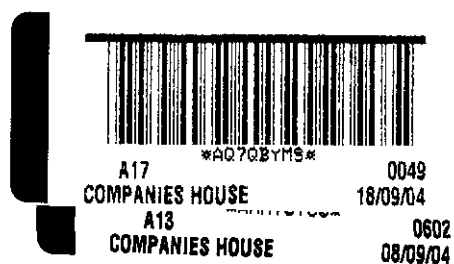


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Highams Systems Services Group plc is an IT recruitment company, specialising in the insurance, investment management and financial services sectors.

Annual Report & Accounts
for the year ended 31 March 2004



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Highams will be the *best* provider of information technology personnel 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**
comprising Highams Recruitment Limited and Highams Recruitment BV, 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 **RWP Recruitment Services Limited**
was acquired by Highams in August 2004. RWP provides contract and permanent IT recruitment services in similar sectors to Highams Recruitment, significantly increasing the Group's presence in its niche markets.
- 3 **Highams Business Solutions Limited**
was sold by Highams in November 2003. It provided factoring and related financial software applications to clients ranging from small specialist factors through to major international financial groups.

Operating and Financial Highlights

	2004 £'000	2003 £'000
Turnover	8,559	11,096
Loss for the financial year before tax	(282)	(195)
Net current assets	1,694	2,000
Shareholders' funds	1,813	2,089
Loss per share	(1.45)p	(1.00)p
Dividend per share	-	-

Highams Group

- Increased loss on reduced turnover
- Significant progress on implementation of strategy
- Sale of Highams Business Solutions
- Acquisition of RWP Recruitment Services

Highams Recruitment

- Maintained contribution to Group, despite reduced turnover
- Increased permanent recruitment fees
- Improved contract recruitment percentage margin
- Reduced costs; closed office in The Hague

Highams Business Solutions

- Business sold in November 2003
- All Group overheads have been supported by Highams Recruitment since then

Highams' end-users

Insurance
 Accion UK
 AIG
 Allianz Cornhill
 Capita PPML
 CGNU
 Churchill Insurance
 GE Frankona
 Groupama UK Services

HBS FS
 HSL
 Liberata
 Lloyds TSB
 Nationwide Life
 National Australia Group
 Omni Whittington
 Prudential Assurance
 Prumerica

QBE Insurance
 Rubicon Corp
 So'corp
 Tawa Management
 Temporal Analytics
 TIA Systems
 Unisys
 Winterthur Life
 Zurich Insurance

Chairman's Statement

Nigel Graham Maw

In November 2003, we completed the first part of our strategy, the sale of our factoring software subsidiary Highams Business Solutions Limited (HBS). As a result of this transaction, we no longer had to finance the further development of the factoring system, and could devote our resources to building and growing our Recruitment business which now comprises the entire activities of the Group.

The sale of HBS was necessary on two counts: firstly, we could not afford to give that business the investment in new systems development and in global sales capability that its excellent factoring software deserved – it needed a 'parent' that had proven capability in those areas – and, secondly, our ability to attract partners to build our business was being hampered by their perceptions of the risks of our software business.

We achieved a small profit on the sale of HBS. From the date of sale, HBS ceased to make any contribution towards Group overheads, which since that time have all had to be absorbed by the existing Recruitment business.

To produce bottom line profits at Group level, we need to grow not just organically but also by bringing into the Group other recruitment activities from compatible businesses. I am therefore delighted that after many months of work and talks with a number of possible candidates, we have acquired RWP Recruitment Services Limited for an aggregate consideration of £2,050,000 consisting of £495,000 in new Highams ordinary shares and the balance in cash raised partly through a placing of new Highams ordinary shares with institutional investors and partly from our own resources. Your attention is drawn to my letter to shareholders in the Circular of 21 July 2004.

The following are the results for the year:

Financial Results Group turnover for the year amounted to £8.6m (2003: £11.1m) with a pre-tax loss of £282k (2003: loss of £195k).

We had Net Assets of £1.8m at the year-end, including cash at bank of £740k; there were no borrowings and no goodwill to be written off.

