

2	Group at a glance
3	Operating and Financial Highlights
4	Chairman's Statement
6	Group Managing Director's Report
8	Directors
9	Directors and Advisers
10	Report of the Directors
13	Statement of Directors' Responsibilities
14	Statement of Corporate Governance
15	Directors' Remuneration Report
16	Report of the Auditors
18	Consolidated Profit & Loss Account
19	Consolidated Balance Sheet
20	Parent Company Balance Sheet
21	Consolidated Cash Flow Statement
22	Notes to the Accounts
37	Five Year Record
38	Notice of Meeting
40	Financial Calendar

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, skilful 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 ("RWP")

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. RWP was merged with Highams Recruitment Limited at the end of March 2005. All services are now provided under the Highams brand.

Operating and Financial Highlights

	2005 £'000	2004 £'000
Turnover	13,512	8,559
Operating loss for the financial year before amortisation of goodwill and exceptionals	(207)	(419)
Loss for the financial year before tax	(523)	(293)
Net current assets	747	1,694
Shareholders' funds	2,187	1,793
Loss per share before amortisation and exceptionals	(0.83)p	(2.05)p
Dividend per share	-	-

Highams Group

- Significant progress on implementation of strategy
- Acquisition and successful integration of RWP Recruitment Services
- Resulting improved turnover and reduced operating loss
- Further resulting substantial cost savings in FY 2005/2006

Highams Recruitment

- Maintained contribution to Group
- Revenue and gross margin growth in second half of year
- Improved contract recruitment percentage margin

RWP Recruitment Services

- Acquired in August 2004
- Relocated to Highams' head office in December 2004
- Fully integrated from April 2005

Insurance
AIG
Alliance + Leicester
Allianz Cornhill
Canada Life
Capita FPMIL
GE Frankona Management Services (UK)
Civica
HBOS FS
Liberata

Nationwide Life
National Australia Group
Norwich Union
Norwich Union Healthcare
Overture Systems
Prudential Assurance
Primerica
RIAS
Rubicon Corp
Sapiens

Solcorp
SunGard
Tawa Management
Temporal Analytics
Winterthur Life
Zurich Insurance

Chairman's Statement

The Group's major strategic event of the past year has been the acquisition of RWP Recruitment Services Limited ("RWP") in August 2004, and its very successful integration with Highams Recruitment Limited, enabling us to significantly accelerate the growth of the business, whilst gaining considerable cost savings.

The rationale behind the acquisition was that in order to produce bottom line profits at Group level, we needed to grow not just organically but also by adding revenue to a fixed cost base. We acquired RWP Recruitment Services Limited for an aggregate consideration of £2.1m plus expenses, 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.

The impact of the greater critical mass has helped to improve the Group's operational results in the second half of the year. The significant savings resulting from the integration of the businesses will be demonstrated from April 2005.

Financial Results These results include a seven month contribution from RWP from 18 August 2004. Group turnover for the year amounted to £13.5m (2004: £8.6m). The operating loss excluding goodwill amortisation and exceptionals was £207,000 (2004: loss of £419,000). The pre-tax loss was £523,000 (2004: loss of £293,000) after goodwill amortisation and exceptionals.

The Group had Net Assets of £2.2m (2004: £1.8m) at the year-end.

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

Highams' end-users

Investment Management, Banking & Finance

Abbey
 ABN Amro
 AttentiV
 Credit Suisse First Boston
 Fidelity Investment Management
 Fortis Investment Management
 HSBC Bank
 Jefferson Wells
 Nationwide Building Society

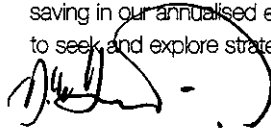
Non Financial

BMW (UK)
 Freshfields Bruckhaus Deringer
 Hitachi Europe
 McKesson
 NHS Shared Services
 Nortel Networks
 Innogy
 Perot Systems
 Pfizer

Final Dividend The Directors are not recommending the payment of a final dividend for the year to 31 March 2005 (2004: nil).

Executives and staff Highams has a very experienced and loyal team who have responded well to the opportunities and the challenges of the enlarged Group. I am very grateful to the management and all our staff for their hard work and expertise.

