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SYSTEMS SERVICES GROUP PLC

Highams Systems Services Group plc is a specialist IT systems services company, providing IT recruitment and financial applications software and services.

Specialists in the insurance, investment management and financial services sectors.

Annual Report & Accounts

for the year ended 31 March 2002



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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

- 1 — Highams Recruitment Limited provides total IT resource solutions to the Insurance, Investment Management 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.
- 2 — 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.
- 3 — 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.

Operating and Financial Highlights

	2002 £'000	2001 £'000
Turnover	16,777	20,662
Loss before goodwill amortisation, closure costs and tax	(244)	(532)
Loss for the financial year	(283)	(2,023)
Net Current Assets	2,176	2,422
Shareholders funds	2,291	2,594
Earnings per share*	(1.18)p	(2.70)p
Dividend per share	0.1p	0.25p

* pre-amortisation of goodwill and closure costs

Highams Group

- Reduced loss despite reduced turnover
- Profitable second half for continuing operations
- Significant cost reduction programme delivered
- Healthy balance sheet, cash at bank

Highams Recruitment

- Operating profit and turnover both decreased
- Depressed market conditions for most of year
- New 'preferred supplier' relationships in the UK and The Netherlands
- UK contractor numbers declined
- Netherlands contractor numbers maintained
- Continued pressure on percentage margin

Highams Business Solutions

- Operating profit and turnover both increased
- Licence fees and rentals up
- Increased development work
- Co-sponsors of first Asia-Pacific Factoring Conference
- New geographical marketing alliance signed

Consultancy Services

- Closure in September 2001

Chairman's Statement

In our Interim Statement last November, I said that "...providing there is no further deterioration in the economic situation, our excellent reputation in our markets and our highly experienced and loyal workforce (who have a proven record of operating in difficult economic times), together with the cost-saving measures we have implemented, should enable us to achieve a much better performance in the second half year".

I am pleased to report that results in the second half of the year have indeed proved to be better than the first half. During this last six months, the Group's management accounts showed bottom line profits month on month which resulted in aggregate pre-tax profits for the period of £72k on turnover of £7.05m.

For the first six months of the financial year, I reported Group pre-tax losses of £370k on a turnover of £9.72m. That result included the trading losses and end-September closure costs of Highams Consulting Limited. Our results for the second half-year represent trading by our two continuing businesses, namely Highams Recruitment and Highams Business Solutions. Whilst the second half profits were not sufficient to redress the losses and provisions for the first half, they show a welcome improvement and reflect the cost control measures we have implemented.

We retain a strong balance sheet with net current assets of £2.2m, no goodwill remaining to be written off, no borrowings, and cash at the bank of £626k.

The following are the results for the whole year:

Financial Results Group turnover for the whole year amounted to £16.8m (2001: £20.7m) with a pre-tax loss of £298k (2001: loss of £2,032k after goodwill amortisation and closure costs incurred or provided for).

Highams Recruitment Market conditions for the placement of IT staff (permanent and contract) remained difficult and the aggregate number of contractors out working with clients continued to fall, as has been the general trend in the IT recruitment markets.

Highams Business Solutions This subsidiary has been very busy with support and development work and has enjoyed a rising licence and rental income from existing installations. However, no new licences were signed for our factoring software package.

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

Final Dividend The Board believes that it would be unrepresentative of its confidence in the future of the Group for there to be no dividend recommendation this year. However, it is appropriate that we show suitable restraint prior to achieving an improved financial performance.

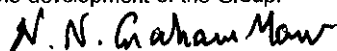
Accordingly, your Directors are recommending the payment of a final dividend this year of 0.1p per share (2001: 0.25p).

Chairman's Statement

continued

Executives and Staff I am grateful to management and staff at all levels for their hard work, loyalty and cheerfulness, and confidently look forward to their support and expertise in meeting the challenges and opportunities of the year ahead.

Outlook and Current Trading Although our markets remain patchy, they have improved slightly since the start of this calendar year as evidenced by an increase in the level of vacancies notified by our clients to Highams Recruitment, and the number of sales enquiries in Highams Business Solutions. Whilst this is unlikely to provide significant improvements to business levels in our first half-year, we believe that business will gradually improve over the next 12 to 18 months. We are currently exploring a number of strategic options to further the development of the Group.



NN Graham Maw
Chairman
21 June 2002

Highams' clients

Insurance
Abbey Life
Aegon
AIG Europe (UK)
Alba Life
Aquila
Canada Life
Century Financial Services
CGU Life

Chubb Insurance
Comhill Insurance
Direct Line
Europ Assistance
Insurance Trading Exchange
Landmark Insurance
Legal & General
Marlborough Stirling
Nationwide Life

Norwich Union
Prudential Assurance
QBE Insurance Group
Scottish Equitable
Scottish Provident (UK)
Winterthur Life
Zurich Insurance

Group Managing Director's Report

Trading Review

The year just ended has been a very challenging one for IT services companies in general, with recruitment agencies being particularly vulnerable to the depressed market conditions. Accordingly, whilst retaining the capacity for significant growth on the upturn, we have cut our costs substantially.

