



HIGHAMS

SYSTEMS SERVICES GROUP PLC

Highams Systems Services Group plc is a specialist IT systems services company, providing IT recruitment, strategic business consultancy and financial application software and services.

Specialists in the insurance and retail financial services sectors.

Annual Report & Accounts

for the year ended 31 March 2001

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Highams will be the *best* provider of integrated business consultancy, systems services, systems resources and software products by:

- *Business focus* concentrating on our specialist market sectors
- *Excellence* exceeding client expectations for service, quality and value for money
- *Staff* ensuring our people are knowledgeable, skillful and motivated
- *Trust* developing relationships of mutual trust with clients and suppliers

Group at a glance

- Highams Recruitment Limited
provides total IT resource solutions into the Insurance and Financial Services sectors. 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 positioned us as the specialist of choice with many blue chip organisations.
- Highams Recruitment BV
is situated in the Hague, and serves the Dutch and Northern European markets. Applying the same focused approach and recognised processes as the UK, the company operates primarily in its niche areas of insurance, finance, and e-business.
- Highams Business Solutions Limited
provides factoring and related financial software applications. Highams' market leading application, *Hi-Finance*, has an installed base ranging from small specialist factors through to major international financial groups. *Hi-Finance* provides the full range of factoring, invoice discounting and asset-based lending capabilities, all with e-commerce functionality.
- Highams Consulting Limited
provides strategic business and IT consultancy into the retail financial services sector. Focusing on three key areas – Supply Chain Management, Customer Relationship Management and Business Transformation – its impressive list of blue chip clients benefit from Highams Consulting's team of highly skilled consultants.

Operating and Financial Highlights

	2001 £'000	2000 £'000
Turnover	20,662	26,864
Loss before goodwill amortisation, closure costs and tax	(532)	(185)
Loss attributable to shareholders	(2,023)	(297)
Fixed Assets	187	1,157
Net Current Assets	2,422	3,528
Shareholders' funds	2,594	4,650
Earnings per share*	(2.70)p	(0.92)p
Dividend per share	0.25p	0.25p

* pre-amortisation of goodwill and closure costs

Recruitment Services Division

- Operating profit and turnover both decreased
- Steadily improving performance in second half of year
- Increased permanent recruitment revenues
- Improvement in overall percentage margin
- New 'preferred supplier' relationships

Factoring Services Division

- Operating profit and turnover both decreased
- Improved performance in second half of year
- New marketing alliances initiated
- Co-sponsors of first European Factoring Conference

Consultancy Services Division

- Operating loss on reduced turnover
- Continuing investment in top consultants
- Introduction of new e-procurement consultancy service

Trainers Limited

- Closure in November 2000

Chairman's Statement

Nigel Graham Maw



Our decision last October to close Trainers Limited (Trainers) in order to limit our losses at that company, and to present our Interim Results on that basis, makes it important this year to contrast between the results of the two halves of our last financial year.

The substantial loss that we incurred this year was primarily due to Trainers, as was reported in our Interim Results. In the second half of the year, we have had to make an additional provision for Trainers' closure. However, our continuing activities experienced a moderate improvement in performance in the later months, with steadily increasing turnover and half-year losses reduced from £90k to £14k.

For the whole year, the results are as follows:

Financial Results Group turnover for the year amounted to £20.7m (2000: £26.9m) with an operating loss, before goodwill amortisation and the loss on closing Trainers, of £503k (2000: loss £178k). After amortising goodwill and providing for the loss on closing Trainers, Group pre-tax losses for the year rose to £2,032k (2000: loss £309k).

In our Interim Results to 30 September 2000 we provided £1.2m in respect of the loss on closing Trainers. This amount included writing off the balance of goodwill and providing for the trading losses and estimated closure costs of Trainers. The provision in the annual accounts has increased to £1.4m as a result of increased closure costs not fully provided for when the Interims were prepared.

A more detailed analysis of divisional trading is provided in the Group Managing Director's report.

New Trading Subsidiaries In my 30 March 2001 letter, I explained that the Board had decided that, as from 1 April 2001, our three operating divisions should operate as subsidiaries of Highams, namely Highams Recruitment Limited, Highams Consulting Limited, and Highams Business Solutions Limited (provider of Hi-Finance, our proprietary Factoring Software system). Each has its own board and budget, and responsibility for its own management and development.

This structure engenders a more focussed approach for each business unit, facilitates more dynamic career paths and promotion prospects for staff, and provides greater immediate linkage between what our employees do day by day, and the achievements of "their" company. The main board of Highams continues to exercise a regular supervisory role over the activities of each subsidiary and to develop the Group's strategic plans for the future.

Board Changes We announced on 30 March this year that Chris Northam resigned from the Board. We are grateful to Chris for all he has done to help develop our Recruitment Division and for helping with the transition to the very experienced management team who now lead Highams Recruitment Limited. We wish Chris happiness and success in the future.

Share Capital During the year, a total of 80,000 shares were issued for cash under our Option Schemes. No other new shares were issued.

Share Option Schemes The Chancellor of the Exchequer's Budget in March 2000 heralded the introduction of a new approach to linking employee share ownership and improvements in productivity.

We have always placed high emphasis on encouraging employees at all levels to own a stake in the Group. Shareholders supported the Board by passing resolutions at our Extraordinary General Meeting, held immediately after last year's AGM, enabling two new schemes to be set up, namely an Enterprise Management Incentive ("EMI") Scheme, and an All Employee Share ("AES") Scheme. Under the EMI scheme, two main board executives currently hold options over a total of 519,480 shares at 38.5p per share.