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

Highams' end-users

Investment Management, Banking & Finance

Abbey National
 Barclays Bank
 BNP Paribas
 Fidelity Investment Management
 Fortis Investment Management
 HSBC
 International Financial Data Services
 Invesco Asset Management

Lynx Financial Systems

Nationwide Building Society
 Surecomp Business Solutions
 WestLB Asset Management

Non Financial

Alos Origin
 Cryptic Software
 Delphi Diesel Systems
 NHS Shared Service
 npower
 Pfizer
 Powergen
 Rodata ICT

Final Dividend As we are continuing to seek appropriate acquisitions, we wish to conserve our cash resources. The Directors are therefore not recommending the payment of a final dividend for the year to 31 March 2004 (2003: no final dividend).

Executives and staff We have a very experienced and loyal team who will, I am sure, relish the challenges of the enlarged Group in the future. I am very grateful to the management and all our staff for their hard work and expertise.

Outlook and Current Trading The IT recruitment market is likely to continue to be challenging in the coming year, but we look forward to gaining benefit from the growth in the IT market currently being forecast by some industry analysts. Following the acquisition of RWP Recruitment Services Limited, we expect to see a significant growth in our revenues this year and improvement in the bottom line.

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

Finally, I believe that now is an appropriate time for the Company to seek my successor as Chairman. I have served the Company for over seven years and, whilst not enjoying the best of health in recent months, I am delighted to have been part of the Highams team that has developed, and is delivering on, our strategy. I therefore intend to stand down as Chairman as soon as an appropriate successor has been appointed.

N.N. Graham Maw

NN Graham Maw
 Chairman
 7 September 2004

Group Managing Director's Report

Ted Andrews

Overview

Significant management effort has been used in completing the sale of HBS and the acquisition of RWP in the past year in line with our strategy. Amongst the many benefits we expect to derive from the acquisition is a broadening of our management bandwidth, enabling the Group to pursue further strategic opportunities whilst maintaining the support of normal operational activities.

Trading Review

Highams Recruitment We have managed to maintain the level of contribution made to the Group by our recruitment operations, despite a decrease in revenue. In part this is due to a reduction in costs, for example arising from our previously announced closure of our office in The Hague last June, but it is also due to a significantly improved contribution from permanent recruitment and a small improvement to our percentage margin in contract recruitment.

For the year as a whole, turnover was £7.7m (2003: £9.5m) and pre-tax operating profit for the business (before Group overheads) amounted to £529k (2003: £523k).

Highams Business Solutions We were very pleased to complete the sale of HBS in November 2003. It was in the best interests of the Group, as well as HBS's staff and clients, that we found a new owner who was able to provide the necessary investment in the software and its global marketing.

Whilst the direct financial benefit to the Group resulting from the sale was not substantial, and without HBS's contribution to Group overheads since November 2003 our operating losses have inevitably worsened, the alternatives of our investing in the business or of simply running off the business could have been very high risk.

Selling HBS has enabled the Group to progress our strategy of acquisitively growing the recruitment business.

Turnover in HBS in the eight months until the date of sale (26 November 2003) was £0.8m (2003: £1.6m for the full year) with a pre-tax operating profit of £292k (2003: £535k for the full year) before Group overheads.

Group Prospects

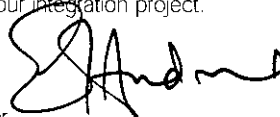
The Market Whilst in the past two or three years, there have been no sustained periods of growth in IT recruitment, independent forecasts indicate that there should be an upturn in the IT market over the next two years, with insurance and finance being identified as two of the sectors in which growth is expected.

Strategy We will continue to seek to identify suitable recruitment companies for acquisition. In a maturing market, where purely organic growth is likely to be small in percentage terms, we believe that we can derive appropriate and worthwhile benefits of scale from carefully selected and integrated acquisitions.

Financial Year 2004/2005 For the next few months, we will be heavily focussed on the integration of RWP; as the businesses come together, we expect to derive synergies in both the sales and back-office areas leading to improved sales performance and lower expense levels. The benefits of this will start to appear in the financial results this year, but should be considerably more evident from 2005/06.

Staff Whilst this remains a tough market, the progress we have made in implementing our strategy has been very well received by our staff team. I thank them for their dedication and loyalty in the past year, and very much look forward to working with them closely as we seek to get the best out of our integration project.