Outlook and Current Trading We expect to see continuing growth opportunities for Highams in the IT recruitment market in general and in the insurance and financial services sectors in particular. Our performance and results in the coming year will see a significant growth in our annual revenues from our growing and impressive client list and a considerable saving in our annualised expenses resulting from the successful integration of RWP. We continue to seek and explore strategic opportunities for the future growth and development of the Group.



AM Howarth
 Chairman
 29 June 2005

Group Managing Director's Report

Overview The acquisition of RWP Recruitment Services in August 2004 has positioned us to realise the twin benefits of a significantly enhanced sales capability and considerable savings following the successful integration process. Whilst our improved operating results for the second half of the financial year showed the immediate benefits, the substantial cost savings arising from the integration will be reflected in our results from April 2005.

Trading Review

Highams Recruitment Revenues and gross margins earned from the placement of IT contractors in the second half of the year exceeded those reported for the first half by more than 18 per cent. Fees from the placement of permanent IT staff in the second half of the year were similar to those in the first half.

For the year as a whole, turnover was £7.7m (2004: £7.7m) and pre-tax operating profit for the business (before Group overheads) amounted to £530,000 (2004: £529,000).

RWP Recruitment Services Turnover in RWP since its acquisition (18 August 2004) was £5.8m with a pre-tax operating profit of £316,000 (before Group overheads). Sales to RWP's clients were impacted initially by the disruption of the acquisition and integration, including the transfer of RWP staff to Highams' Caterham office, but picked up again from January 2005.

With effect from 01 April 2005, Highams Recruitment and RWP merged fully and now trade only under the Highams Recruitment brand.

Group Prospects

The Market Last year saw growth in the IT market generally after the severe decline from the start of this decade. Independent forecasts indicate that there will be continued steady growth in the IT market over the next two years, with insurance and finance being two of the sectors in which growth is expected.

Strategy The emphasis for the year ahead is the delivery of improved results through organic growth and a reduced cost-base. However, we will continue to seek to identify suitable recruitment companies for acquisition. Our experience with RWP confirms our previously stated belief that we can derive appropriate and worthwhile benefits of scale from carefully selected and integrated acquisitions.

Financial Year 2005/2006 From the start of this year we will gain the financial benefits to be derived from the restructuring of our Board and our senior management team that we announced in January 2005 and from the termination of the lease of RWP's Tunbridge Wells premises.

We have capacity within our current staff and systems to handle the improved levels of business that our niche markets are providing.

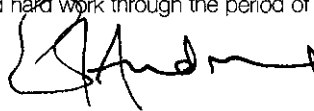
Nigel Graham Maw The satisfaction that we felt from the important strategic achievements of the past financial year has been tinged with considerable sadness at the news of the death of our Chairman, Nigel Graham Maw, in April 2005, shortly before he was due to retire. Nigel had been our charismatic Chairman since we floated in November 1996 and gave sterling service to the Group throughout his period in office.

Appointment of Alan Howarth We were very pleased to announce the appointment of Alan Howarth as Non-Executive Chairman on 3 May 2005. He has over 30 years experience working with senior executives across a wide range of sectors and he enjoys substantial IT recruitment experience, having led the Search & Selection practice at Ernst & Young for a number of years.

He has spent the last 20 years as a management consultant, firstly as a partner with Ernst & Young and more recently as Managing Director of Compass Management Consulting Limited. He is currently Non-Executive Chairman of full-listed Gresham Computing plc and Non-Executive Director of AIM-listed MacLellan Group plc.

We are delighted that Alan has agreed to join the Board as Chairman and are confident that his boardroom experience, knowledge of the IT recruitment industry and his wealth of contacts across the City and industry will be of considerable value to Highams.

Staff The integration of two businesses can be a fraught time, especially when one of the businesses is required to relocate. I'm delighted at the way our newly combined staff and management teams have quickly come together as a united force. I thank them for their commitment and hard work through the period of disruption and change.



E I Andrews
Group Managing Director
29 June 2005

Directors

Alan Miles Howarth

Non-Executive Chairman

Alan, aged 59, was appointed Chairman in May 2005. He has spent over 20 years as a management consultant advising management on strategic, operational and resource improvement. Formerly Managing Director of Compass Management Consulting he was a partner with Ernst & Young for 16 years. Additional non-executive directorships include Gresham Computing plc, the MacLellan Group plc and various interests in public bodies and smaller private concerns.