Bucking the general trend in IT, our factoring software business has had a very good year.

Highams Recruitment As identified in the Interim Statement last November, our IT Recruitment business suffered the effects of the general downturn in the industry. Our Netherlands subsidiary fared somewhat better than the UK business in maintaining its business levels over the year.

For the year as a whole, turnover fell to £14.8m (2001: £17.7m) and pre-tax operating profit for the business (before head office and administrative expenses) amounted to £839k (2001: £1.2m).

Highams Business Solutions There continued to be a strong level of demand from our clients for development and support services for our *Hi-Finance* package, and licensing and rental income from clients more than doubled. Market interest for new factoring systems has remained satisfactory, although take up has been disappointing, largely due to delayed decision making.

Turnover for the year was £1.9m (2001: £1.6m). As a result, this part of the Group made a pre-tax operating profit of £737k (2001: £361k) before head office and administrative expenses.

Highams' clients	Investment Management, Banking & Finance	Dexia Factors	Metropolitan Factors
	Abbey National	Fidelity Investment Management	Potential Finance
	Aston Rothbury Factors	Fortis Commercial Finance	Schroder Unit Trusts
	Barclays Bank	IGF Invoice Finance	Singer & Friedlander Factors
	BNP Paribas	Invesco Asset Management	Transamerica Distribution Finance
	Cogent Investment Operations	ING	West LB Asset Management
	Commonwealth Bank of Australia	Lloyds TSB	
	De Lage Landen	Merrill Lynch Investment Managers	

Group Managing Director's Report

continued

Consultancy As reported last November in our Interim announcement, this service was discontinued at the end of September.

Turnover was £88k (2001: £450k). Consultancy made a pre-tax operating loss of £195k (2001: loss of £144k), before head office costs, administrative expenses and closure costs.

Trainers Limited Having ceased trading in November 2000, the formalities of liquidating Trainers were completed in March 2002.

The Market The IT Software and Services Industry experienced a marked reduction in its rate of growth in the past year, with the staffing agency market considered to be 'in recession' (source: Ovum Holway). In such a quiet market by historical standards, our continuing long-term relationships with many of our blue-chip clients provide the important foundation on which we will build our growth.

Group Prospects

Strategy We maintain a focused approach to our niche markets of insurance, investment management and finance. Our operating subsidiaries address 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 focused competitors. Delivery of this strategy is dependent on our recruiting, developing and retaining high quality staff, something that we have been successful in achieving, as evidenced by the longevity of service of our senior personnel.

Highams' clients

Non financial
Atos Origin
Cap Gemini Ernst Young
De Telegraaf
ICL

Lynx Financial Systems
npower
Pfizer
Powergen
PricewaterhouseCoopers

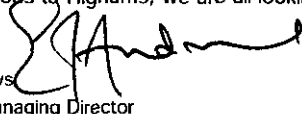
Sourcing Partners
Unisys
Xansa

Financial Year 2002/2003 Our planning for 2002/2003 is necessarily cautious in the light of the forecasts of independent analysts for our market as a whole, but does anticipate a gradual improvement in business levels late in 2002. Planned investments in the coming year, in personnel, equipment and systems will be carefully managed to help produce an improving outcome for this and subsequent years.

In our Recruitment subsidiary, our staffing levels and infrastructure are capable of supporting a substantial increase in business levels, and we continue to seek high-quality individuals to join our very experienced team. We will continue to develop the niche markets in which we specialise.

We continue to invest in order to maximise the penetration of our Factoring software into the global marketplace. To help promote *Hi-Finance* to the factoring and asset based finance markets in the eastern Mediterranean region, we have entered into a strategic sales and marketing alliance with OK Systems, an Athens based software house specialising in the banking sector. Additionally, we co-sponsored the first Asia-Pacific Finance Receivables conference held during March in Singapore and this year's European conference to be held in Prague this July. We will continue to develop our software, both in the breadth of its functionality and in its use of opportunities presented by new technology.

Staff I would like to extend my thanks to all our staff for their continued diligent and cheerful contributions to Highams; we are all looking forward to better times ahead.


 El Andrews
 Group Managing Director
 21 June 2002

Directors

Nigel Graham Maw

MA LL.M (Cantab) (aged 68) 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 50) 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 48) Finance Director

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

John Edward Higham

ACII (aged 57) 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 46) 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 39) Executive Director

Clive Williams joined Highams in January 1996 and is responsible for Group Business Development. He has 18 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.

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

Registrars

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

Auditors

BDO Stoy Hayward
Northside House
69 Tweedy Road
Bromley
Kent BR1 3WA

Nominated Adviser and Broker

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

Bankers

Barclays Bank PLC
PO Box 95
1 North End
Croydon
Surrey
CR9 1RN

Solicitors

Withers
16 Old Bailey
London
EC4M 7EG

Ormerods

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

Registered number
1700310

Report of the Directors

The directors present their report and the audited financial statements for the Company and the Group for the year ended 31 March 2002.

