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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 2003



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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**
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, SAP 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

	2003 £'000	2002 £'000
Turnover	11,096	16,777
Loss for the financial year before tax	(195)	(298)
Net current assets	2,000	2,176
Shareholders' funds	2,089	2,291
Earnings per share	(1.00)p	(1.18)p*
Dividend per share	-	0.1p

* before closure costs

Highams Group

- Reduced loss despite reduced turnover
- Profitable second half
- Healthy balance sheet
- Increased cash at bank

Highams Recruitment

- Improved second half for contract and permanent
- Netherlands contractor numbers declined
- New 'preferred supplier' relationships in the UK

Highams Business Solutions

- Improved second half performance
- New licence sale in Europe
- Additional sale since year-end

Highams' clients

Insurance
Aegon UK
Churchill Insurance
Cornhill Insurance
Groupama UK Services
Halifax Equitable Clerical Medical
HISL

Landmark Insurance
Legal & General
Liberata
Marlborough Stirling
Nationwide Life
PPML
Prudential Assurance

Rubicon Corp
TIA Systems
Tier Technologies
Unisys
Winterthur Life
Zurich Insurance

Chairman's Statement

Nigel Graham Maw

I am pleased to report that both our businesses, Highams Recruitment and Highams Business Solutions, delivered an improved bottom line performance in the second half of our financial year, resulting in the Group making a small profit in that period compared to the loss recorded in the first half.

In Recruitment, we delivered a much stronger permanent recruitment outcome in the second half, whilst our number of contractors on site climbed back to where it started the year, after the reported dip in the first half. The gross margin percentage achieved similarly showed an improvement as the year progressed, albeit revenue declined slightly. A number of important new clients were added to our list.

In Business Solutions, business activity also improved in the second half of the year, mainly due to a significant new sale of *Hi-Finance* to a major bank for its European business. Since the year-end, we have been implementing another new *Hi-Finance* system, this time with a southern hemisphere bank.

Comparisons of the full year's results to last year's show that we did not escape the downturn already reported in our competitors' annual results. We continue to work to keep our cost base consistent with current levels of business.

The following are the results for the whole year:

Financial Results Group turnover for the whole year amounted to £11.1m (2002: £16.8m) with a pre-tax loss of £195k (2002: loss of £298k).

We retain a healthy balance sheet with Net Current Assets of £2.0m at the year-end, including cash at bank of £872k.

Reports on the year's trading by our subsidiaries are in the Group Managing Director's Report.

Highams' clients

Investment Management, Banking & Finance

Abbey National
Aston Rothbury Factors
Barclays Bank
BNP Paribas
Computer Application Services (CAS)
De Lage Landen

Dexia Factors

Enterprise Finance Europe
Euro Sales Finance
Fidelity Investment Management
Fortis Commercial Finance
IGF Invoice Finance
International Financial Data Services

Invesco Asset Management

Metropolitan Factors
Potential Finance
Schroder Unit Trusts
Singer & Friedlander
Transamerica Distribution Finance
WestLB Asset Management

Final Dividend In the light of the need to conserve our resources for future growth, the Directors are not recommending the payment of a final dividend for the year to 31 March 2003 (2002: final dividend 0.1p).

Executives and staff I am very grateful to management and all our staff for their hard work, expertise and loyalty.

Outlook and Current Trading It is likely that the IT recruitment market will continue to be challenging in the coming year. Although contract recruitment has started slowly again this year, we have experienced a much stronger demand for permanent recruitment.

The international market for factoring software remains immature, with in-house systems being the main competitor for us to attack. Additionally, growth opportunities are developing in regions of the world where factoring is relatively new.

We continue to seek and explore strategic opportunities for the future growth and development of the Group.