E I Andrews
Group Managing Director
7 September 2004



Directors

Nigel Graham Maw

MA LLM (Cantab) (aged 71) 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 52) 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 50) Finance Director

Tony Eve was appointed Finance Director in October 1996. He is a chartered accountant with experience of running his own practice and provides financial and business consultancy to SMEs.

John Edward Higham

ACII (aged 59) 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.

Clive Williams

MBA (aged 41) 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.

Directors and Advisers

Directors

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

Secretary

MA Eve

Registered Office

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

Auditors

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

Bankers

The Royal Bank of Scotland plc
Turnpike House
123 High Street
Crawley
West Sussex
RH10 1DQ

Registered number

1700310

Registrars

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

Nominated Adviser and Broker

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

Solicitors

Nicholson Graham & Jones
110 Cannon Street
London
EC4N 6AR

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 2004.

Principal Activities Highams is a specialist IT recruitment company and its principal activities are the provision of contract and permanent IT recruitment services, 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 £282k (2003: loss £195k) on a turnover of £8.6m (2003: £11.1m).

As noted in the Chairman's Statement, the directors do not recommend a final dividend (2003: nil). No interim dividend was paid during the year (2003: 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 EI Andrews and Mr JE Higham retire by rotation and offer themselves for re-election. Biographical details for these two directors are provided on page 8.

Following the acquisition of RWP Recruitment Services Limited, Mr GD Burbidge was appointed as a director of the Company and offers himself for election. He was the managing director of RWP, having joined them in 1994, and had full responsibility for the performance of RWP, whilst remaining very active in sales management. He is Sales Director for the Company.

Directors' interest in shares The persons who held the office of director at 31 March 2004 had the following interests in fully paid ordinary 5p shares of the Company at the beginning and end of the financial year.

	31 March 2004		1 April 2003	
	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	-
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.*

At 31 March 2004, C Williams had 259,740 options granted under the Enterprise Management Incentive Scheme. These are exercisable at 38.5p per share.

Since the year-end, following a Placing by Charles Stanley & Co Limited on 17 August 2004, the Company issued 8,333,334 New Ordinary Shares at a price of 6p per share. The following Directors subscribed on the basis set out below:

	Ordinary Shares 17 August 2004
NN Graham Maw	170,000
JE Higham	170,000
EI Andrews	170,000

Report of the Directors

continued

Substantial Shareholders As at 1 September 2004, the following substantial shareholdings have been notified to the Company:

	Number of shares	% of issued Share Capital
Brewin Nominees Limited	1,302,300	4.09%
E i Andrews	3,570,000	11.20%
J E Higham	7,267,649	22.80%
John Higham Family Trust	1,230,000	3.86%
JS Paremain	1,589,847	4.99%
MJ Radlett	1,589,847	4.99%

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

Corporate governance The directors report on 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.

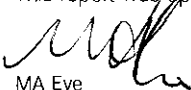
Supplier payment policy The Group's policy is to pay its contractors by direct credit into their bank accounts immediately correct invoices are received. The Group's policy with regard to other suppliers is to settle amounts due in accordance with the terms of payment agreed when agreeing the terms of each transaction. The trade creditor days figure at 31 March 2004 was 17 (2003: 19).

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 (2003: nil). There were no political donations (2003: nil).

Auditors On 31 December 2003, BDO Stoy Hayward, the Company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly, BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to appoint BDO Stoy Hayward LLP as auditors will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors on 7 September 2004.


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.

The Audit Committee has sole responsibility for assessing the independence of the external auditors, BDO Stoy Hayward LLP. The committee has had due regard to the document published in May 2003 by the Institute of Chartered Accountants in England and Wales (ICAEW) "Reviewing Auditor Independence: guidance for audit committees". Each year the committee undertakes to seek reassurance that the external auditors are independent.

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 24 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 2004 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 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 Directors' Remuneration Report, 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.