Revenue approval for our AES scheme was not received until after the year-end. However, following publication of the preliminary results announcement, a total of 168,000 new shares will be issued and allotted free amongst all employees with more than 12 months service.

Chairman's Statement

continued

Final Dividend Despite a second year of losses, the Board is confident in the future of the Group. Accordingly, your Directors are recommending the payment of a final dividend this year of 0.25p per share, the same rate as last year.

Executives and staff Last year was a difficult one for us all. I am grateful to our management and staff at all levels. We have an experienced, loyal and hard-working team in which we have great confidence for the future.

Outlook and Current Trading We have experienced slow but steady growth in our market since last July. We are expecting that similar conditions will prevail throughout the current year, enabling us to maintain our steady improvement in performance.

N N. Graham Maw

N N Graham Maw
Chairman
22 June 2001

Highams' clients

Insurance

AIG Europe (UK)
 Abbey Life
 Alfa Life
 Barclays Life Assurance
 Centage Life
 Century Financial Services
 CGU Life
 Cominh Insurance

Employers Reinsurance Corp
 Equitas
 ERC Frankfurt
 Euro Assistance
 Independent Insurance
 Insurance Trading Exchange
 Legal & General
 Lincoln UK
 Lloyds TSB Group

Nationwide Life
 Norwich Union
 Provident Insurance
 Prudential Assurance
 Standard Life Assurance
 Scottish Provident (UK)
 Teachers Assurance
 Winterthur Life
 Zurich Insurance

Iain Andrews



Group Managing Director's Report

My report twelve months ago addressed a year throughout which levels of business had fallen consistently because of the year 2000 effect. This decline bottomed out at Highams in the second quarter of the year just ended. Accordingly, our core areas of IT Recruitment and Factoring Software enjoyed an improved second half to the year. However, our Consulting Division's results were affected at this time by investment in senior personnel and reduced business levels.

The year-on-year financial comparisons cannot reflect this improving trend because of the very low start point for the year 2000/2001. Therefore I have included in this report some comparisons between the first and second halves of the year to illustrate the improvement.

Strategy We believe that we must maintain a focussed approach to our niche markets of insurance and finance. All our operating subsidiaries address particular specialised areas within these markets, enabling our staff to develop a deep knowledge of our clients' businesses. This is one of the key factors that differentiates Highams from less focussed competitors.

Trading Review

Recruitment Services In July 2000, the number of our contractors placed with clients started to grow again after the long downturn and the number of permanent placements also started to improve.

For the year as a whole, turnover (including our activities in Holland) fell to £17.7m (2000: £22.8m) and pre-tax operational profit for the Division (before head office and administrative expenses) amounted to £1.2m (2000: £1.8m).

Comparing the first half-year with the second, turnover increased from £8.3m to £9.4m, with segmental profit increasing from £573k to £636k.

Factoring Services Market demand for new factoring systems has remained disappointing. Accordingly, licensing income for our very successful factoring software, Hi-Finance, was below expectation. However, there continued to be a strong level of demand for development and support services particularly in the second half.

Turnover for the year was £1.6m (2000: £1.8m). As a result, this part of the Group made a reduced pre-tax operating profit of £361k (2000: £474k), before head office and administrative expenses.

Comparing the first half-year with the second, turnover increased from £713k to £859k, with segmental profit increasing from £120k to £241k.

Highams' clients

Banking & Finance

Alahey National
 Artesis Factors
 Aston Prothbury Factors
 Barclays Funds
 Barclays ShareSave
 Century Financial Services

Commonwealth Bank of Australia
 De Lage Landen
 Fidelity Investment Management
 Fortis Commercial Finance
 GLE Invoice Finance
 Halifax
 Invesco Asset Management

Metropolitan Factors
 Money Fund Management
 Panbas
 Potential Finance
 Schroder Unit Trusts
 Singer & Friedlander Factors
 Transamerica Commercial Finance

Group Managing Director's Report

continued

Consultancy The Group continues to invest in this important strategic area. Although the recruitment of the right people is proving difficult, the development of methods and processes remains on schedule. The increase in investment has had a significant impact on this year's results.

Turnover was £0.45m (2000: £0.70m). Consultancy made an increased pre-tax operating loss of £144k (2000: £113k), before head office and administrative expenses.

Trainers Limited Having ceased trading in November 2000, Trainers suffered trading losses for the part year, including goodwill amortisation, of £475k. Additionally, costs of closure together with the balance of attributable goodwill (a total of £1.4m) have been written off in the Group accounts. The considerable management effort expended both in evaluating the options for Trainers and its subsequent closure has now been redirected to our continuing businesses.

The Market The IT Software and Services Industry experienced a marked reduction in its rate of growth in the past year, down from 15% in 1999 to 9.5% in 2000 (source: Ovum Holway). A similar growth rate is predicted for this year. In such a relatively quiet market, by historical standards, our long-term relationships with many of our clients provide the important foundation on which we build our growth. Both our Factoring Services and our Recruitment businesses have started the new financial year with a substantial quantity of committed business from our blue-chip clients.

Our bigger clients are increasingly centralising their procurement processes. Highams Consultancy has developed a service to help our clients prepare for and implement such processes and their associated support systems. Such centralised procurement can affect our Recruitment business: it provides us with the opportunity for high-volume business, but typically at reduced margins. We are adapting our sales approach to maximise the opportunities this presents.

Last year's introduction of the tax legislation known as IR35 has had little apparent impact on sales levels in Recruitment, though the full effects of the legislation are still uncertain.