NN Graham Maw
Chairman
14 August 2003

Highams' clients

Non Financial
Atos Origin
Cryptic Software
De Telegraaf
Delphi Diesel Systems

Lynx Financial Systems
Modis
NHS Shared Service
npower
Pfizer

Powergen
Rodata ICT
Sourcing Partnerships
Xansa

Group Managing Director's Report

Ted Andrews

Trading Review

The year just ended has been another very challenging one for IT services companies in general, with recruitment agencies remaining particularly vulnerable to the depressed market conditions. For both Highams' businesses, profit levels in the second half of the year showed an improvement on the first half, though in this market it would be unwise to predict this improvement as a continuing trend. Whilst retaining our capacity for growth, and succeeding in retaining our skilled and loyal staff, we have continued to manage down our costs.

Highams Recruitment In the second half-year, our number of contractors on site increased to reverse the decline experienced in the first half-year in our UK operation. Permanent recruitment also improved substantially. As part of our cost management strategy, we took the decision to close our office in The Hague and support its business from the UK – this was implemented in June 2003.

In the second half-year, on slightly reduced turnover of £4.6m (first half: £4.9m), operating profit before Group overheads improved to £297k (first half: £226k).

For the year as a whole, turnover was £9.5m (2002: £14.8m) and pre-tax operational profit for the business before Group overheads amounted to £523k (2002: £839k).

Highams Business Solutions The level of demand for development and support services for our *Hi-Finance* package was maintained through the second half of the year. There has been continued market interest for the commissioning of new factoring systems, with one new sale being achieved to a major bank in the year under review, another since the year end, and other opportunities being progressed.

In the second half-year, turnover improved to £835k (first half: £717k), with operating profit before Group overheads improving to £331k (first half: £204k).

Turnover for the year as a whole was £1.6m (2002: £1.9m). As a result, this part of the Group made a pre-tax operating profit of £535k (2002: £737k) before Group overheads.

The Market The IT Software and Services Industry in 2002 experienced its "worst year on record" (source: Ovum Holway), with the expectation that current activity will be flat, at best, for another twelve to eighteen months. In such a quiet market, our continuing long-term relationships with our many blue-chip clients remain central to our future progress. We are grateful to all our clients for their continuing support.

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. Delivery of this strategy is dependent on our retaining, developing and recruiting high quality staff, something that we historically have been successful in achieving, as evidenced by the longevity of service of our senior personnel.

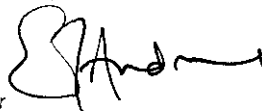
Financial Year 2003/2004 In the light of the forecasts of independent analysts for our market as a whole, our planning for 2003/2004 is necessarily cautious. Planned investments in the coming year, in personnel, equipment and systems will be carefully managed to help produce an improving outcome for this and subsequent years.

In our Recruitment subsidiary, we will continue to develop and extend the niche markets in which we specialise and to seek out appropriate additional niche markets.

We will further the penetration of our factoring software into the global marketplace. We continue to develop our software, both in the breadth of its functionality and in opportunities presented by new technology.

Staff This remains a tough market for all concerned. I very much admire the cheerfulness and tenacity of our staff team as they work to make the most of the current market conditions, and I thank them all sincerely.

El Andrews
Group Managing Director
14 August 2003



Nigel Graham Maw

Ted Andrews

Tony Eve

Directors

Nigel Graham Maw

MA LL.M (Cantab) (aged 70) Non-Executive Chairman

Nigel Graham Maw joined Highams in 1996 in time to help the Group achieve its AIM listing. Formerly Senior Partner of Rowe & Maw, Solicitors, he has also held a number of chairman and non-executive positions with major companies including Decca Limited and Telephone Rentals.

Edward Ian Andrews

(aged 51) Group Managing Director

Ted Andrews has been a director of Highams since joining the company in 1983. He has a background of technical and management roles in insurance companies and software houses. He gained experience in directing both the software and recruitment aspects of the Group prior to being appointed Group Managing Director in 1999.

Maurice Anthony Eve

FCA (aged 49) 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 58) Non-Executive Director and Deputy Chairman

John Higham founded the company in 1983 after many years gaining experience of the insurance market from an IT and business perspective, both within insurance company and software house environments. John was Chief Executive of the Group until April 2000, when he took up his current role.