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 group and company at 31 March 2004 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 LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Bromley
7 September 2004

Consolidated Profit & Loss Account

for the year ended 31 March 2004

	Notes	Discontinued operations £'000	Continuing operations £'000	2004 £'000	2003 £'000
Turnover	2	832	7,727	8,559	11,096
Cost of sales		(325)	(7,035)	(7,360)	(9,485)
Gross profit		507	692	1,199	1,611
Administrative expenses					
– before exceptional costs		(487)	(1,131)	(1,618)	(1,819)
– exceptional costs	10	-	(68)	(68)	-
Operating profit/(loss)	2	(487)	(1,199)	(1,686)	(1,819)
Profit on sale of operations	11	20	(507)	(487)	(208)
Provision against investments	13			174	-
				11	(5)
Loss on ordinary activities before finance charges				(302)	(213)
Interest receivable	4a			20	21
Interest payable	4b			-	(3)
Loss on ordinary activities before taxation	3			(282)	(195)
Tax on loss on ordinary activities	7			-	-
Loss for the financial year				(282)	(195)
Dividends	8			-	-
Loss for the year	20			(282)	(195)
Loss per share – basic and diluted					
Loss for the financial year	9			(1.45)p	(1.00)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 2004

	2004 £'000	2003 £'000
Loss for the financial year	(282)	(195)
Profit/(loss) on foreign currency translation	6	(7)
Total recognised gains and losses	(276)	(202)

Consolidated Balance Sheet

31 March 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	12	99	80
Investments	13	20	9
		<u>119</u>	<u>89</u>
Current assets			
Debtors	16	1,638	2,233
Cash at bank and in hand		740	872
		<u>2,378</u>	<u>3,105</u>
Creditors: amounts falling due within one year	17	(684)	(1,105)
Net current assets		<u>1,694</u>	<u>2,000</u>
Net assets		<u>1,813</u>	<u>2,089</u>
Capital and reserves			
Called up share capital	19	979	979
Share premium	20a	684	684
Profit and loss account	20a	150	426
Equity shareholders' funds	20a	<u>1,813</u>	<u>2,089</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 7 September 2004.
 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 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	12	71	67
Investments	13	20	89
		<u>91</u>	<u>156</u>
Current assets			
Debtors	16	1,415	1,845
Cash at bank and in hand		<u>486</u>	<u>508</u>
		1,901	2,353
Creditors: amounts falling due within one year	17	<u>(275)</u>	<u>(836)</u>
Net current assets		<u>1,626</u>	<u>1,517</u>
Net assets		<u>1,717</u>	<u>1,673</u>
Capital and reserves			
Called up share capital	19	979	979
Share premium	20b	684	684
Profit and loss account	20b	<u>54</u>	<u>10</u>
Equity shareholders' funds	20b	<u>1,717</u>	<u>1,673</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 7 September 2004.
 NN Graham Maw & El Andrews, Directors

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

N.N. Graham Maw
 El Andrews

Consolidated Cash Flow Statement

for the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
Net cash (outflow)/inflow from operating activities	21	(3)	316
Returns on investments and servicing of finance			
Interest received		20	21
Interest paid		-	(3)
		<u>20</u>	<u>18</u>
Taxation			
UK corporation tax		-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(107)	(56)
Sale of tangible fixed assets		-	6
		<u>(107)</u>	<u>(50)</u>
Disposal			
Sale of operations	11	287	-
Cash disposed of with operations	11	(329)	-
		<u>(42)</u>	<u>-</u>
Equity dividends paid		-	(20)
(Decrease)/Increase in cash in the year	22	<u>(132)</u>	<u>264</u>

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

Notes to the Accounts

for the year ended 31 March 2004

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.

The results of subsidiary undertakings acquired are included from the date of acquisition. The results of subsidiary undertakings disposed of are included up to the date of disposal, and the net profit or loss on disposal is calculated based on the net proceeds receivable and the net assets at the date of disposal, including any unamortised goodwill.

Turnover

Turnover represents fees invoiced, net of Value Added Tax, derived from the principal activity of the Group. Contract revenue is recognised as work is carried out in the period in which a contract is in place. Where invoices are not received in time, an estimate is made of the value of the work done. This is based on the standard terms of the contracts to which the outstanding invoices relate. This is then incorporated within turnover, with the corresponding cost being recognised within cost of sales. Permanent placement fees are recognised in the period in which the candidate commences their new employment.