Group Prospects Our budget for 2001/2002 is underpinned by our experience of modest growth in our niche sectors over the past year and supported by the forecasts of independent analysts for our market as a whole. Planned investments in the coming year, in personnel, equipment and systems will be carefully managed to help ensure an improving outcome for this and subsequent years.

In our Recruitment subsidiary, we intend to continue to grow our permanent and contract recruitment services by increasing our staffing levels and finding high-quality individuals to join our very experienced team. We will continue to invest in new systems; these will not only support our internal processes, but will also link up with our clients and applicants to provide value-added services.

Highams' clients

Non financial
 Anita Systems
 Compaq
 CSC
 LDS
 FI Group

Global Crossing
 Hewlett Packard
 Hush Corporation
 ICL
 Misys
 Percept Consulting

Travelstore.com
 Unisys
 PriceWaterhouseCoopers
 FT Knowledge

To help maximise the benefits of an improving market for our Factoring software, we have entered into a strategic marketing alliance with RiskFactor Solutions Limited to help promote our complementary systems to the factoring and asset based finance markets. Additionally, we are in negotiation with other parties to assist in the penetration of geographical markets that we have not previously addressed, and we co-sponsored the first European Factoring conference held recently in Amsterdam.

The results of independent research in our specialised areas, commissioned by us, have generated considerable interest in our new Consultancy services from both current clients and prospects. We continue to invest in the recruitment of top consultants in order to meet the projected demands of this part of our Group.

Staff Continuing our plan for staff development and participation, in the past twelve months we have made a determined effort to help more of our team understand the wider aspects of the business in which they work. This included, for many of them, active involvement in the planning and budgeting process for their subsidiary company and/or the Group as a whole. I would like to extend my thanks to all our staff for their thoughtful, hard-working and cheerful contribution to the Group in the past year.

E I Andrews
 Group Managing Director
 22 June 2001


 22/6/01

Nigel Graham Maw



Ted Andrews



Tony Eve



Directors

Nigel Graham Maw

MA LL.M (Cantab) (aged 67) Non-Executive Chairman

Nigel Graham Maw was, until April 1993, Senior Partner of Rowe & Maw, Solicitors. He is 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 non-executive director of Telephone Rentals plc from 1984 to 1989.

Edward Ian Andrews

(aged 49) 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 became Group Managing Director in October 1999.

Maurice Anthony Eve

FCA (aged 47) Finance Director

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

John Edward Higham

ACII (aged 56) Non-Executive Director 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. He was Chief Executive of Highams until April 2000.

Bryan John Martin

MBA (aged 45) 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. He joined Highams in 1992 and became an executive director in June 1998.

Clive Williams

MBA (aged 38) Executive Director

Clive Williams joined Highams in January 1996 and is responsible for Group Business Development. He has 16 years experience in the IT industry with a background ranging from large IBM mainframe environments to managing companies which deliver leading-edge distributed systems. He became an executive director in July 1999.

John Higham



Bryan Martin



Clive Williams



Directors and Advisers

Directors

NN Graham Maw, (*Chairman*)
 EI Andrews, (*Group Managing Director*)
 MA Eve, (*Finance Director*)
 JE Higham, (*Non-executive*)
 BJ Martin
 C Williams

Secretary

MA Eve

Registered Office

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

Auditors

Arthur Andersen
 17 Lansdowne Road
 Croydon
 CR9 2PL

Bankers

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

Registered number

1700310

Registrars

Capita IRG Plc
 Balfour House
 390/398 High Road
 Ilford
 Essex
 IG1 1NQ

Nominated Adviser and Broker

Teather & Greenwood Limited
 Beaufort House
 15 St Botolph Street
 London
 EC3A 7QR

Solicitors

Withers
 16 Old Bailey
 London
 EC4M 7EG

Ormerods

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 for the year ended 31 March 2001.

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

With effect from 1st April 2001, the Group converted its three main divisions, Recruitment Services, Factoring Services and Consultancy in to wholly owned subsidiary companies, namely Highams Recruitment Limited, Highams Business Solutions Limited and Highams Consulting Limited.

Results and Dividends The Group recorded a loss before taxation of £2,032k (2000: loss £309k) on a turnover of £20.66m (2000: £26.86m).

As noted in the Chairman's statement, the directors recommend a final dividend of 0.25p per share (2000: 0.25p). No interim dividend was paid during the year (2000: £nil).

Review of Business This review is contained in the Group Managing Director's Report.

Directors The directors of the company are set out on page 11. All served throughout the year except for Mr CF Northam who resigned on 30th March 2001.

In accordance with the company's Articles of Association, Mr E I Andrews and Mr J E Higham retire by rotation and offer themselves for re-election. Biographical details for these two directors are provided on page 10.

Directors' interests in shares The persons who held the office of director at 31 March 2001 had the following interests in fully paid ordinary 5p shares of the company at the beginning and end of the financial year:

	31 March 2001		1 April 2000	
	Shares	Options	Shares	Options
NN Graham Maw	90,126	—	90,126	—
EI Andrews	3,400,000	—	3,400,000	—
MA Eve	62,400	—	50,400	—
JE Higham	8,527,649	—	8,527,649	—
BJ Martin	52,181	379,740	52,181	240,000
C Williams	—	259,740	—	103,440

Notes:

1. *NN Graham Maw's interest is held by his personal pension plan.*
2. *MA Eve's interest includes 37,200 shares held by his wife and children.*
3. *MA Eve has further non-beneficial interests in the 1,230,000 shares held by The John Higham Family Trust of which he is a trustee (see 4 also).*
4. *JE Higham's interest includes 200,000 shares held by his wife and 1,230,000 shares held by The John Higham Family Trust.*
5. *BJ Martin's interest includes 11,524 shares held jointly by himself and his wife.*

At 31 March 2000, BJ Martin had options over 207,522 shares in the Unapproved Executive Option Scheme, exercisable at amounts ranging from 10p to £1.15. During the year, 87,522 of these options lapsed and at 31 March 2001, he had options over 120,000 shares exercisable at 10p per share. At 31 March 2000, he also had options over 32,478 shares in the Inland Revenue Approved Employee Share Option Scheme. These have lapsed during the year. In addition, during the year, he had 259,740 options granted under the Enterprise Management Incentive Scheme. These are exercisable at 38.5p per share.