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

With effect from 1 April 2001, the Group converted its three main divisions, Recruitment Services, Factoring Services and Consultancy into wholly owned subsidiary companies, namely Highams Recruitment Limited, Highams Business Solutions Limited and Highams Consulting Limited. Highams Consulting Limited's business has since been discontinued.

Results and Dividends The Group recorded a loss before taxation of £298k (2001: loss £2,032k) on a turnover of £16.78m (2001: £20.66m).

As noted in the Chairman's Statement, the directors recommend a final dividend of 0.1p per share (2001: 0.25p). No interim dividend was paid during the year (2001: 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.

In accordance with the Company's Articles of Association, Mr NN Graham Maw and Mr C Williams 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 2002 had the following interests in fully paid ordinary 5p shares of the Company at the beginning and end of the financial year.

	31 March 2002		1 April 2001	
	Shares	Options	Shares	Options
NN Graham Maw	90,126	–	90,126	–
EI Andrews	3,400,000	–	3,400,000	–
MA Eve	62,400	–	62,400	–
JE Higham	8,527,649	–	8,527,649	–
BJ Martin	52,181	379,740	52,181	379,740
C Williams	–	259,740	–	259,740

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 also 4).*
- 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 2002, BJ Martin had options over 120,000 shares in the Unapproved Executive Option Scheme, exercisable at 10p per share. In addition, at 31 March 2002, he had 259,740 options granted under the Enterprise Management Incentive Scheme. These are exercisable at 38.5p per share.

At 31 March 2002, C Williams 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 11 June 2002, the following substantial shareholdings have been notified to the Company:

	Number of Shares	% of issued Share Capital
Chase Nominees Limited	686,080	3.51%
DJ Drinan	912,380	4.66%
New Town Nominees Limited	689,300	3.52%
EI Andrews	3,400,000	17.37%
JE Higham	7,097,649	36.26%
John Higham Family Trust	1,230,000	6.28%

Share option schemes Information regarding the Company's share option schemes is given in note 23 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 2002 was 16 (2001: 21).

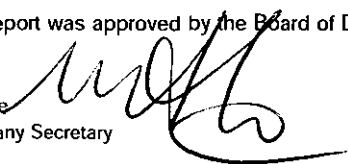
Liability insurance for Company Officers The Company has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the Company.

Charitable and political donations During the year, the Company made no charitable donations (2001: £77). There were no political donations.

Auditors Arthur Andersen resigned as auditors during the year and BDO Stoy Hayward have been appointed to fill the casual vacancy arising. The directors will place a resolution before the Annual General Meeting to appoint BDO Stoy Hayward as auditors for the ensuing year.

This report was approved by the Board of Directors on 21 June 2002.

MA 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 Group 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.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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.

Statement of Corporate Governance

continued

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.

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.

Going Concern After making appropriate enquires, 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

Independent Auditors' Report to the shareholders of Highams Systems Services Group plc

We have audited the financial statements of Highams Systems Services Group plc for the year ended 31 March 2002 on pages 18 to 36 which have been prepared under the accounting policies set out on pages 22 and 23.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Group Managing Director's Report, the Corporate Governance Statement, the Operating and Financial Highlights and the Five Year Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

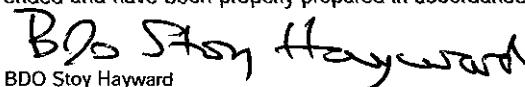
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward
Northside House
69 Tweedy Road
Bromley
Kent BR1 3WA
21 June 2002

Consolidated Profit and Loss Account

for the year ended 31 March 2002

	Notes	Discontinued operations £'000	Continuing operations £'000	2002 £'000	2001 £'000
Turnover	2	88	16,689	16,777	20,662
Cost of sales		(207)	(14,497)	(14,704)	(18,086)
Gross profit		(119)	2,192	2,073	2,576
Administrative expenses					
– excluding goodwill amortisation		(170)	(2,132)	(2,302)	(3,079)
– goodwill amortisation		–	–	–	(76)
		(170)	(2,132)	(2,302)	(3,155)
Operating (loss)/profit	2	(289)	60	(229)	(579)
Loss on closure of discontinued operations	10			(54)	(1,424)
Loss on ordinary activities before finance charges				(283)	(2,003)
Interest receivable	4a			3	14
Amounts written off investments	12			(8)	(37)
Interest payable	4b			(10)	(6)
Loss on ordinary activities before taxation	3			(298)	(2,032)
Tax on loss on ordinary activities	7			15	9
Loss for the financial year				(283)	(2,023)
Dividends	8			(20)	(49)
Loss for the year	19			(303)	(2,072)
Loss per share – basic and diluted					
Loss for the financial year before goodwill amortisation and exceptional closure costs	9			(1.18)p	(2.70)p
Loss for the financial year	9			(1.45)p	(10.43)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 2002