Bryan John Martin

MBA (aged 47) Executive Director

Bryan Martin has over twenty five years experience in the IT industry primarily in the finance and publishing sectors. He joined Highams in 1992 from Security Pacific Bank, where he was European IT Manager. He became an executive director of the Group in 1998. His particular responsibilities include Highams Business Solutions and internal IT.

Clive Williams

MBA (aged 40) Executive Director

Clive Williams joined Highams in 1996. He has twenty years experience in IT, with a background ranging from large IBM mainframe environments to managing companies delivering leading-edge systems. He joined the Group board in 1999. His particular responsibilities include Highams Recruitment and Group business development.

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

Registrars

Capita Registrars
 The Registry
 34 Beckenham Road
 Beckenham
 Kent BR3 4TU

Auditors

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

Nominated Adviser and Broker

Charles Stanley & Company Limited
 25 Luke Street
 London
 EC2A 4AR

Bankers

Barclays Bank PLC
 50 Pall Mall
 London
 SW1A 1QB

Solicitors

Withers
 16 Old Bailey
 London
 EC4M 7EG

Registered number

1700310

Ormerods

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

Report of the Directors

The directors present their report and the audited financial statements for the Company and the Group for the year ended 31 March 2003.

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.

Results and Dividends The Group recorded a loss before taxation of £195k (2002: loss £298k) on a turnover of £11.10m (2002: £16.78m).

As noted in the Chairman's Statement, the directors do not recommend a final dividend (2002: 0.1p). No interim dividend was paid during the year (2002: 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 9.

In accordance with the Company's Articles of Association, Mr MA Eve and Mr BJ Martin retire by rotation and offer themselves for re-election. Biographical details for these two directors are provided on page 8.

Directors' interest in shares The persons who held the office of director at 31 March 2003 had the following interests in fully paid ordinary 5p shares of the Company at the beginning and end of the financial year.

	31 March 2003		1 April 2002	
	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 2003, BJ Martin had options over 120,000 shares in the Unapproved Executive Option Scheme, exercisable at 10p per share. In addition, at 31 March 2003, he had 259,740 options granted under the Enterprise Management Incentive Scheme. These are exercisable at 38.5p per share.

At 31 March 2003, 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 6 August 2003, the following substantial shareholdings have been notified to the Company:

	Number of Shares	% of issued Share Capital
Brewin Nominees Limited	1,302,300	6.65%
Chase Nominees Limited	686,080	3.51%
El 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 page 14 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 2003 was 19 (2002: 16).

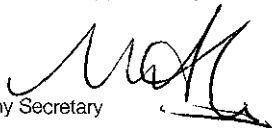
Liability insurance for Company Officers The Company has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the Company.

Charitable and political donations During the year, the Company made no charitable donations (2002: nil). There were no political donations (2002: nil).

Auditors A resolution to re-appoint BDO Stoy Hayward as auditors will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors on 14 August 2003.

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.

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.

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 Directors' Remuneration Report is on page 15.

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.

Directors' Remuneration Report

This report sets out the remuneration policies for the Group's executive directors. It should be read in conjunction with details of directors' remuneration in note 6 on pages 26 and 27 which forms part of the audited accounts. The members of the remuneration committee (Remcom) are identified on page 14.

With the exception of Mr MA Eve, the members of Remcom are independent of conflicts of interest arising from day to day running of the business. Remcom makes recommendations to the board. No director is involved in discussion about his own remuneration. The Group Managing Director is co-opted to Remcom from time to time.

Remuneration Policies Remcom recommends to the board a framework for executive remuneration. Remcom determines specific packages for each executive director including pension rights and compensation payments.

The general philosophy underlying the Groups' remuneration policy for executive directors is the same as that applied to all senior employees in order to encourage excellence. The basic components of remuneration are: salary and benefits, cash bonuses, share schemes and pensions.

Salary and Benefits Remcom studies independent reports and market trends in considering the level of salary and benefits. It also takes into account experience, responsibility and performance.

Bonuses Bonuses may be awarded at Remcom's discretion depending on Company performance and profits within the relevant business area. No bonus awards were made in the year.