At 31 March 2000, C Williams had options over 77,353 shares in the Unapproved Executive Option Scheme, exercisable at amounts ranging from 52.5p to £1.15. At 31 March 2000 he also had options over 26,087 shares in the Inland Revenue Approved Employee Share Option Scheme. All of these options lapsed during the year. During the year, he had 259,740 options granted under the Enterprise Management Incentive Scheme. These are exercisable at 38.5p per share.

Report of the Directors

(continued)

Substantial Shareholders As at 12 June 2001, the following substantial shareholdings have been notified to the company:

	Number of Shares	% of issued Share Capital
Direct Nominees Limited	686,080	3.50%
D J Drinan Esq	995,380	5.08%
New Town Nominees Limited	689,300	3.52%
E I Andrews	3,400,000	17.37%
J E Higham	7,097,649	36.26%
John Higham Family Trust	1,230,000	6.28%

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 15 to 16 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 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 2001 was 21 (2000: 16).

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.

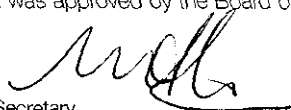
European Monetary Union The company has liaised with its European customers to ensure that it satisfies any requirements that they may have in dealing in the Euro.

Charitable and political donations During the year, the company made charitable donations of £77 (2000: £50). 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 22 June 2001.

M A Eve
Company 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 the Group and of the profit or loss of the Group for that period. In preparing the 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of 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. Regular strategy meetings are held to review the Group's forward planning – vital in a rapidly changing market and technology environment.

The Board currently consists of four executive directors and two non-executive directors. The company does not have a Nomination Committee as such; the Board collectively undertakes the functions of such a committee.

The Chairman and the Group Managing Director These 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.

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.

Statement of Corporate Governance

continued

Audit Committee The Board has an established Audit Committee chaired by John Higham; the other members of the committee are Nigel Graham Maw and Ted Andrews.

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, Deputy Chairman and Finance Director. The Board has adopted a set of operational rules for "Remcom" which will be available for inspection at the AGM.

The three full-time executive directors receive a basic annual salary plus other usual benefits. In addition, Remcom may allocate bonuses to executives in the light of the performance of the company and of the executives individually during the year. The maximum aggregate sum to be allocated by Remcom each year is fixed by the Board. These directors each has a service agreement terminable by the company by not less than twelve months' notice or by the executive by not less than six months' notice.

The Finance Director is also executive but on a part-time basis. His firm receives a fee for his services. His appointment is terminable on six months' notice.

The non-executive directors are paid an annual fee plus, where applicable, a special per diem fee for assistance on specific projects. The annual level of fees for each of the NEDs is reviewed by the executive directors annually with effect from 1 April. The NEDs' respective appointments are terminable at any time without compensation by the company in general meeting.

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.

Report of the Auditors

To the shareholders of Highams Systems Services Group plc

We have audited the accounts on pages 18 to 36 which have been prepared under the historical cost convention and the accounting policies set out on page 22.

Respective responsibilities of directors and auditors

As described on page 15, 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.

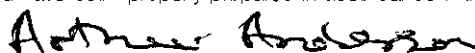
Basis of opinion

We conducted our audit in accordance with the 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 2001 and 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

17 Lansdowne Road

Croydon

CR9 2PL

22 June 2001

Consolidated Profit and Loss Account

for the year ended 31 March 2001

	Notes	Discontinued operations £'000	Continuing operations £'000	2001 £'000	2000 £'000
Turnover	2	943	19,719	20,662	26,864
Cost of Sales		(612)	(17,474)	(18,086)	(23,656)
Gross profit		331	2,245	2,576	3,208
Administrative Expenses					
– excluding goodwill amortisation		(730)	(2,349)	(3,079)	(3,386)
– goodwill amortisation		(76)	–	(76)	(124)
		(806)	(2,349)	(3,155)	(3,510)
Operating loss	2	(475)	(104)	(579)	(302)
Loss on closure of discontinued operations	10a			(1,424)	–
Loss on ordinary activities before finance charges				(2,003)	(302)
Interest receivable	4a			14	4
Amounts written off investments				(37)	–
Interest payable	4b			(6)	(11)
Loss on ordinary activities before taxation	3			(2,032)	(309)
Tax on loss on ordinary activities	7			9	12
Loss for the financial year				(2,023)	(297)
Dividends	8			(49)	(49)
Loss for the year	20			(2,072)	(346)
Loss per share – basic					
Loss for the financial year before goodwill amortisation	9			(2.70)p	(0.92)p
Loss for the financial year	9			(10.43)p	(1.58)p

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 2001

	2001 £'000	2000 £'000
Loss for the financial year	(2,023)	(297)
Profit/(loss) on foreign currency translation	8	(46)
Total recognised losses	(2,015)	(343)