	2002 £'000	2001 £'000
Loss for the financial year	(283)	(2,023)
Profit on foreign currency translation	–	(8)
Total recognised gains and losses	(283)	(2,015)

Consolidated Balance Sheet

31 March 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	11	101	165
Investments	12	14	22
		<u>115</u>	<u>187</u>
Current assets			
Debtors	15	2,665	4,761
Cash at bank and in hand		626	237
		<u>3,291</u>	<u>4,998</u>
Creditors: amounts falling due within one year	16	<u>(1,115)</u>	<u>(2,576)</u>
Net current assets		<u>2,176</u>	<u>2,422</u>
Total assets less current liabilities		2,291	2,609
Provision for liabilities and charges	17	<u>-</u>	<u>(15)</u>
Net assets		<u>2,291</u>	<u>2,594</u>
Capital and reserves			
Called up share capital	18	979	979
Share premium	19a	684	684
Merger reserve	19a	222	222
Profit and loss account	19a	406	709
Equity shareholders' funds	19a	<u>2,291</u>	<u>2,594</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 21 June 2002
 NN Graham Maw & El Andrews, Directors

N. N. Graham Maw

El Andrews

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

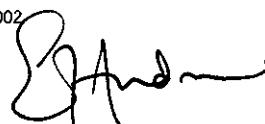
Parent Company Balance Sheet

31 March 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	11	78	162
Investments	12	94	32
		<u>172</u>	<u>194</u>
Current assets			
Debtors	15	1,417	4,585
Cash at bank and in hand		981	82
		<u>2,398</u>	<u>4,667</u>
Creditors: amounts falling due within one year	16	(279)	(2,231)
Net current assets		<u>2,119</u>	<u>2,436</u>
Total assets less current liabilities		2,291	2,630
Provision for liabilities and charges	17	-	(15)
Net assets		<u>2,291</u>	<u>2,615</u>
Capital and reserves			
Called up share capital	18	979	979
Share premium	19b	684	684
Merger reserve	19b	222	222
Profit and loss account	19b	406	730
Equity shareholders' funds	19b	<u>2,291</u>	<u>2,615</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 21 June 2002

NN Graham Maw & El Andrews, Directors

N.N. Graham Maw 

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

Consolidated Cash Flow Statement

for the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Net cash inflow/(outflow) from operating activities	20	574	(267)
Returns on investments and servicing of finance			
Interest received		3	14
Interest paid		(10)	(3)
Interest element paid on finance leases		–	(3)
Net cash (outflow)/inflow		(7)	8
Taxation			
UK Corporation tax received		80	18
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(51)	(139)
Sale of tangible fixed assets		19	25
Purchase of own shares		–	(9)
Net cash outflow		(32)	(123)
Equity dividends paid		(49)	(49)
Financing			
Net proceeds from issue of shares		–	8
Capital element of finance leases		–	(48)
Net cash outflow		–	(40)
Increase/(decrease) in cash in the year	21	566	(453)

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

Notes to the Accounts

for the year ended 31 March 2002

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

Investments 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 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 Group 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

Following the adoption of FRS19, "Deferred Tax", deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except for deferred tax assets which are only recognised to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Previously, deferred tax was recognised to the extent that it was probable that an asset or liability would crystallise. As a result of changing the accounting policy, there was no effect on the taxation charge in the prior year or the opening net assets.

1. Accounting Policies *continued*

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 Group operates a defined contribution pension scheme. The pension cost charged to the profit and loss account represents contributions payable by the Group 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.

Financial Instruments

In relation to the disclosures made in note 14:

- short term debtors and creditors are not treated as financial assets or financial liabilities (other than for currency disclosures);
- the Group does not hold or issue derivative financial instruments for trading purposes; and
- forward exchange contracts are used to fix the exchange rate of committed and anticipated foreign currency transactions and any gains or losses on these instruments are not recognised until the transaction occurs.

Notes to the Accounts

for the year ended 31 March 2002

2. Segmental information

(a) Classes of business:

	Recruitment Services		Business Solutions		Total	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
Sales to third parties						
– continuing operations	14,773	17,697	1,916	1,572	16,689	19,269
Sales to third parties						
– discontinued operations					88	1,393
					<u>16,777</u>	<u>20,662</u>
Segment profit	839	1,209	737	361	1,576	1,570
Goodwill amortisation					–	(76)
Discontinued operations					(195)	(543)
Common costs					<u>(1,610)</u>	<u>(1,530)</u>
Operating loss					(229)	(579)
Exceptional closure costs					(54)	(1,424)
Interest receivable					3	14
Amounts written off investments					(8)	(37)
Interest payable					<u>(10)</u>	<u>(6)</u>
Loss on ordinary activities						
before taxation					<u>(298)</u>	<u>(2,032)</u>
Segment net assets	1,305	2,105	235	295	1,540	2,400
Discontinued operations					(265)	(275)
Unallocated net assets					<u>1,016</u>	<u>469</u>
Net assets					<u>2,291</u>	<u>2,594</u>

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

The Group divisions were, with effect from 1 April 2001, subsidarised becoming Highams Recruitment Limited, Highams Business Solutions Limited and Highams Consulting Limited. Recruitment Services is made up of the UK and Dutch recruitment operations. Highams Consulting Limited was discontinued during this year.