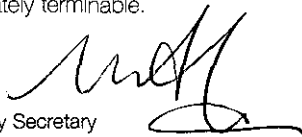
Share Schemes Details of all Company share schemes, together with the performance incentives, appear in note 23 on page 36. No awards were made during the year under these schemes.

Pensions The Group operates a defined contribution pension scheme, the contributions to which are set out in note 6 on pages 26 and 27.

Service Contract The executive directors, with the exception of MA Eve, each have a service agreement terminable by the Company by not less than twelve months' notice or by the executive at not less than six months' notice. MA Eve has an agreement that can be terminated on six months' notice.

Non-Executive Directors Non-executive directors receive an annual fee in respect of their duties. The fees are reviewed annually and are set by the board. Their contracts are immediately terminable.

MA Eve
Company Secretary



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 2003 on pages 18 to 36 which have been prepared under the accounting policies set out on pages 22 to 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 the implications for our report if we become aware of any apparent misstatements within it. This other information comprises only the Directors' Report, the Chairman's Statement, the Group Managing Director's Report, the Corporate Governance Statement, the Directors' Remuneration Report, the Operating and Financial Highlights and the Five Year Record. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

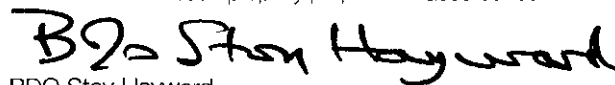
Basis of audit opinion

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 2003 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

Chartered Accountants and Registered Auditors

Bromley

14 August 2003

Consolidated Profit and Loss Account

for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	11,096	16,777
Cost of sales		(9,485)	(14,704)
Gross profit		1,611	2,073
Administrative expenses		(1,819)	(2,302)
Operating loss	2	(208)	(229)
Exceptional costs	10	-	(54)
Loss on ordinary activities before finance charges		(208)	(283)
Interest receivable	4a	21	3
Amounts written off investments	12	(5)	(8)
Interest payable	4b	(3)	(10)
Loss on ordinary activities before taxation	3	(195)	(298)
Tax on loss on ordinary activities	7	-	15
Loss for the financial year		(195)	(283)
Dividends	8	-	(20)
Loss for the year	19	(195)	(303)
Loss per share – basic			
Loss for the financial year before exceptional costs	9	(1.00)p	(1.18)p
Loss for the financial year	9	(1.00)p	(1.45)p

The amounts shown for the year ended 31 March 2003 all relate to continuing activities.

The analysis between continuing and discontinued operations for the year ended 31 March 2002 is shown in note 2(c) to the financial statements.

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 2003

	2003 £'000	2002 £'000
Loss for the financial year	(195)	(283)
Loss on foreign currency translation	(7)	-
Total recognised losses	(202)	(283)

Consolidated Balance Sheet

31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	11	80	101
Investments	12	9	14
		<u>89</u>	<u>115</u>
Current assets			
Debtors	15	2,233	2,665
Cash at bank and in hand		872	626
		<u>3,105</u>	<u>3,291</u>
Creditors: amounts falling due within one year	16	<u>(1,105)</u>	<u>(1,115)</u>
Net current assets		<u>2,000</u>	<u>2,176</u>
Net assets		<u>2,089</u>	<u>2,291</u>
Capital and reserves			
Called up share capital	18	979	979
Share premium	19a	684	684
Merger reserve	19a	-	222
Profit and loss account	19a	426	406
Equity shareholders' funds	19a	<u>2,089</u>	<u>2,291</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 14 August 2003.
 NN Graham Maw & El Andrews, Directors

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

N. N. Graham Maw
 El Andrews

Parent Company Balance Sheet

31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	11	67	78
Investments	12	89	94
		<u>156</u>	<u>172</u>
Current assets			
Debtors	15	1,845	1,417
Cash at bank and in hand		508	981
		<u>2,353</u>	<u>2,398</u>
Creditors: amounts falling due within one year	16	(836)	(279)
Net current assets		<u>1,517</u>	<u>2,119</u>
Net assets		<u>1,673</u>	<u>2,291</u>
Capital and reserves			
Called up share capital	18	979	979
Share premium	19b	684	684
Merger reserve	19b	-	222
Profit and loss account	19b	10	406
Equity shareholders' funds	19b	<u>1,673</u>	<u>2,291</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 14 August 2003.
 NN Graham Maw & El Andrews, Directors