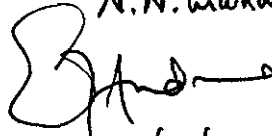
Consolidated Balance Sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Goodwill	10	-	812
Tangible assets	11	165	295
Investments	12	22	50
		<u>187</u>	<u>1,157</u>
Current assets			
Debtors	15	4,761	4,963
Cash at bank and in hand		<u>237</u>	<u>525</u>
		4,998	5,488
Creditors: amounts falling due within one year	16	<u>(2,576)</u>	<u>(1,960)</u>
Net current assets		<u>2,422</u>	<u>3,528</u>
Total assets less current liabilities		2,609	4,685
Creditors: amounts falling due after more than one year	17	-	(20)
Provision for liabilities and charges	18	<u>(15)</u>	<u>(15)</u>
Net assets		<u>2,594</u>	<u>4,650</u>
Capital and reserves			
Called up share capital	19	979	975
Reserves	20a	<u>1,615</u>	<u>3,675</u>
Equity shareholders' funds	20a	<u>2,594</u>	<u>4,650</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 22 June 2001
 NN Graham Maw & El Andrews, Directors

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

N.N. Graham Maw

 22/6/01

Parent Company Balance Sheet

31 March 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	11	162	188
Investments	12	32	875
		<u>194</u>	<u>1,063</u>
Current assets			
Debtors	15	4,585	4,834
Cash at bank and in hand		82	214
		<u>4,667</u>	<u>5,048</u>
Creditors: amounts falling due within one year	16	<u>(2,231)</u>	<u>(1,429)</u>
Net current assets		<u>2,436</u>	<u>3,619</u>
Total assets less current liabilities		2,630	4,682
Provision for liabilities and charges	18	<u>(15)</u>	<u>(15)</u>
Net assets		<u>2,615</u>	<u>4,667</u>
Capital and reserves			
Called up share capital	19	979	975
Reserves	20b	<u>1,636</u>	<u>3,692</u>
Equity shareholders' funds	20b	<u>2,615</u>	<u>4,667</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 22 June 2001
 NN Graham Maw & El Andrews, Directors

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

N.N. Graham Maw
 El Andrews
 22/6/01

Consolidated Cash Flow Statement

for the year ended 31 March 2001

	Notes	2001 £'000	2000 £'000
Net cash (outflow)/inflow from operating activities	21	(267)	1,052
Returns on investments and servicing of finance			
Interest received		14	5
Interest paid		(3)	(4)
Interest element paid on finance leases		(3)	(7)
Net cash inflow/(outflow)		8	(6)
Taxation			
UK Corporation tax received/(paid)		18	(495)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(139)	(75)
Sale of tangible fixed assets		25	33
Purchase of own shares		(9)	—
Net cash outflow		(123)	(42)
Equity dividends paid		(49)	(197)
Financing			
Net proceeds from issue of shares		8	58
Capital element of finance leases	22	(48)	(24)
Net cash (outflow)/inflow		(40)	34
(Decrease)/increase in cash in the year	22	(453)	346

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

Notes to the Accounts

for the year ended 31 March 2001

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.

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 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 of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

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.

Foreign currency (on consolidation)

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 from this policy are dealt with through reserves.

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		Factoring Services		Consultancy		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover								
Sales to third parties								
– continuing operations	17,697	22,833	1,572	1,847	450	708	19,719	25,388
Sales to third parties								
– discontinued operations							943	1,476
							20,662	26,864
Segment profit/(loss)	1,209	1,759	361	474	(144)	(113)	1,426	2,120
Goodwill amortisation (note 10)							(76)	(124)
Discontinued operations							(399)	(618)
Common costs							(1,530)	(1,680)
Operating loss							(579)	(302)
Loss on closure of								
discontinued operations							(1,424)	–
Interest receivable							14	4
Amounts written off investments							(37)	–
Interest payable							(6)	(11)
Loss on ordinary activities								
before taxation							(2,032)	(309)
Segment net assets	2,105	3,112	295	540	17	43	2,417	3,695
Goodwill							–	812
Discontinued operations							(292)	(1,017)
Unallocated net assets							469	1,160
Net assets							2,594	4,650

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

Recruitment Services are made up from the Dutch office and UK division. Factoring Services and Consulting were reported last year under one division, Business Solutions, and have been separated. The Group's main operating divisions are, with effect from 1 April 2001, subsidarised becoming Highams Recruitment Limited, Highams Business Solutions Limited and Highams Consulting Limited.

(b) Geographical segments:

	Turnover by origin		Turnover by destination	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
United Kingdom	19,495	24,693	17,684	22,761
Rest of World	1,167	2,171	2,978	4,103
	20,662	26,864	20,662	26,864

Notes to the Accounts

for the year ended 31 March 2001

3. Loss on ordinary activities before taxation

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

	2001 £'000	2000 £'000
Auditors' remuneration – for audit services	28	32
– for other services payable to group auditors	30	15
Goodwill amortisation (note 10)	76	124
Depreciation and amounts written off tangible fixed assets		
– owned assets	140	227
– leased assets	19	30
Operating lease rentals		
– buildings	250	290
– vehicles and computers	151	195

4. Interest

(a) Interest receivable

	2001 £'000	2000 £'000
Bank deposit	14	4

(b) Interest payable

	2001 £'000	2000 £'000
Bank overdraft	3	4
Interest payable under finance leases	3	7
	6	11

5. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	2001 £'000	2000 £'000
Wages and salaries	2,715	2,517
Social security costs	287	334
Other pension costs	148	197
	3,150	3,048

5. Information regarding employees (including directors) continued

(b) Staff numbers

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

	2001 Number	2000 Number
Management	9	12
Production and administration	37	57
Sales and marketing	44	32
	<u>90</u>	<u>101</u>

The average number of staff during the year includes the average in Trainers Limited up to its closure date. The average number of staff employed in the continuing operations, excluding Trainers Limited, during the year was 58.