Edward Ian Andrews

Group Managing Director

Ted, aged 53, 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 the software and recruitment aspects of the Group prior to being appointed Group Managing Director in 1999.

Maurice Anthony Eve

FCA Finance Director

Tony, aged 51, 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.

Glenville David Burbidge

Group Sales Director

Glen, aged 46, joined Highams in August 2004 on the acquisition of RWP Recruitment Services Ltd. He was the managing director of RWP, having joined them in 1994, and had overall responsibility for RWP whilst remaining very active in sales management.

John Edward Higham

ACII Non-Executive Director and Deputy Chairman

John, aged 60, founded Highams 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.

Directors and Advisers

Directors

NN Graham Maw, (Chairman until April 2005)
AM Howarth, (Chairman from May 2005)
EI Andrews, (Group Managing Director)
GD Burbidge, (Group Sales Director)
MA Eve, (Finance Director)
JE Higham, (Non-executive)
C Williams (resigned 31 March 2005)

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

Kirkpatrick & Lockhart Nicholson Graham LLP
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 2005.

Principal Activities Highams is a specialist IT recruitment company and its principal activities are the provision of contract and permanent IT recruitment services, mainly 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 but after amortisation of goodwill and exceptional items of £523k (2004: loss £293k) on a turnover of £13.5m (2004: £8.6m).

As noted in the Chairman's Statement, the directors do not recommend a final dividend (2004: nil). No interim dividend was paid during the year (2004: 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 retires by rotation and offers himself for re-election. Biographical details for Mr Eve are provided on page 8.

Following the sad death of Mr Graham Maw, Mr AM Howarth was appointed as a director and Chairman of the Company on 3 May 2005 and offers himself for election. Biographical details for Mr Howarth are provided on page 8.

Directors' interest in shares The persons who held the office of director at 31 March 2005 had the following interests in fully paid ordinary 5p shares of the Company at the beginning and end of the financial year.

	31 March 2005		1 April 2004	
	Shares	Options	Shares	Options
NN Graham Maw	260,126	-	90,126	-
EI Andrews	3,570,000	-	3,400,000	-
GD Burbidge	587,842	-	-	-
MA Eve	62,400	-	62,400	-
JE Higham	8,697,649	-	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 2005, C Williams had 259,740 options granted under the Enterprise Management Incentive Scheme. These were exercisable at 38.5p per share, but have since lapsed due to Mr Williams leaving the Company.

As previously reported, 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 17 June 2005, 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%
EI Andrews	3,570,000	11.20%
JE Higham	7,267,649	22.80%
John Higham Family Trust	1,230,000	3.86%
JS Paremain	1,589,846	4.99%
MJ Radlett	1,589,847	4.99%

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 Financial Reporting Council in July 2003.

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 2005 was 24 (2004: 17).

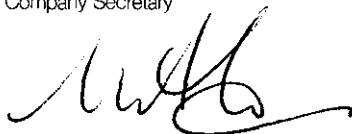
Liability insurance for Company Officers The Company has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the Company.

Charitable and political donations During the year, the Company made no charitable donations (2004: nil). There were no political donations (2004: nil).

Auditors A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors on 29 June 2005.

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 three 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 Alan Howarth 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 5 on pages 25 and 26 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 Group's 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.

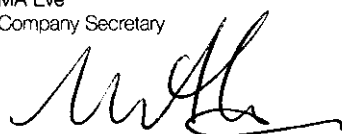
Share Schemes Details of all Company share schemes, together with the performance incentives, appear in note 23 on page 36. No awards were made during the year under these schemes.

Pensions The Group operates a defined contribution pension scheme, the contributions to which are set out in note 5 on pages 25 and 26.

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 2005 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.