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

N.N. Graham Maw

E. Andrews

Consolidated Cash Flow Statement

for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	20	316	574
Returns on investments and servicing of finance			
Interest received		21	3
Interest paid		(3)	(10)
Net cash inflow/(outflow)		18	(7)
Taxation			
UK corporation tax received		-	80
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(56)	(51)
Sale of tangible fixed assets		6	19
Net cash outflow		(50)	(32)
Equity dividends paid		(20)	(49)
Increase in cash in the year	21	264	566

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

Notes to the Accounts

for the year ended 31 March 2003

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 using the acquisition method of accounting.

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.

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 are 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 lease.

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

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 company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

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 2003

2. Segmental information

(a) Classes of business:

	Recruitment Services		Business Solutions		Total	
	2003	2002	2003	2002	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
Sales to third parties	9,544	14,773	1,552	1,916	11,096	16,689
Sales to third parties – discontinued operations					-	88
					11,096	16,777
Segment profit	523	839	535	737	1,058	1,576
Discontinued operations					-	(195)
Common costs					(1,266)	(1,610)
Operating loss					(208)	(229)
Exceptional costs					-	(54)
Interest receivable					21	3
Amounts written off investments					(5)	(8)
Interest payable					(3)	(10)
Loss on ordinary activities before taxation					(195)	(298)
Segment net assets	1,026	1,305	463	235	1,489	1,540
Discontinued operations					-	(265)
Unallocated net assets					600	1,016
Net assets					2,089	2,291

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.

(b) Geographical segments:

	Turnover by origin		Turnover by destination	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
United Kingdom	10,067	15,581	8,796	14,406
Rest of World	1,029	1,196	2,300	2,371
	11,096	16,777	11,096	16,777

All net assets are attributable to the United Kingdom with the exception of net liabilities of £133k (2002: £91k).

2. Segmental information *continued*

(c) Corresponding figures

The analysis between continuing and discontinued operations for the year ended 31 March 2002 is shown below:

	Continuing 2002 £'000	Discontinued 2002 £'000	Total 2002 £'000
Turnover	16,689	88	16,777
Cost of sales	(14,497)	(207)	(14,704)
Gross profit/(loss)	2,192	(119)	2,073
Administrative expenses	(2,132)	(170)	(2,302)
Operating profit/(loss)	60	(289)	(229)

3. Loss on ordinary activities before taxation

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

	2003 £'000	2002 £'000
Auditors' remuneration		
– for audit services	25	25
– for non-audit services	4	-
Depreciation and amounts written off tangible fixed assets		
– owned assets	74	89
Operating lease rentals		
– buildings	105	127
– vehicles and computers	110	122

Included in the Group audit fee is an amount of £6,000 (2002: £5,000) in respect of the Company

4. Interest

(a) Interest receivable

	2003 £'000	2002 £'000
Bank deposit	17	3
Interest on corporation tax	4	-
	21	3

(b) Interest payable

	2003 £'000	2002 £'000
Bank overdraft	3	10
	3	10

Notes to the Accounts

for the year ended 31 March 2003

5. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	2003 £'000	2002 £'000
Wages and salaries	1,549	2,227
Social security costs	158	223
Other pension costs	120	136
	<u>1,827</u>	<u>2,586</u>

(b) Staff numbers

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

	2003 Number	2002 Number
Management	7	8
Production and administration	20	21
Sales and marketing	14	26
	<u>41</u>	<u>55</u>

6. Directors' remuneration

Aggregate remuneration

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

	2003 £	2002 £
Emoluments	393,751	444,535
Money purchase pension contributions	<u>62,686</u>	<u>71,586</u>
	<u>456,437</u>	<u>516,121</u>