6. Directors' remuneration

Aggregate remuneration

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

	2001 £	2000 £
Emoluments	575,950	619,635
Gains on exercise of share options	—	217,800
Money purchase pension contributions	<u>72,722</u>	<u>100,253</u>
	<u>648,672</u>	<u>937,688</u>

(a) Directors' emoluments

	Fees/basic salary £	Taxable benefits £	Money purchase pension contributions £	Severance payment £	2001 £	2000 £
Executive						
El Andrews	120,000	8,225	41,400	—	169,625	164,018
MA Eve	35,950	—	—	—	35,950	48,125
BJ Martin	95,593	8,243	18,000	—	121,836	117,002
CF Northam (resigned 30 March 2001)	101,098	10,776	2,400	30,000	144,274	332,063
C Williams	85,835	7,230	10,922	—	103,987	53,286
Non-Executive						
NN Graham Maw	48,000	—	—	—	48,000	42,000
JE Higham (executive until 31 March 2000)	23,606	1,394	—	—	25,000	168,194
DJ Drinan (resigned 31 March 2000)	—	—	—	—	—	13,000
Aggregate emoluments	<u>510,082</u>	<u>35,868</u>	<u>72,722</u>	<u>30,000</u>	<u>648,672</u>	<u>937,688</u>

The services of NN Graham Maw and JE Higham are secured by letters of appointment, and these appointments can be terminated by the company in general meeting at any time. El Andrews, BJ Martin 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 6 months' notice. C Northam resigned as a director with effect from 30th March 2001.

Notes to the Accounts

for the year ended 31 March 2001

6. Directors' remuneration *continued*

(b) Directors' pension entitlements

During the year four directors were 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 12.

7. Tax on loss on ordinary activities

The tax credit for the year comprises

	2001 £'000	2000 £'000
Corporation tax on the adjusted loss for the year	–	–
Deferred taxation	–	(4)
	–	(4)
Prior year adjustments	(9)	(8)
	(9)	(12)

8. Dividends

	2001 £'000	2000 £'000
Final dividend of 0.25p per share proposed (2000: 0.25p)	49	49

9. Loss per share

	Loss 2001 £'000	Weighted average number of shares 2001 '000	Per share 2001 p	Loss 2000 £'000	Weighted average number of shares 2000 '000	Per share 2000 p
Loss for the financial year before goodwill amortisation and closure costs	(523)	19,404	(2.70)	(173)	18,825	(0.92)
Goodwill amortisation and loss on closure of discontinued operations	(1,500)	–	(7.73)	(124)	–	(0.66)
Loss for the financial year	(2,023)	19,404	(10.43)	(297)	18,825	(1.58)

Loss per share has also been calculated based on the loss for the financial year before goodwill and closure costs as the directors believe this loss per share figure provides a better indication of operating performance.

Diluted loss per share has been excluded as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of FRS14.

10. Goodwill and loss on closure of discontinued operations

(a) Loss on closure of discontinued operations

	2001 £'000
Closure costs	688
Write down of goodwill	736
	<u>1,424</u>

(b) Goodwill

£'000

The carrying value of goodwill comprises:

Cost

At 31 March 2000 and 2001

993

Amortisation

At 1 April 2000

181

Charge for the period to closure

76

Write down on closure (see a above)

736

At 31 March 2001

993

Net book value 31 March 2001

-

31 March 2000

812

The goodwill arose on the acquisition of Trainers Limited (Trainers). On 31st October 2000, the Board of the company decided to discontinue the company's financial support of Trainers and Trainers ceased to trade on 10 November 2000. Accordingly, the entire goodwill has now been written off.

11. Tangible fixed assets

(a) Group

	Leasehold improvements £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
1 April 2000	168	807	262	173	1,410
Additions	19	120	-	-	139
Disposals	(109)	(463)	(115)	(94)	(781)
31 March 2001	<u>78</u>	<u>464</u>	<u>147</u>	<u>79</u>	<u>768</u>
Depreciation					
1 April 2000	94	717	215	89	1,115
Charge for the year	32	84	31	12	159
Disposals	(99)	(405)	(112)	(55)	(671)
31 March 2001	<u>27</u>	<u>396</u>	<u>134</u>	<u>46</u>	<u>603</u>
Net book value 31 March 2001	<u>51</u>	<u>68</u>	<u>13</u>	<u>33</u>	<u>165</u>
31 March 2000	<u>74</u>	<u>90</u>	<u>47</u>	<u>84</u>	<u>295</u>

Notes to the Accounts

for the year ended 31 March 2001

11. Tangible fixed assets continued

(b) Company

	Leasehold improvements £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
1 April 2000	62	373	146	166	747
Additions	16	87	—	6	109
Disposals	—	(3)	—	(94)	(97)
31 March 2001	78	457	146	78	759
Depreciation					
1 April 2000	17	337	116	89	559
Charge for the year	10	53	18	11	92
Disposals	—	—	—	(54)	(54)
31 March 2001	27	390	134	46	597
Net book value 31 March 2001	51	67	12	32	162
31 March 2000	45	36	30	77	188

12. Investments

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Subsidiary undertakings (see note 13)	—	—	10	825
Own shares	22	50	22	50
	22	50	32	875

The investment in own shares is shown within the balance sheet as a fixed asset at valuation at 31 March 2001, and is in respect of a holding of 148,953 (2000: 130,953) of the company's 5p shares held by the Employee Share Benefit Trust (the trust purchased 18,000 shares at a cost of £8,181 on 26 June 2000). This represents 0.8% of the company's share capital at 31 March 2001. Further details of shares held by the Employee Share Benefit Trust are given in note 24.