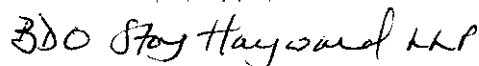
Basis of audit opinion

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 group'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 2005 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
Chartered Accountants and Registered Auditors
Bromley
29 June 2005

Consolidated Profit & Loss Account

for the year ended 31 March 2005

	Notes	Continuing Operations £'000	Acquisitions £'000	2005 Total £'000	2004 Restated £'000
Turnover		7,682	5,830	13,512	8,559
Cost of sales		(6,522)	(5,277)	(11,799)	(6,932)
Gross profit		1,160	553	1,713	1,627
Administrative expenses					
– before exceptional items and goodwill amortisation		(1,665)	(255)	(1,920)	(2,046)
– exceptional items	6	(170)	(30)	(200)	(68)
– goodwill amortisation	11	-	(91)	(91)	-
		(1,835)	(376)	(2,211)	(2,114)
Operating (loss)/profit before exceptional items and goodwill amortisation					
		(505)	298	(207)	(419)
Operating (loss)/profit				(498)	(487)
Profit on sale of business	6			-	174
Interest receivable	3a			15	20
Interest payable	3b			(40)	-
Loss on ordinary activities before taxation	7			(523)	(293)
Tax on loss on ordinary activities	8			9	-
Loss for the financial year				(514)	(293)
Dividends	9			-	-
Loss for the year	19			(514)	(293)
Loss per share – basic and diluted					
Loss for the financial year before goodwill amortisation and exceptional items	10			(0.83)p	(2.05)p
Loss for the financial year	10			(1.90)p	(1.51)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 2005

		2005 £'000	2004 Restated £'000
Loss for the financial year		(514)	(293)
Profit on foreign currency translation		1	6
Total recognised gains and losses relating to the year		(513)	(287)
Prior year adjustment	1	39	
Total recognised gains and losses since the last annual report		(474)	

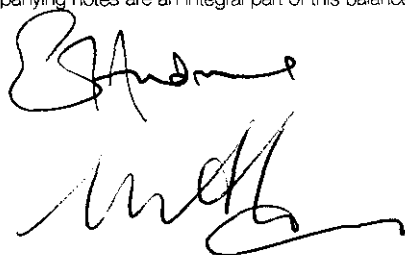
Consolidated Balance Sheet

31 March 2005

	Notes	2005 £'000	2004 Restated £'000
Fixed assets			
Goodwill	11	1,394	-
Tangible assets	12	46	99
		<u>1,440</u>	<u>99</u>
Current assets			
Debtors	14	2,909	1,638
Cash at bank and in hand		247	740
		<u>3,156</u>	<u>2,378</u>
Creditors: amounts falling due within one year	15	<u>(2,409)</u>	<u>(684)</u>
Net current assets		<u>747</u>	<u>1,694</u>
Net assets		<u>2,187</u>	<u>1,793</u>
Capital and reserves			
Called up share capital	18	1,594	979
Share premium	19a	679	684
Merger reserve	19a	297	-
Employee share benefit trust reserve	19a	(59)	(59)
Profit and loss account	19a	<u>(324)</u>	<u>189</u>
Equity shareholders' funds	19a	<u>2,187</u>	<u>1,793</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 29 June 2005
 El Andrews & MA Eve, Directors

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



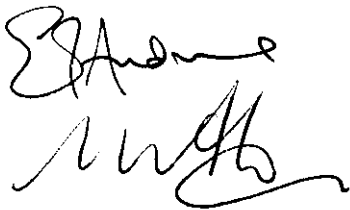
Parent Company Balance Sheet

31 March 2005

	Notes	2005 £'000	2004 Restated £'000
Fixed assets			
Tangible assets	12	26	71
Investments	13	-	-
		<u>26</u>	<u>71</u>
Current assets			
Debtors	14	3,198	1,415
Cash at bank and in hand		3	486
		<u>3,201</u>	<u>1,901</u>
Creditors: amounts falling due within one year	15	(623)	(275)
Net current assets		<u>2,578</u>	<u>1,626</u>
Net assets		<u>2,604</u>	<u>1,697</u>
Capital and reserves			
Called up share capital	18	1,594	979
Share premium	19b	679	684
Merger reserve	19b	297	-
Employee share benefit trust reserve	19b	(59)	(59)
Profit and loss account	19b	93	93
Equity shareholders' funds	19b	<u>2,604</u>	<u>1,697</u>

The accounts on pages 18 to 36 were approved by the Board of Directors on 29 June 2005
 El Andrews & MA Eve, Directors