6. Directors' remuneration continued

(a) Directors' emoluments

	Fees/basic salary £	Taxable benefits £	Total Emoluments £	Money purchase pension contributions £	2003 £	Total Emoluments £	Money purchase pension contributions £	2002 £
Executive								
El Andrews	109,106	6,454	115,560	32,500	148,060	126,335	41,400	167,735
MA Eve	26,330	–	26,330	–	26,330	35,325	–	35,325
BJ Martin	91,150	8,743	99,893	18,000	117,893	109,605	18,000	127,605
C Williams	88,045	8,157	96,202	12,186	108,388	106,770	12,186	118,956
Non-Executive								
NN Graham Maw	36,000	–	36,000	–	36,000	43,500	–	43,500
JE Higham	17,783	1,983	19,766	–	19,766	23,000	–	23,000
Aggregate emoluments	368,414	25,337	393,751	62,686	456,437	444,535	71,586	516,121

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 (2002: three). 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 10 to 12.

7. Tax on loss on ordinary activities

The tax for the year comprises:

	2003 £'000	2002 £'000
UK corporation tax	–	–
Deferred taxation	–	(15)
	–	(15)
The tax assessed for the period is lower than the standard rate of corporation tax in the UK		
The differences are explained below:		
Loss on ordinary activities before tax	(195)	(298)
Corporation tax in the UK at the standard rate of 30% (2002: 30%)	(58)	(89)
Effect of:		
Expenses not deductible for tax purposes	3	23
Capital allowances in excess of depreciation	1	9
Write off of intercompany accounts	–	(15)
Utilisation of tax losses	(4)	–
Losses carried forward	58	72
Current tax charge for period	–	–

At the balance sheet date, the Group had approximately £420,000 (2002: £240,000) of losses to carry forward against future profits.

Notes to the Accounts

for the year ended 31 March 2003

8. Dividends

	2003 £'000	2002 £'000
Final dividend of nil per share proposed (2002: 0.1p)	–	20

9. Loss per share

	Loss 2003 £'000	Weighted average number of shares 2003 '000	Loss per share 2003 p	Loss 2002 £'000	Weighted average number of shares 2002 '000	Loss per share 2002 p
Loss for the financial year before exceptional costs	(195)	19,425	(1.00)	(229)	19,425	(1.18)
Exceptional costs	–	–	–	(54)	–	(0.27)
Loss for the financial year	(195)	19,425	(1.00)	(283)	19,425	(1.45)

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

Diluted earnings per share has been excluded as the exercise price of share options is above market value and is therefore not dilutive under the terms of FRS14.

10. Exceptional costs

The exceptional costs comprise the following:

	2003 £'000	2002 £'000
Closure of consultancy	–	54

Highams Consulting Limited was closed on 30 September 2001.

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 2002	102	491	147	10	750
Additions	17	34	5	–	56
Disposals	–	(1)	(18)	(10)	(29)
31 March 2003	119	524	134	–	777
Depreciation					
1 April 2002	49	447	146	7	649
Charge for the year	21	51	2	–	74
Disposals	–	(1)	(18)	(7)	(26)
31 March 2003	70	497	130	–	697
Net book value 31 March 2003	49	27	4	–	80
Net book value 31 March 2002	53	44	1	3	101

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 2002	102	287	111	–	500
Additions	17	21	5	–	43
Disposals	–	(1)	(18)	–	(19)
31 March 2003	119	307	98	–	524
Depreciation					
1 April 2002	49	262	111	–	422
Charge for the year	21	33	–	–	54
Disposals	–	(1)	(18)	–	(19)
31 March 2003	70	294	93	–	457
Net book value 31 March 2003	49	13	5	–	67
Net book value 31 March 2002	53	25	–	–	78

12. Investments

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Subsidiary undertakings (see note 13)	–	–	80	80
Own shares	9	14	9	14
	9	14	89	94

The investment in own shares is shown within the balance sheet as a fixed asset at valuation at 31 March 2003, and is in respect of a holding of 148,953 (2002: 148,953) of the Company's 5p shares. The movement in the value from £14k to £9k (£5k) represents the reduction in the market value of the shares during the year. The nominal value of these shares was £7,448 (2002: £7,448). This represents 0.8% of the Company's share capital at 31 March 2003. These shares are held by the Employee Share Benefit Trust, further details of which are given in note 23.