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 ruling 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 15:

- 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 2004

2. Segmental information

(a) Classes of business:

	Recruitment Services		Business Solutions		Total	
	2004	2003	2004	2003	2004	2003
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover						
Sales to third parties – continuing operations	7,727	9,544	-	-	7,727	9,544
Sales to third parties – discontinued operations			832	1,552	832	1,552
					8,559	11,096
Segment profit before exceptional costs	529	523	292	535	821	1,058
Exceptional costs	(68)				(68)	-
Segment profit	461	523	292	535	753	1,058
Common costs					(1,240)	(1,266)
Operating loss					(487)	(208)
Profit on sale of operations					174	-
Revaluation of investments					11	(5)
Interest receivable					20	21
Interest payable					-	(3)
Loss on ordinary activities before taxation					(282)	(195)
Segment net assets	1,091	1,026	-	463	1,091	1,489
Unallocated net assets					722	600
Net assets					1,813	2,089

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' remuneration 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 analysis

	Turnover by origin		Turnover by destination	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
United Kingdom	8,085	10,067	7,404	8,796
Rest of World	474	1,029	1,155	2,300
	8,559	11,096	8,559	11,096

2. Segmental information *continued*

(c) Corresponding figures

The corresponding figures in 2003 in respect of continuing activities and those activities discontinued in 2004 are:

	Continuing Business £'000	Discontinued Business £'000	Total £'000
Turnover	9,544	1,552	11,096
Cost of sales	(8,861)	(624)	(9,485)
Gross profit	683	928	1,611
Administrative expenses	(883)	(936)	(1,819)
Operating loss	(200)	(8)	(208)

3. Loss on ordinary activities before taxation

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

	2004 £'000	2003 £'000
Auditors' remuneration		
– for audit services	23	25
– for non-audit services	3	4
Depreciation and amounts written off tangible fixed assets		
– owned assets	72	74
Operating lease rentals		
– buildings	105	105
– vehicles and computers	56	110

Included in the Group audit fee is an amount of £5,000 (2003: £6,000) in respect of the Company.

4. Interest

(a) Interest receivable

	2004 £'000	2003 £'000
Bank deposit	20	17
Interest on corporation tax	-	4
	20	21

(b) Interest payable

	2004 £'000	2003 £'000
Bank overdraft	-	3
	-	3

Notes to the Accounts

for the year ended 31 March 2004

5. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	2004 £'000	2003 £'000
Wages and salaries	1,434	1,549
Social security costs	146	158
Other pension costs	69	120
	<u>1,649</u>	<u>1,827</u>

(b) Staff numbers

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

	2004 Number	2003 Number
Management	7	7
Production and administration	11	20
Sales and marketing	13	14
	<u>31</u>	<u>41</u>

6. Directors' remuneration

Aggregate remuneration

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

	2004 £	2003 £
Emoluments	371,916	393,751
Compensation for loss of office	90,000	-
Money purchase pension contributions	42,600	62,686
	<u>504,516</u>	<u>456,437</u>

6. Directors' remuneration continued

(a) Directors' remuneration

	Fees/basic salary £	Taxable benefits £	Severance payment £	2004 £	2003 £	Money purchase pension contributions 2004 £	Money purchase pension contributions 2003 £
Executive							
EI Andrews	111,026	6,875	-	117,901	115,560	30,600	32,500
MA Eve	26,308	-	-	26,308	26,330	-	-
BJ Martin (resigned 26 November 2003)	56,370	6,089	90,000	152,459	99,893	12,000	18,000
C Williams	100,980	8,268	-	109,248	96,202	-	12,186
Non-Executive							
NN Graham Maw	36,000	-	-	36,000	36,000	-	-
JE Higham	20,000	-	-	20,000	19,766	-	-
Aggregate emoluments	350,684	21,232	90,000	461,916	393,751	42,600	62,686

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. EI Andrews and C Williams are employed under service agreements which can be terminated at any time giving six months' prior notice by the directors and twelve months' notice by the Company. The services of MA Eve are secured by an agreement which can be terminated on six months' notice. BJ Martin resigned his position to join the new owners of the sold subsidiary.

(b) Directors' pension entitlements

During the year, two directors were members of money purchase pension schemes (2003: 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.