(b) Geographical segments:

	Turnover by origin		Turnover by destination	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
United Kingdom	15,581	19,495	14,406	17,684
Rest of World	1,196	1,167	2,371	2,978
	<u>16,777</u>	<u>20,662</u>	<u>16,777</u>	<u>20,662</u>

All net assets are attributable to the United Kingdom with the exception of net liabilities of £91k (2001: £67k).

2. Segmental information *continued*

(c) Continuing and Discontinued operations

	Continuing 2002 £'000	Discontinued 2002 £'000	Total 2002 £'000	Continuing 2001 £'000	Discontinued 2001 £'000	Total 2001 £'000
Turnover	16,689	88	16,777	19,269	1,393	20,662
Cost of sales	(14,497)	(207)	(14,704)	(17,137)	(949)	(18,086)
Gross profit	2,192	(119)	2,073	2,132	444	2,576
Administrative expenses	(2,132)	(170)	(2,302)	(2,092)	(1,063)	(3,155)
Operating profit/(loss)	60	(289)	(229)	40	(619)	(579)

3. Loss on ordinary activities before taxation

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

	2002 £'000	2001 £'000
Auditors' remuneration – for audit services	25	28
– for other services payable to Group auditors	–	30
Goodwill amortisation	–	76
Depreciation and amounts written off tangible fixed assets		
– owned assets	89	140
– leased assets	–	19
Operating lease rentals		
– buildings	127	250
– vehicles and computers	122	151

Auditors' remuneration for audit services to the Company was £5k (2001: £25k).

4. Interest

(a) Interest receivable

	2002 £'000	2001 £'000
Bank deposit	3	14

(b) Interest payable

	2002 £'000	2001 £'000
Bank overdraft	10	3
Interest payable under finance leases	–	3
	10	6

Notes to the Accounts

for the year ended 31 March 2002

5. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	2002 £'000	2001 £'000
Wages and salaries	2,227	2,715
Social security costs	223	287
Other pension costs	136	148
	<u>2,586</u>	<u>3,150</u>

(b) Staff numbers

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

	2002 Number	2001 Number
Management	8	9
Production and administration	21	37
Sales and marketing	26	44
	<u>55</u>	<u>90</u>

The average number of staff in 2001 includes those employed in a discontinued operation up to its closure date.

The average number of staff employed during 2001 in continuing operations was 58.

6. Directors' remuneration

Aggregate remuneration

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

	2002 £	2001 £
Emoluments	444,535	575,950
Money purchase pension contributions	71,586	72,722
	<u>516,121</u>	<u>648,672</u>

6. Directors' remuneration continued

(a) Directors' emoluments

	Fees/basic salary £	Taxable benefits £	Money purchase pension contributions £	2002 £	2001 £
Executive					
El Andrews	120,000	6,335	41,400	167,735	169,625
MA Eve	35,325	-	-	35,325	35,950
BJ Martin	101,225	8,380	18,000	127,605	121,836
C Williams	98,047	8,723	12,186	118,956	103,987
CF Northam	-	-	-	-	144,274
Non-Executive					
NN Graham Maw	43,500	-	-	43,500	48,000
JE Higham	21,383	1,617	-	23,000	25,000
Aggregate emoluments	419,480	25,055	71,586	516,121	648,672

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 anytime 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 six months' notice.

(b) Directors' pension entitlements

During the year, three directors were members of money purchase pension schemes (2001: four). 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 pages 12 and 13.

7. Tax on loss on ordinary activities

The tax credit for the year comprises:

	2002 £'000	2001 £'000
Corporation tax on the adjusted loss for the year	-	-
Deferred taxation	(15)	-
Prior year	(15)	(9)
	(15)	(9)

There is no tax credit on the loss incurred in the year due to losses brought forward and losses incurred in the current year which are available to offset against future taxable profits.