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



Consolidated Cash Flow Statement
for the year ended 31 March 2005

	Notes	2005 £'000	2004 £'000
Net cash outflow from operating activities	20	(38)	(3)
Returns on investments and servicing of finance			
Interest received		15	20
Interest paid		(40)	-
		(25)	20
Taxation			
UK corporation tax		(64)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(8)	(107)
Sale of tangible fixed assets		25	-
		17	(107)
Acquisitions and disposals			
Purchase of subsidiary undertaking	13	(1,771)	-
Net overdraft acquired with subsidiary undertaking	13	(102)	-
Deferred consideration received	6	300	-
Sale of operations	6	-	287
Cash disposed of with operations	6	-	(329)
		(1,573)	(42)
Equity dividends paid		-	-
Cash outflow before financing in the year		(1,683)	(132)
Financing			
Net proceeds from issue of shares		412	-
Invoice discounting facility		778	-
		1,190	-
Decrease in cash in the year	21	(493)	(132)

The accompanying notes 20 and 21 are an integral part of this cash flow statement.

Notes to the Accounts

for the year ended 31 March 2005

1. Accounting Policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Change in accounting policy

Previously, in accordance with UITF13, the ordinary shares of the Company held by the Employee Share Benefit Trust were shown as fixed asset investments, at cost less provisions for impairment.

In accordance with UITF38, issued on 15 December 2003, this investment in own shares has been transferred to equity shareholders' funds and shown at cost. The comparative figures have been restated to reflect this change. The effect on the Group and Company balance sheets at 31 March 2004 is to decrease shareholders' funds by £20,000 and to increase the loss on ordinary activities before taxation for the year ended 31 March 2004 by £11,000.

The presentation of direct overheads has been amended to include these costs within administrative expenses. Previously these costs have been included in cost of sales. Comparative figures have been represented accordingly. The directors consider that the revised presentation more fairly reflects the Group's operations and is in line with sector norms. The effect on the profit and loss account for the year ended 31 March 2004 is to decrease cost of sales and increase administrative expenses by £428,000, with no net impact on the loss for the year or net assets.

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 amounts receivable for goods and services provided during the accounting period net of trade discounts and value added tax.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is carried on the balance sheet and amortised over its useful economic life. The carrying value of goodwill is reviewed regularly for impairment. On subsequent disposal of the underlying investment, any goodwill not yet amortised will be taken to the profit and loss account when calculating the profit or loss on disposal.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold improvements	- over period of lease
Computer equipment	- 50% on cost per annum
Furniture, fittings and office equipment	- 25% on cost per annum
Motor vehicles	- 25% on written down value per annum

Investments

Investments are shown at cost less provision for impairment.

Finance and operating leases

Assets held under finance leases or hire purchase agreements 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.

1. Accounting Policies *continued*

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.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the time of the transaction. 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 16:

- 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.

Notes to the Accounts

for the year ended 31 March 2005

2. Segmental information

(a) Classes of business

The turnover and loss before taxation in the year arose from the single activity of recruitment services.

Segmental figures for the year ended 31 March 2004:

	Discontinued Operations Business Solutions £'000	Continuing Operations Recruitment £'000	Total £'000
Turnover	832	7,727	8,559
Cost of sales	(325)	(6,607)	(6,932)
Gross profit	507	1,120	1,627
Administrative expenses			
– before exceptional items	(487)	(1,559)	(2,046)
– exceptional items (note 6)	-	(68)	(68)
	(487)	(1,627)	(2,114)
Operating profit/(loss)	20	(507)	(487)
Profit on sale of business			174
Interest receivable			20
Loss on ordinary activities before taxation			(293)

The Group's net assets at 31 March 2005 and 2004 were all attributable to the Group's single activity of recruitment services.

(b) Geographical analysis

	Turnover by origin		Turnover by destination	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
United Kingdom	13,137	8,085	12,230	7,404
Rest of World	375	474	1,282	1,155
	13,512	8,559	13,512	8,559

3. Interest

(a) Interest receivable

	2005 £'000	2004 £'000
Bank deposit	15	20

(b) Interest payable

	2005 £'000	2004 £'000
Invoice discounting facility	40	-

4. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	2005 £'000	2004 £'000
Wages and salaries	1,302	1,434
Social security costs	126	146
Other pension costs	58	69
	<u>1,486</u>	<u>1,649</u>