Notes to the Accounts

for the year ended 31 March 2004

7. Tax on loss on ordinary activities

The tax for the year comprises:

	2004 £'000	2003 £'000
UK corporation tax	-	-
Deferred taxation	-	-
	-	-
Reconciliation of tax charge		
Loss on ordinary activities before taxation	(282)	(195)
UK Corporation tax at the standard rate of 30% (2003: 30%)	(85)	(58)
Effect of:		
Capital gains not taxable	(52)	-
Expenses not deductible for tax purposes	47	3
Capital allowances in excess of depreciation	5	1
Utilisation of tax losses	(5)	(4)
Losses carried forward	90	58
Current tax charge for year	-	-

At the balance sheet date, the Group had approximately £720,000 (2003: £420,000) of losses to carry forward against future profits.

8. Dividends

	2004 £'000	2003 £'000
Final dividend of nil per share proposed (2003: nil)	-	-

9. Loss per share basic and diluted

	Loss 2004 £'000	Weighted average number of shares 2004 '000	Loss per share 2004 p	Loss 2003 £'000	Weighted average number of shares 2003 '000	Loss per share 2003 p
Loss for the financial year	(282)	19,425	(1.45)	(195)	19,425	(1.00)

The average 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:

	2004 £'000	2003 £'000
Closure of Dutch office	(68)	-

All Highams Recruitment BV operations have now been transferred to the UK.

11. Sale of operations

	2004 £'000	2003 £'000
Subsidiary undertakings and operations		
Tangible fixed assets	16	-
Debtors	244	-
Cash at bank	329	-
Creditors due within one year	(176)	-
Costs of disposal	179	-
	592	-
Consideration	766	-
Profit on disposal	174	-

The profit arose from the disposal of Highams Business Solutions Limited on 26 November 2003. Of the £766k consideration, £466k was received in cash on completion, £300k was held in escrow at 31 March 2004 and was received in June 2004. Net cash received on completion, after deducting costs of disposal of £179k, was £287k.

Notes to the Accounts

for the year ended 31 March 2004

12. 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 2003	119	524	134	-	777
Additions	-	-	-	107	107
Disposals	-	(9)	(2)	(16)	(27)
31 March 2004	119	515	132	91	857
Depreciation					
1 April 2003	70	497	130	-	697
Charge for the year	26	19	2	25	72
Disposals	-	(7)	(2)	(2)	(11)
31 March 2004	96	509	130	23	758
Net book value 31 March 2004	23	6	2	68	99
Net book value 31 March 2003	49	27	4	-	80

b) Company

	Leasehold improvements £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
1 April 2003	119	307	98	-	524
Additions	-	-	-	56	56
Disposals	-	-	-	-	-
31 March 2004	119	307	98	56	580
Depreciation					
1 April 2003	70	294	93	-	457
Charge for the year	26	11	1	14	52
Disposals	-	-	-	-	-
31 March 2004	96	305	94	14	509
Net book value 31 March 2004	23	2	4	42	71
Net book value 31 March 2003	49	13	5	-	67

13. Investments

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Subsidiary undertakings (see note 14)	-	-	-	80
Own shares	20	9	20	9
	<u>20</u>	<u>9</u>	<u>20</u>	<u>89</u>

The investment in own shares is shown within the balance sheet as a fixed asset at valuation at 31 March 2004, and is in respect of a holding of 148,953 (2003: 148,953) of the Company's 5p shares. The movement in the value from £9k to £20k (£11k) represents the decrease in the impairment provision due to the increase in the market value of the shares during the year. The nominal value of these shares was £7,448 (2003 : £7,448) This represents 0.8% of the Company's share capital at 31 March 2004. These shares are held by the Employee Share Benefit Trust, further details of which are given in note 24.

14. Subsidiary undertakings

	Company £'000
Cost	
At 1 April 2003	160
Disposal	(80)
At 31 March 2004	<u>80</u>
Provision	
At 1 April 2003 and 31 March 2004	<u>80</u>
Net book value 31 March 2004	<u>-</u>
Net book value 1 April 2003	<u>80</u>

	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 (sold 26th November 2003)	Factoring Software	Ordinary

At 31 March 2004, 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.

Notes to the Accounts

for the year ended 31 March 2004

15. 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.

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 its functional currency (sterling). These exposures were as follows:

	Euro £'000	Total £'000
31 March 2004	59	59
31 March 2003	80	80

Maturity of financial liabilities

The overdraft facility is repayable on demand.

Borrowing facilities

The Group has an overdraft facility, expiring on 5 October 2004, of £150,000. At 31 March 2004 the Group was not using this facility.