8. Dividends

	2002 £'000	2001 £'000
Final dividend of 0.1p per share proposed (2001: 0.25p)	20	49

Notes to the Accounts

for the year ended 31 March 2002

9. Loss per share

	Loss 2002 £'000	Weighted average number of shares 2002 '000	Loss per share 2002 p	Loss 2001 £'000	Weighted average number of shares 2001 '000	Loss per share 2001 p
Loss for the financial year before goodwill amortisation and exceptional closure costs	(229)	19,425	(1.18)	(523)	19,404	(2.70)
Goodwill amortisation and exceptional closure costs	(54)	–	(0.27)	(1,500)	–	(7.73)
Loss for the financial year	(283)	19,425	(1.45)	(2,023)	19,404	(10.43)

Loss per share has also been calculated based on the loss for the financial year before goodwill and exceptional 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. Loss on closure of discontinued operations

The loss on closure of discontinued operations comprises the following:

	2002 £'000	2001 £'000
Closure of consultancy	54	–
Closure of training	–	1,424
	54	1,424

Highams Consulting Limited was closed on 30 September 2001. The training subsidiary was closed in the prior year.

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 2001	78	464	147	79	768
Additions	24	27	–	–	51
Disposals	–	–	–	(69)	(69)
31 March 2002	102	491	147	10	750
Depreciation					
1 April 2001	27	396	134	46	603
Charge for the year	22	54	12	1	89
Disposals	–	(3)	–	(40)	(43)
31 March 2002	49	447	146	7	649
Net book value 31 March 2002	53	44	1	3	101
Net book value 31 March 2001	51	68	13	33	165

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 2001	78	457	146	78	759
Additions	24	16	-	-	40
Disposals	-	(186)	(35)	(78)	(299)
31 March 2002	102	287	111	-	500
Depreciation					
1 April 2001	27	390	134	46	597
Charge for the year	22	28	3	-	53
Disposals	-	(156)	(26)	(46)	(228)
31 March 2002	49	262	111	-	422
Net book value 31 March 2002	53	25	-	-	78
Net book value 31 March 2001	51	67	12	32	162

12. Investments

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Subsidiary undertakings (see note 13)	-	-	80	10
Own shares	14	22	14	22
	14	22	94	32

The investment in own shares is shown within the balance sheet as a fixed asset at valuation at 31 March 2002, and is in respect of a holding of 148,953 (2001: 148,953) of the Company's 5p shares. The movement in the value from £22k to £14k (£8k) represents the reduction in the market value of the shares during the year. The nominal value of these shares was £7,448 (2001: £7,448). This represents 0.8% of the Company's share capital at 31 March 2002. These shares are held by the Employee Share Benefit Trust, further details of which are given in note 23.

13. Subsidiary undertakings

	Principal activity	Class of shares held
Consolidated subsidiaries		
Highams Recruitment Services (N.E.) Limited	Recruitment	Ordinary
Highams Recruitment BV	Recruitment	Ordinary
Highams Recruitment Limited	Recruitment	Ordinary
Highams Consulting Limited	IT Consultancy	Ordinary
Highams Business Solutions Limited	Factoring Software	Ordinary

Notes to the Accounts

for the year ended 31 March 2002

13. Subsidiary undertakings *continued*

	Company £'000
Cost	
At 1 April 2001	10
Additions	150
At 31 March 2002	160
Provision	
At 1 April 2001	-
Charge for the year	80
At 31 March 2002	80
Net book value 31 March 2002	80
Net book value 1 April 2001	10

The additions relate to the subscription of shares by Highams Systems Services Group plc in the newly formed subsidiaries, Highams Recruitment Limited, Highams Consulting Limited and Highams Business Solutions Limited.

At 31 March 2002, there were three non-consolidated subsidiaries. These have not been consolidated as the amount is considered immaterial. All subsidiaries are incorporated in the UK other than Highams Recruitment BV and Highams Holding BV (the latter is non-consolidated), 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 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 and euros. The board reviews interest rates on potential borrowings although during the period the Group was not exposed to significant interest rate risk.

Interest rate profile

The Group overdraft facilities are charged at 2% above the UK base rate.

Foreign currency risk

The Group trades within Europe. Transactions in Europe are generally priced and invoiced in euros.

The Group's current policy is to eliminate significant currency exposures on sales at the time of sale by entering into forward contracts.

14. Derivatives and other financial instruments *continued*

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. These exposures were as follows:

	Guilder £'000	Euro £'000	Total £'000
31 March 2002	–	15	15
31 March 2001	105	10	115

Maturity of financial liabilities

The overdraft facility is repayable on demand.

Borrowing facilities

The Group has an overdraft facility of £750,000. At 31 March 2002, the Group had undrawn facilities of £732,000.

Fair values

The fair values of the financial assets and liabilities at 31 March 2002 are not materially different from their book values.

15. Debtors

Amounts falling due within one year:

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade debtors	2,435	4,233	–	3,938
Amounts due from subsidiary undertakings	–	–	1,267	154
Other debtors	22	20	47	–
Corporation tax	–	80	–	71
Prepayments and accrued income	208	428	103	422
	2,665	4,761	1,417	4,585

16. Creditors: amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank overdraft	18	195	–	133
Amounts owed to subsidiary undertakings	–	25	69	–
Trade creditors	727	1,371	53	1,100
Other taxes and social security costs	76	208	18	145
Accruals and deferred income	195	496	40	455
Dividends	20	49	20	49
Other creditors	79	232	79	349
	1,115	2,576	279	2,231

Details of the bank overdraft are given in note 14. The bank overdraft is secured via a cross guarantee and debenture between Highams Systems Services Group plc, Highams Recruitment Services (N.E.) Limited, Highams Business Solutions Limited, Highams Recruitment Limited and Highams Consulting Limited.