Notes to the Accounts

for the year ended 31 March 2003

13. Subsidiary undertakings

	Company £'000
Cost	
At 1 April 2002 and 31 March 2003	160
Provision	
At 1 April 2002 and 31 March 2003	80
Net book value 31 March 2003	80
Net book value 1 April 2002	80

	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 Business Solutions Limited	Factoring Software	Ordinary

At 31 March 2003, 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

Cash deposits are non-interest bearing unless placed on money markets at overnight rates. 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:

	Euro £'000	Total £'000
31 March 2003	80	80
31 March 2002	15	15

Maturity of financial liabilities

The overdraft facility is repayable on demand.

Borrowing facilities

The Group has an overdraft facility of £150,000. At 31 March 2003 the Group was not using this facility.

The facility will be reviewed on 29 April 2004.

Fair values

The fair values of the financial assets and liabilities at 31 March 2003 are not materially different from their book values.

15. Debtors

Amounts falling due within one year:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	1,916	2,435	–	–
Amounts due from subsidiary undertakings	–	–	1,641	1,267
Other debtors	1	22	28	47
Prepayments and accrued income	316	208	176	103
	2,233	2,665	1,845	1,417

16. Creditors: amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdraft	–	18	–	–
Amounts owed to subsidiary undertakings	–	–	539	69
Trade creditors	677	727	146	53
Other taxes and social security costs	72	76	–	18
Accruals and deferred income	281	195	76	40
Dividends	–	20	–	20
Other creditors	75	79	75	79
	1,105	1,115	836	279

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 and Highams Recruitment Limited.

Notes to the Accounts

for the year ended 31 March 2003

17. Provision for liabilities and charges

A deferred taxation asset has not been created because tax losses carried forward are not entirely 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

	Authorised		Authorised	
	2003 Number	2002 Number	2003 £'000	2002 £'000
Ordinary 5p shares	30,000,000	30,000,000	1,500	1,500
	Allotted, called up and fully paid		Allotted, called up and fully paid	
	2003 Number	2002 Number	2003 £'000	2002 £'000
Ordinary 5p shares	19,574,298	19,574,298	979	979

(b) Contingent rights to the allotment of shares

As at 31 March 2003, options have been granted in respect of 859,879 (2002: 859,879) 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 2003 £'000	Total 2002 £'000
Loss for the financial year	—	—	—	(195)	(195)	(283)
Dividend proposed on equity shares	—	—	—	—	—	(20)
Exchange rate differences	—	—	—	(7)	(7)	—
Net reductions to shareholders' funds	—	—	—	(202)	(202)	(303)
Opening shareholders' funds	979	684	222	406	2,291	2,594
Movement in year	—	—	(222)	222	—	—
Closing shareholders' funds	979	684	—	426	2,089	2,291

(b) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total 2003 £'000	Total 2002 £'000
Loss for the financial year	—	—	—	(618)	(618)	(304)
Dividend proposed on equity shares	—	—	—	—	—	(20)
Net reductions to shareholders' funds	—	—	—	(618)	(618)	(324)
Opening shareholders' funds	979	684	222	406	2,291	2,615
Movement in year	—	—	(222)	222	—	—
Closing shareholders' funds	979	684	—	10	1,673	2,291

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 2003

20. Net cash flow from operating activities

	2003 £'000	2002 £'000
Operating loss	(208)	(229)
Depreciation of tangible fixed assets	74	89
Decrease in debtors	432	2,016
Increase/(decrease) in creditors	28	(1,309)
(Profit)/loss on disposal of fixed assets	(3)	7
Exchange differences	(7)	-
Net cash inflow from operating activities	316	574

21. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 2002 £'000	Cash flow £'000	31 March 2003 £'000
Cash at bank and in hand	626	246	872
Overdrafts	(18)	18	-
Net funds	608	264	872

Cash at bank and in hand includes £2,312 (2002: £2,164) in respect of monies held in the Employee Share Benefit Trust.