13. Subsidiary undertakings

	Company £'000
At 1 April 2000	825
Amounts written off	(815)
At 31 March 2001	10

	Principal activity	Class of shares held
Consolidated subsidiaries :		
Highams Recruitment Services (N.E.) Limited	Recruitment	Ordinary
Highams Recruitment BV	Recruitment	Ordinary
Trainers Limited	Training	Ordinary

At 31 March 2001, there were seven non-consolidated subsidiaries. These have not been consolidated as the amount is considered immaterial. All subsidiaries are incorporated in the UK other than Highams Holding BV and Highams Recruitment BV, which are incorporated in the Netherlands. 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.

Interest rate risk

The Group finances its operations through a mixture of retained profit and bank borrowings. The Group borrows in pounds sterling, Dutch guilders 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.

Currency exposures

The table below shows the Group's currency exposures. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in sterling.

	US\$ £'000	Guilder £'000	Euro £'000	Total £'000
31 March 2001	—	105	10	115
31 March 2000	12	345	38	395

Notes to the Accounts

for the year ended 31 March 2001

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 £2,000,000. At 31 March 2001 the Group had drawn down £194,943 of the sterling facility.

Fair values

The fair values of the financial assets and liabilities at 31 March 2001 are not materially different from their book values.

15. Debtors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	4,233	4,390	3,938	3,760
Amounts due from subsidiary undertakings	—	—	154	653
Other debtors	20	41	—	—
Corporation tax	80	89	71	72
Prepayments and accrued income	428	443	422	349
	<u>4,761</u>	<u>4,963</u>	<u>4,585</u>	<u>4,834</u>

16. Creditors: amounts falling due within one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank overdraft	195	38	133	38
Amounts owed to subsidiary undertakings	25	25	—	68
Trade creditors	1,371	1,125	1,100	806
Other taxes and social security costs	208	169	145	135
Obligations under finance leases	—	28	—	—
Accruals and deferred income	496	506	455	331
Dividends	49	49	49	49
Other creditors	232	21	349	2
	<u>2,576</u>	<u>1,960</u>	<u>2,231</u>	<u>1,429</u>

Details of the bank overdraft are given in note 14.

The bank overdraft is secured by a fixed and floating charge over the Group's fixed assets.

17. Creditors: amounts due after more than one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts due under finance leases	—	20	—	—

18. Provision for liabilities and charges

Group:

Deferred
taxation
£'000

As at 31 March 2000 and 2001

15

Company:

Deferred
taxation
£'000

As at 31 March 2000 and 2001

15

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 2001

19. Share capital

(a) Summary

	Authorised		Authorised	
	2001 Number	2000 Number	2001 £'000	2000 £'000
Ordinary 5p shares	30,000,000	24,000,000	1,500	1,200

	Allotted, called up and fully paid		Allotted, called up and fully paid	
	2001 Number	2000 Number	2001 £'000	2000 £'000
Ordinary 5p shares	19,574,298	19,494,298	979	975

(b) Changes in share capital

During the year 80,000 ordinary shares of 5p each in the company were allotted and issued under the company's share option scheme for consideration of £8,000.

(c) Contingent rights to the allotment of shares

As at 31 March 2001, options have been granted in respect of 905,879 (2000: 837,240) 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 £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total 2001 £'000	Total 2000 £'000
Issue of new shares	4	4	—	—	8	71
Expenses on issue of shares	—	—	—	—	—	(1)
Loss for the financial year	—	—	—	(2,023)	(2,023)	(297)
Dividend proposed on equity shares	—	—	—	(49)	(49)	(49)
Exchange rate differences	—	—	—	8	8	(46)
Net additions/(reductions) to shareholders' funds	4	4	—	(2,064)	(2,056)	(322)
Opening shareholders' funds	975	680	222	2,773	4,650	4,972
Closing shareholders' funds	979	684	222	709	2,594	4,650

(b) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total 2001 £'000	Total 2000 £'000
Issue of new shares	4	4	—	—	8	71
Expenses on issue of shares	—	—	—	—	—	(1)
Loss for the financial year	—	—	—	(2,011)	(2,011)	(340)
Dividend proposed on equity shares	—	—	—	(49)	(49)	(49)
Net additions/(reductions) to shareholders' funds	4	4	—	(2,060)	(2,052)	(319)
Opening shareholders' funds	975	680	222	2,790	4,667	4,986
Closing shareholders' funds	979	684	222	730	2,615	4,667

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 2001

21. Net cash flow from operating activities

	2001 £'000	2000 £'000
Operating loss	(579)	(302)
Depreciation of tangible fixed assets	159	257
Goodwill amortisation	76	124
Decrease in debtors	115	1,594
Decrease in creditors	(49)	(623)
Loss on disposal of fixed assets	11	2
Net cash (outflow)/inflow from operating activities	(267)	1,052

22. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 2000 £'000	Cash flow £'000	Exchange movement £'000	31 March 2001 £'000
Cash at bank and in hand	525	(296)	8	237
Overdrafts	(38)	(157)	—	(195)
	487	(453)	8	42
Obligations under finance leases	(48)	48	—	—
Net funds	439	(405)	8	42

Cash at bank and in hand includes £1,792 (2000: £9,600) in respect of monies held in the Employee Share Benefit Trust.