Notes to the Accounts

for the year ended 31 March 2002

17. Provision for liabilities and charges

Group and Company:

Deferred taxation: ESOP timing differences

	£'000
As at 31 March 2001	15
Credited to Profit and Loss account	(15)
As at 31 March 2002	–

A deferred taxation asset has not been created because tax losses carried forward are not in the main trading subsidiaries but in the subsidiaries where there is little trading activity, therefore limiting the opportunity to utilise these losses.

18. Share capital

(a) Summary

	2002 Number	Authorised 2001 Number	2002 £'000	Authorised 2001 £'000
Ordinary 5p shares	30,000,000	30,000,000	1,500	1,500

	Allotted, called up and fully paid 2002 Number	Allotted, called up and fully paid 2001 Number	2002 £'000	2001 £'000
Ordinary 5p shares	19,574,298	19,574,298	979	979

(b) Contingent rights to the allotment of shares

As at 31 March 2002, options have been granted in respect of 859,879 (2001: 905,879) 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 23.

19. Reconciliation of movements
in shareholders' funds

(a) Group

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total 2002 £'000	Total 2001 £'000
Issue of new shares	-	-	-	-	-	8
Loss for the financial year	-	-	-	(283)	(283)	(2,023)
Dividend proposed on equity shares	-	-	-	(20)	(20)	(49)
Exchange rate differences	-	-	-	-	-	8
Net reductions to shareholders' funds	-	-	-	(303)	(303)	(2,056)
Opening shareholders' funds	979	684	222	709	2,594	4,650
Closing shareholders' funds	979	684	222	406	2,291	2,594

(b) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total 2002 £'000	Total 2001 £'000
Issue of new shares	-	-	-	-	-	8
Loss for the financial year	-	-	-	(304)	(304)	(2,011)
Dividend proposed on equity shares	-	-	-	(20)	(20)	(49)
Net reductions to shareholders' funds	-	-	-	(324)	(324)	(2,052)
Opening shareholders' funds	979	684	222	730	2,615	4,667
Closing shareholders' funds	979	684	222	406	2,291	2,615

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 2002

20. Net cash flow from operating activities

	2002 £'000	2001 £'000
Operating loss	(229)	(579)
Depreciation of tangible fixed assets	89	159
Goodwill amortisation	-	76
Decrease in debtors	2,016	115
Decrease in creditors	(1,309)	(49)
Profit on disposal of fixed assets	7	11
Net cash inflow/(outflow) from operating activities	574	(267)

The reconciliation of net cash inflow from operating activities has not been split between continuing and discontinued operations, as the discontinued operations were divisions of Highams Systems Services Group plc in 2001 and specific information is not available.

21. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 2001 £'000	Cash flow £'000	31 March 2002 £'000
Cash at bank and in hand	237	389	626
Overdrafts	(195)	177	(18)
Net funds	42	566	608

Cash at bank and in hand includes £2,164 (2001: £1,792) in respect of monies held in the Employee Share Benefit Trust.

Reconciliation of net cash flow to movement in net funds

	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Increase/(decrease) in cash in the period	566		(453)	
Cash outflow from changes in finance lease financing	-		48	
	566		(405)	
Change in net funds/(net debt)		566		(405)
Currency translation difference		-		8
Net funds at 1 April 2001		42		439
Net funds at 31 March 2002		608		42

22. Financial commitments

Group:

	Land and buildings 2002 £'000	Other 2002 £'000	Land and buildings 2001 £'000	Other 2001 £'000
Non-cancellable operating leases expiring:				
Within one year	-	39	-	1
Between 2 and 5 years	105	47	95	123
	105	86	95	124

Company:

	Land and buildings 2002 £'000	Other 2002 £'000	Land and buildings 2001 £'000	Other 2001 £'000
Non-cancellable operating leases expiring:				
Within one year	-	37	-	1
Between 2 and 5 years	105	47	95	118
	105	84	95	119

Notes to the Accounts

for the year ended 31 March 2002

23. Employee Share Schemes

a. Approved Employee Share Option Scheme

The Company adopted an Inland Revenue approved Executive Share Option Scheme on 17 May 1996.

In the current year 46,000 options lapsed leaving the total options outstanding at 31st March 2002 at 201,068. 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 17th May 2006.

The exercise price for these options is 62.5p.

