2000 £	Total 1999 £
Issue of new shares	30,827	40,237	-	-	71,064	946,769
Expenses on issue of shares	-	(1,689)	-	-	(1,689)	(24,975)
(Loss)/profit for the financial year	-	-	-	(339,466)	(339,466)	1,032,462
Dividend proposed on equity shares	-	-	-	(48,736)	(48,736)	(207,655)
Net (reductions)/additions to shareholders' funds	30,827	38,548	-	(388,202)	(318,827)	1,746,601
Opening shareholders' funds	943,888	641,114	221,792	3,179,157	4,985,951	3,239,350
Closing shareholders' funds	974,715	679,662	221,792	2,790,955	4,667,124	4,985,951

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.

Notes to the Accounts
for the year ended 31 March 2000

21. Net cash flow from operating activities

	2000 £	1999 £
Operating (loss)/profit	(302,189)	1,536,079
Depreciation of tangible fixed assets	257,261	180,943
Goodwill amortisation	124,062	56,862
Decrease/(increase) in debtors	1,594,276	(1,446,170)
(Decrease)/increase in creditors	(623,743)	270,146
Loss/(profit) on disposal of fixed assets	2,393	(1,697)
Net cash inflow from operating activities	1,052,060	596,163

22. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 1999 £	Cash flow £	Exchange Movement £	Non-cash transactions £	31 March 2000 £
Cash at bank and in hand	239,043	316,829	(30,702)	-	525,170
Overdrafts	(67,199)	28,990	-	-	(38,209)
	171,844	345,819	(30,702)	-	486,961
Obligations under finance leases	(56,666)	24,514	-	(16,061)	(48,213)
Net funds	115,178	370,333	(30,702)	(16,061)	438,748

Cash at bank and in hand includes £9,600 (1999:£9,600) in respect of monies held in the Employee Share Benefit Trust.

Reconciliation of net cash flow to movement in net funds

	2000 £	2000 £	1999 £	1999 £
Increase/(decrease) in cash in the period	345,819	-	(282,668)	-
Cash outflow from changes in finance lease financing	24,514	-	21,829	-
	370,333	-	(260,839)	-
Change in net funds/(net debt)	-	370,333	-	(260,839)
New finance leases	-	(16,061)	-	(78,495)
Currency translation difference	-	(30,702)	-	-
Net funds at 1 April 1999	-	115,178	-	454,512
Net funds at 31 March 2000	-	438,748	-	115,178

23. Financial commitments

Group:

	Land and buildings 2000 £	Other 2000 £	Land and buildings 1999 £	Other 1999 £
Non-cancellable operating leases expiring:				
Within one year	-	13,089	104,256	26,572
Between 2 and 5 years	208,204	52,224	66,654	32,361
After more than 5 years	47,004	-	110,253	-
	255,208	65,313	281,163	58,933

	US\$ £	Guilder £	Euro £	Total £
Unmatched forward exchange contracts:				
As at 31 March 2000	-	76,839	59,500	136,339
As at 31 March 1999	-	-	-	-

Company:

	Land and buildings 2000 £	Other 2000 £	Land and buildings 1999 £	Other 1999 £
Non-cancellable operating leases expiring:				
Within one year	-	12,353	-	5,070
Between 2 and 5 years	94,504	14,478	-	25,257
After more than 5 years	-	-	110,253	-
	94,504	26,831	110,253	30,327

	US\$ £	Guilder £	Euro £	Total £
Unmatched forward exchange contracts:				
As at 31 March 2000	-	-	59,500	59,500
As at 31 March 1999	-	-	-	-

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, the number of shares increased to 98,000 at an exercise price of 62.5p. A further 268,521 options were granted and 15,000 lapsed during the year to 31 March 1999. In the current year, a further 89,990 were granted and 34,000 lapsed, leaving the total options outstanding at 31 March 2000 at 407,511. Exercise of these is conditional on an increase in earnings per share by at least 20% p.a. compound over a minimum period of three years. The scheme will terminate on 17 May 2006.

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 2005. The total number of shares under option at 31 March 2000 was 429,729 (1999: 946,918), following the granting of options on 11 July 1999 over 82,811 shares and the exercise of 600,000 shares during the year. Options on 200,000 shares can be exercised between November 1999 and May 2005, on 146,919 shares between June 2001 and May 2005 and on 82,810 between July 2002 and May 2005.

Employee Share Benefit Trust

An Employee Share Benefit Trust was established in November 1995. 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 (1999: £nil). The Trust acquired 2,953 of the company's 5p shares in lieu of dividend during the year and now holds 130,953 shares. No shares have been transferred to employees or were under option as at 31 March 2000 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 2000 was cash at bank of £9,600 (1999: £9,600) which is included in the company's balance sheet as part of cash at bank and in hand. The Trust had no liabilities.

25. Related party transactions

During the year, the group purchased accounting services in the ordinary course of business from Tony Eve Associates, of which the director, Maurice Anthony Eve is a partner, at a cost of £17,997 (1999: £ nil).