Reconciliation of net cash flow to movement in net funds

	2001 £'000	2001 £'000	2000 £'000	2,000 £'000
(Decrease)/ increase in cash in the period	(453)	—	346	—
Cash outflow from changes in finance lease financing	48	—	24	—
	(405)	—	370	—
Change in (net debt)/net funds	—	(405)	—	370
New finance leases	—	—	—	(16)
Currency translation difference	—	8	—	(30)
Net funds at 1 April 2000	—	439	—	115
Net funds at 31 March 2001	—	42	—	439

23. Financial commitments

Group:

	Land and buildings 2001 £'000	Other 2001 £'000	Land and buildings 2000 £'000	Other 2000 £'000
Non-cancellable operating leases expiring:				
Within one year	-	1	-	13
Between 2 and 5 years	95	123	208	52
After more than 5 years	-	-	47	-
	95	124	255	65

	US\$ £'000	Guilder £'000	Euro £'000	Total £'000
Unmatched forward exchange contracts				
As at 31 March 2001	-	-	175	175
As at 31 March 2000	-	77	60	137

Company:

	Land and buildings 2001 £'000	Other 2001 £'000	Land and buildings 2000 £'000	Other 2000 £'000
Non-cancellable operating leases expiring:				
Within one year	-	1	-	12
Between 2 and 5 years	95	118	95	14
	95	119	95	26

	US\$ £'000	Guilder £'000	Euro £'000	Total £'000
Unmatched forward exchange contracts				
As at 31 March 2001	-	-	175	175
As at 31 March 2000	-	-	60	60

Notes to the Accounts

for the year ended 31 March 2001

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. In the two years to 31 March 2000, a further 358,511 options were granted and 49,000 lapsed. In the current year 69,400 options lapsed with 91,043 being renounced leaving the total options outstanding at 31 March 2001 at 247,068. 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.

At 31 March 2000, 429,729 shares were under option. During the current year, 80,000 shares were exercised at 10p and 210,398 were renounced leaving options existing at 31 March 2001 of 139,331.

c. EMI Option Scheme

The company adopted an EMI (Enterprise Management Incentive) scheme and granted 779,220 shares as at 8th September 2000 of which 259,740 have lapsed, leaving options existing at 31 March 2001 of 519,480.

d. All Employee Share Ownership Plan

The company has also adopted an Inland Revenue approved share scheme in which there were no shares issued during the year.

e. 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 (2000: £nil). The trust acquired 18,000 of the company's 5p shares in lieu of dividend during the year and now holds 148,953 shares. No shares have been transferred to employees or were under option as at 31 March 2001 and they are included in the company's balance sheet at that date as investments in own shares at a cost of £21,598. The Trust's only other asset at 31 March 2001 was cash at bank of £1,791 (2000: £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, M A Eve, is a partner, at a cost of £11,620 (2000: £17,997).

Five year record

	2001* £'000	2000* £'000	1999* £'000	1998 £'000	1997 £'000
Results					
Turnover	20,662	26,864	34,070	25,143	16,395
Operating (loss)/profit – continuing operations	(104)	316	1,730	1,382	870
Operating loss – discontinued operations	(475)	(618)	(194)	–	–
(Loss)/profit on ordinary activities before taxation	(2,032)	(309)	1,525	1,383	879
(Loss)/profit for the financial year after taxation	(2,023)	(297)	1,018	945	609
Dividends	49	49	208	177	–
Assets employed					
Fixed assets	187	1,157	1,484	280	202
Net current assets	2,422	3,528	3,538	2,978	2,285
Creditors due after more than one year	–	(20)	(31)	–	–
Provisions for liabilities and charges	(15)	(15)	(19)	(19)	(16)
Net assets	2,594	4,650	4,972	3,239	2,471
Financed by					
Equity shareholders' funds	2,594	4,650	4,972	3,239	2,471
Key statistics					
Earnings per share before goodwill amortisation (note)	(2.70p)	(0.92p)	5.94p	5.37p	3.6p
Earnings per share (note)	(10.43p)	(1.58p)	5.62p	5.37p	3.6p
Return on shareholders' funds **	(78.0%)	(6.4%)	20.5%	29.2%	24.6%
Return on assets ***	(22.4%)	(5.2%)	21.5%	24.5%	19.6%

Note:

(Loss)/earnings per share for 1997 and 1998 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.

(Loss)/earnings per share have been prepared according to Financial Reporting Standard 14 for 1998 onwards. 1997 has not been restated.

* Based on consolidated accounts

** (Loss)/profit for the financial year divided by closing shareholders' funds

*** Operating result divided by 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 1 Surrey Street, London WC2R 2PS (please note new address) on Friday 27 July 2001 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 2001.

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

Resolution 3 To re-elect John Higham 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.

Ordinary Resolutions

Resolution 5 That a final dividend in respect of the financial year ended 31 March 2001 be declared payable at the rate of 0.25p per ordinary share on 10 August 2001 to shareholders registered at the close of business on 13 July 2001.

Resolution 6 That the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("Act"), to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) in substitution for any existing authority up to an aggregate nominal value of £326,238 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 Business

To consider, and if thought fit, pass the following resolution as a Special Resolution:-

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 this 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 of 5p each in the capital of the Company ("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 number 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 £48,935;

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 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 security in pursuance of such offer or agreement as if the said power had not expired.

By order of the Board
MA Eve
Secretary
22 June 2001



Registered Office
Quadrant 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 6.00pm on 25 July 2001 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 6.00pm on 25 July 2001 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, Capita 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. Lodgement of a form of proxy will not prevent a member from attending and voting in person if so desired.

Financial Calendar

Record date for dividend	13 July 2001
Last date and time for receipt of proxy for the Annual General Meeting	12.00 noon on 25 July 2001
Annual General Meeting at which final dividend will be proposed	12.00 noon on 27 July 2001
Dividend warrants posted	10 August 2001