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 2001, 139,331 shares were under option. With no changes this year, the balance remains at 139,331, exercisable until 7 July 2006 at prices ranging from 10p to £1.15 per share.

c. EMI Option Scheme

The Company adopted an EMI (Enterprise Management Initiative) scheme and granted 779,220 shares as at 8 September 2000 of which 259,740 lapsed, leaving options existing at 31 March 2001 of 519,480. With no changes this year, the balance remains at 519,480, exercisable between 8 September 2003 and 8 September 2010 at a price of 38.5p per share.

d. All Employee Share Ownership Plan

The Company has also adopted an Inland Revenue approved share scheme in which no shares had been granted as at 31 March 2002.

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 Company's 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) assets and liabilities are recognised in the sponsoring company's balance sheet. 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 impairment 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 (2001: £nil). The Trust holds 148,953 shares.

No shares have been transferred to employees or were under option as at 31 March 2002 and they are included in the Company's balance sheet at that date as investments in own shares at a cost of £13,778. The Trust's only other asset at 31 March 2002 was cash at bank of £2,164 (2001: £1,792) which is included in the Company's balance sheet as part of cash at bank and in hand. The Trust had no liabilities.

24. Related party transactions

The Group has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in these consolidated financial statements.

During the year, the Group purchased accounting services in the ordinary course of business from Tony Eve Associates and Altons Chartered Accountants, of which the director, M A Eve, is a partner, at a cost of £17,129 (2001: £11,620).

Five Year Record

	2002* £'000	2001* £'000	2000* £'000	1999* £'000	1998 £'000
Results					
Turnover	16,777	20,662	26,864	34,070	25,143
Operating profit – continuing operations	60	40	203	1,730	1,382
Operating (loss) – discontinued operations	(289)	(619)	(505)	(194)	–
(Loss)/profit on ordinary activities before taxation	(298)	(2,032)	(309)	1,525	1,383
(Loss)/profit for the financial year after taxation	(283)	(2,023)	(297)	1,018	945
Dividends	20	49	49	208	177
Assets employed					
Fixed assets	115	187	1,157	1,484	280
Net current assets	2,176	2,422	3,528	3,538	2,978
Creditors due after more than one year	–	–	(20)	(31)	–
Provisions for liabilities and charges	–	(15)	(15)	(19)	(19)
Net assets	2,291	2,594	4,650	4,972	3,239
Financed by					
Equity shareholders' funds	2,291	2,594	4,650	4,972	3,239
Key statistics					
(Loss)/earnings per share before goodwill amortisation (note)	(1.18p)	(2.70p)	(0.92p)	5.94p	5.37p
(Loss)/earnings per share (note)	(1.45p)	(10.43p)	(1.58p)	5.62p	5.37p
Return on shareholders' funds **	(12.4%)	(78.0%)	(6.4%)	20.5%	29.2%
Return on assets ***	(12.6%)	(22.4%)	(5.2%)	21.5%	24.5%

Note:

(Loss)/earnings per share for 1998 have been adjusted pursuant to the sub-division of existing shares.

(Loss)/earnings per share have been prepared according to Financial Reporting Standard 14 for 1998 onwards.

* Based on consolidated accounts

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

*** Operating result/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 Teather & Greenwood Limited, Beaufort House, 15 St Botolph Street, London, EC3A 7QR (please note new address) on Wednesday 31 July 2002 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 2002.

Resolution 2 To declare a final dividend in respect of the financial year ended 31 March 2002 payable at the rate of 0.1p per ordinary share on 8 August 2002 to shareholders registered at the close of business on 12 July 2002.

Resolution 3 To re-elect Nigel Graham Maw, who retires by rotation, as a Director of the Company.

Resolution 4 To re-elect Clive Williams, who retires by rotation, as a Director of the Company.

Resolution 5 To appoint BDO Stoy Hayward as Auditors of the Company and to authorise the Board to fix their remuneration.

By order of the Board

MA Eve

Secretary

21 June 2002

Registered Office

Quadrant House

33-45 Croydon Road

Caterham

Surrey

CR3 6PB

Notes

(a) A member entitled to attend and vote may appoint a proxy to attend and vote instead. 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, LG1 1BR so as to be received no less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Lodgement of a form of proxy will not prevent a member from attending and voting in person if so desired.

(b) The Register of Directors' interests in the shares of the Company and copies of the directors' service contracts with the Company or with any of its subsidiary undertakings will be available for inspection throughout the meeting and at the registered office of the Company during normal business.

(c) To be entitled to attend and vote at the meeting (and for the purpose of determining the number of votes shareholders may cast), shareholders must be entered on the Company's Register of Members not later than 6.00pm on 29 July 2002 or, if the meeting is adjourned, shareholders must be entered on the Company's Register of Members not later than 48 hours before the time fixed for the adjourned meeting.

(d) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00pm on 29 July 2002 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 in the Register of Members after 6.00pm on 29 July 2002 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

Financial Calendar

Record date for dividend	12 July 2002
Last date and time for receipt of proxy for the Annual General Meeting	12.00 noon on 29 July 2002
Annual General Meeting at which final dividend will be proposed	12.00 noon on 31 July 2002
Dividend warrants posted	8 August 2002



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