Fair values

The fair values of the financial assets and liabilities at 31 March 2004 are not materially different from their book values.

16. Debtors: amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Trade debtors	1,176	1,916	14	-
Amounts due from subsidiary undertakings	-	-	994	1,641
Other debtors	319	1	326	28
Prepayments and accrued income	143	316	81	176
	<u>1,638</u>	<u>2,233</u>	<u>1,415</u>	<u>1,845</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Amounts owed to subsidiary undertakings	-	-	-	539
Trade creditors	336	677	27	146
Other taxes and social security costs	81	72	43	-
Accruals and deferred income	192	281	130	76
Other creditors	75	75	75	75
	<u>684</u>	<u>1,105</u>	<u>275</u>	<u>836</u>

18. Provision for liabilities and charges

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.

19. Share capital

(a) Summary

	Authorised		Authorised	
	2004 Number	2003 Number	2004 £'000	2003 £'000
Ordinary 5p shares	<u>30,000,000</u>	<u>30,000,000</u>	<u>1,500</u>	<u>1,500</u>
	Allotted, called up and fully paid		Allotted, called up and fully paid	
	2004 Number	2003 Number	2004 £'000	2003 £'000
Ordinary 5p shares	<u>19,574,298</u>	<u>19,574,298</u>	<u>979</u>	<u>979</u>

(b) Contingent rights to the allotment of shares

As at 31 March 2004, options have been granted in respect of 547,139 (2003: 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 24.

Notes to the Accounts

for the year ended 31 March 2004

20. Reconciliation of movements in shareholders' funds

(a) Group

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2004 £'000	Total 2003 £'000
Loss for the financial year	-	-	(282)	(282)	(195)
Exchange rate differences	-	-	6	6	(7)
Net reduction in shareholders' funds	-	-	(276)	(276)	(202)
Opening shareholders' funds	979	684	426	2,089	2,291
Closing shareholders' funds	979	684	150	1,813	2,089

(b) Company

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2004 £'000	Total 2003 £'000
Profit/(loss) for the financial year	-	-	44	44	(618)
Opening shareholders' funds	979	684	10	1,673	2,291
Closing shareholders' funds	979	684	54	1,717	1,673

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

21. Net cash flow from operating activities

	2004 £'000	2003 £'000
Operating loss	(487)	(208)
Depreciation of tangible fixed assets	72	74
Decrease in debtors	651	432
(Decrease)/increase in creditors	(245)	28
Profit on disposal of fixed assets	-	(3)
Exchange difference	6	(7)
Net cash (outflow)/inflow from operating activities	(3)	316

The net cash outflow from the operating activities of Highams Business Solutions Limited in the period up to the date of sale was £61k.

22. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 2003 £'000	Cash flow £'000	31 March 2004 £'000
Cash at bank and in hand	872	(132)	740
Overdrafts	-	-	-
Net funds	872	(132)	740

Cash at bank and in hand includes £2,312 (2003: £2,312) in respect of monies held in the Employee Share Benefit Trust.

Reconciliation of net cash flow to movement in net funds

	2004 £'000	2003 £'000
Cash (outflow)/inflow	(132)	264
Net funds at 1 April 2003	872	608
Net funds at 31 March 2004	740	872

23. Financial commitments

Group

	Land and buildings 2004 £'000	Other 2004 £'000	Land and buildings 2003 £'000	Other 2003 £'000
Non-cancellable operating leases expiring:				
Within one year	105	39	-	41
Between 2 and 5 years	-	5	105	44
	105	44	105	85

Company

	Land and buildings 2004 £'000	Other 2004 £'000	Land and buildings 2003 £'000	Other 2003 £'000
Non-cancellable operating leases expiring:				
Within one year	105	39	-	40
Between 2 and 5 years	-	-	105	44
	105	39	105	84

Notes to the Accounts

for the year ended 31 March 2004

24. Employee Share Schemes

(a). Approved Employee Share Option Scheme

The Company adopted an Inland Revenue approved Executive Share Option Scheme on 17 May 1996. In the current year 53,000 options have lapsed leaving the total options outstanding at 31st March 2004 at 148,068. 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 prices for these options range between 52.5p to £1.15 per share.