Reconciliation of net cash flow to movement in net funds

	2003 £'000	2002 £'000
Increase in cash in the period	264	566
Change in net funds	264	566
Net funds at 1 April 2002	608	42
Net funds at 31 March 2003	872	608

22. Financial commitments

Group:

	Land and buildings 2003 £'000	Other 2003 £'000	Land and buildings 2002 £'000	Other 2002 £'000
Non-cancellable operating leases expiring:				
Within one year	–	41	–	39
Between 2 and 5 years	105	44	105	47
	<u>105</u>	<u>85</u>	<u>105</u>	<u>86</u>

Company:

	Land and buildings 2003 £'000	Other 2003 £'000	Land and buildings 2002 £'000	Other 2002 £'000
Non-cancellable operating leases expiring:				
Within one year	–	40	–	37
Between 2 and 5 years	105	44	105	47
	<u>105</u>	<u>84</u>	<u>105</u>	<u>84</u>

Notes to the Accounts

for the year ended 31 March 2003

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 no options lapsed leaving the total options outstanding at 31st March 2003 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 2002, 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 Incentive) scheme and granted 779,220 shares as at 8 September 2000 of which 259,740 lapsed, leaving options existing at 31 March 2002 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 2003.

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 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 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 (2002: £nil). The trust holds 148,953 shares.

No shares have been transferred to employees or were under option as at 31 March 2003 and they are included in the Company's balance sheet at that date as investments in own shares at a cost of £8,937. The Trust's only other asset at 31 March 2003 was cash at bank of £2,312 (2002: £2,164) 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 Altons Chartered Accountants, of which the director, MA Eve, is a partner, at a cost of £10,895 (2002: £17,129). The balance due at 31 March 2003 was £5,500 (2002: £8,250).

Five Year Record

	2003 £'000	2002 £'000	2001 £'000	2000 £'000	1999 £'000
Results					
Turnover	11,096	16,777	20,662	26,864	34,070
Operating (loss)/profit	(208)	(229)	(579)	(302)	1,536
(Loss)/profit on ordinary activities before taxation	(195)	(298)	(2,032)	(309)	1,525
(Loss)/profit for the financial year after taxation	(195)	(283)	(2,023)	(297)	1,018
Dividends	–	20	49	49	208
Assets employed					
Fixed assets	89	115	187	1,157	1,484
Net current assets	2,000	2,176	2,422	3,528	3,538
Creditors due after more than one year	–	–	–	(20)	(31)
Provisions for liabilities and charges	–	–	(15)	(15)	(19)
Net assets	2,089	2,291	2,594	4,650	4,972
Financed by					
Equity shareholders' funds	2,089	2,291	2,594	4,650	4,972
Key statistics					
(Loss)/earnings per share before goodwill amortisation and exceptional costs	(1.00p)	(1.18p)	(2.70p)	(0.92p)	5.94p
(Loss)/earnings per share	(1.00p)	(1.45p)	(10.43p)	(1.58p)	5.62p
Return on shareholders' funds *	(9.3%)	(12.4%)	(78.0%)	(6.4%)	20.5%
Return on assets **	(10.0%)	(12.6%)	(22.4%)	(5.2%)	21.5%

Note:

* (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 Charles Stanley & Company Limited, 25 Luke Street, London, EC2A 4AR on Friday 26 September 2003 at 12.00 noon in order to transact the following business:

Ordinary 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 2003.

Resolution 2 To re-elect Bryan John Martin, who retires by rotation, as a Director of the Company.

Resolution 3 To re-elect Maurice Anthony Eve, who retires by rotation, as a Director of the Company.

Resolution 4 To re-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

14 August 2003

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 Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR 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 hours.

(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 24 September 2003 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 24 September 2003, 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 24 September shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

Financial Calendar

Last date and time for receipt of proxy for the
Annual General Meeting

12.00 noon on 24 September 2003

Annual General Meeting

12.00 noon on 26 September 2003



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