(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 2003, 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. At 31 March 2003 519,480 were under option. A further 259,740 lapsed during the year, leaving options existing at 31 March 2004 of 259,740. These options are exercisable until 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 2004.

(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 (2003: £nil). The trust holds 148,953 shares, which had a market value of £20,493 at 31 March 2004 (2003: 148,953 shares at a market value of £8,947).

No shares have been transferred to employees or were under option as at 31 March 2004 and they are included in the Company's balance sheet at that date as investments in own shares at a cost less impairment provision of £20,481. The Trust's only other asset at 31 March 2004 was cash at bank of £2,312 (2003: £2,312) which is included in the Company's balance sheet as part of cash at bank and in hand. The Trust had no liabilities.

25. Related party transactions

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, M A Eve, was a partner until 31 October 2003, at a cost of £5,038 (2003: £10,895). The balance due at 31 March 2004 was £nil (2003: £5,500).

26. Post balance sheet event

On 19 August 2004, the Company acquired RWP Recruitment Services Limited for £2,050,000, to be satisfied by the issue of 3,967,936 new 5p ordinary shares and £1,555,000 in cash.

Five year record

	2004 £'000	2003 £'000	2002 £'000	2001 £'000	2000 £'000
Results					
Turnover	8,559	11,096	16,777	20,662	26,864
Operating (loss)/profit – continuing operations	(507)	(208)	60	40	203
Operating profit/(loss) – discontinued operations	20	-	(289)	(619)	(505)
Loss on ordinary activities before taxation	(282)	(195)	(298)	(2,032)	(309)
Loss for the financial year after taxation	(282)	(195)	(283)	(2,023)	(297)
Dividends	-	-	20	49	49
Assets employed					
Fixed assets	119	89	115	187	1,157
Net current assets	1694	2,000	2,176	2,422	3,528
Creditors due after more than one year	-	-	-	-	(20)
Provisions for liabilities and charges	-	-	-	(15)	(15)
Net assets	1,813	2,089	2,291	2,594	4,650
Financed by					
Equity shareholders' funds	1813	2,089	2,291	2,594	4,650
Key statistics					
Loss per share	(1.45p)	(1.00p)	(1.45p)	(10.43p)	(1.58p)
Return on shareholders' funds*	(15.6%)	(9.3%)	(12.4%)	(78.0%)	(6.4%)
Return on assets employed**	(27.2%)	(10.0%)	(12.6%)	(22.4%)	(5.2%)

Note:

* Loss for the financial year/closing shareholders' funds

** Operating result/fixed and net 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 Thursday 7 October 2004 at 11.30 a.m. 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 2004.

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

Resolution 3 To re-elect Edward Ian Andrews, who retires by rotation, as a Director of the Company.

Resolution 4 To elect Glenville David Burbidge who, having been appointed since the last annual general meeting of the Company, offers himself for election as a Director of the Company.

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

Special Business

To consider and, if thought fit, pass the following resolutions as Ordinary and Special Resolutions. In the case of resolution 6 as an ordinary resolution, and in the case of resolution 7 as a special resolution:

Ordinary Resolution

Resolution 6 That the directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in the Act) up to an aggregate nominal amount of £552,266.60 and within that period to make any offer or agreement which would or might require such securities to be allotted after the expiry of this authority and all authorities previously conferred on the directors pursuant to section 80 of the Act be and are hereby revoked. This authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting to be held in 2005 or the date falling 15 months from the passing of this Resolution; and

Special Resolution

Resolution 7 That the directors be and are hereby empowered to allot equity securities (within the meaning of section 94 of the Act) pursuant to the general authority for the purposes of section 80 of the Act conferred by Resolution 6 above up to the aggregate nominal amount of £100,700 as if section 89(1) of the Act did not apply to such allotment and the Company may make an offer or agreement which would or might require such securities to be allotted after the expiry of the authority and all authorities previously conferred on the directors pursuant to section 95 of the Act be and are hereby revoked. This authority shall expire on whichever is the earlier of the conclusion of the Annual General Meeting to be held in 2005 or the date falling 15 months from the passing of this Resolution.

By order of the Board

MA Eve
Secretary
7 September 2004

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 5 October 2004 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 5 October 2004, 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 5 October 2004 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	11:30 a.m. on 5 October 2004
Annual General Meeting	11:30 a.m. on 7 October 2004



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