(b) Staff numbers

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

	2005 Number	2004 Number
Management	7	7
Production and administration	3	11
Sales and marketing	21	13
	<u>31</u>	<u>31</u>

5. Directors' remuneration

Aggregate remuneration

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

	2005 £'000	2004 £'000
Emoluments	382	372
Compensation for loss of office	73	90
Money purchase pension contributions	37	43
	<u>492</u>	<u>505</u>

Notes to the Accounts

for the year ended 31 March 2005

5. Directors' remuneration *continued*

(a) Directors' remuneration

	Fees/basic salary £'000	Taxable benefits £'000	Severance payment £'000	2005 £'000	2004 £'000	Money purchase pension contributions 2005 £'000	Money purchase pension contributions 2004 £'000
Executive							
El Andrews	111	7	-	118	118	31	31
GD Burbidge	56	-	-	56	-	6	-
MA Eve	40	-	-	40	26	-	-
BJ Martin (resigned 26 November 2003)	-	-	-	-	153	-	12
C Williams (resigned 31 March 2005)	103	9	73	185	109	-	-
Non-Executive							
NN Graham Maw	36	-	-	36	36	-	-
JE Higham	20	-	-	20	20	-	-
Aggregate emoluments	366	16	73	455	462	37	43

The services of AM Howarth (who joined after the year end) 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 and GD Burbidge 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. As a result of the Company's restructuring, the services of C Williams terminated on 31 March 2005. NN Graham Maw died on 12 April 2005.

(b) Directors' pension entitlements

During the year, two directors were members of money purchase pension schemes (2004: two). 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.

6. Exceptional items

The exceptional items comprise the following:

	2005 £'000	2004 £'000
Closure of Dutch office	-	(68)
Post acquisition integration and restructuring costs	(200)	-
Exceptional administrative expenses	(200)	(68)
Sale of Highams Business Solutions Limited	-	174
	(200)	106

Sale of Highams Business Solutions Limited	2004 £'000
Subsidiary undertakings and operations	
Tangible fixed assets	16
Debtors	244
Cash at bank	329
Creditors due within one year	(176)
Cost of disposal	179
	592
Consideration	766
Profit on disposal	174

Of the £766k consideration, £466k was received in cash on completion and £300k was held in escrow and received in June 2004. Net cash received on completion, after deducting costs of disposal, was £287k.

7. Loss on ordinary activities before taxation

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

	2005 £'000	2004 £'000
Auditors' remuneration		
- for audit services	30	23
- for non-audit services	5	3
Depreciation and amounts written off tangible fixed assets		
- owned assets	49	72
Operating lease rentals		
- buildings	126	105
- vehicles and computers	-	56

Included in the Group audit fee is an amount of £5,000 (2004: £5,000) in respect of the Company. In addition, fees of £57,000 (2004: nil) were paid to the auditors in relation to advice given on the acquisition of RWP Recruitment Services Limited; these costs have been included in acquisition costs (see note 13).

Notes to the Accounts

for the year ended 31 March 2005

8. Tax on loss on ordinary activities

The tax for the year comprises:

	2005 £'000	2004 Restated £'000
UK corporation tax	(9)	-
Deferred taxation	-	-
	<u>(9)</u>	<u>-</u>
Reconciliation of tax charge		
Loss on ordinary activities before taxation	<u>(523)</u>	<u>(293)</u>
UK Corporation tax at the standard rate of 30% (2004: 30%)	(157)	(88)
Effect of:		
Capital gains not taxable	-	(49)
Expenses not deductible for tax purposes	59	47
Capital allowances in excess of depreciation	89	5
Utilisation of tax losses	-	(5)
Losses carried forward	-	90
Current tax charge for year	<u>(9)</u>	<u>-</u>

At the balance sheet date, the Group had £720,000 (2004: £720,000) of losses to carry forward against future profits.

9. Dividends

	2005 £'000	2004 £'000
Final dividend of nil per share proposed (2004: nil)	-	-

10. Loss per share

	Loss 2005 £'000	Weighted average number of shares 2005 '000	Loss per share 2005 p	Loss 2004 Restated £'000	Weighted average number of shares 2004 '000	Loss per share 2004 Restated p
Loss for the financial year before goodwill amortisation and exceptional items	(223)	27,008	(0.83)	(399)	19,425	(2.05)
Goodwill amortisation (note 11)	(91)	-	(0.33)	-	-	-
Exceptional items (note 6)	(200)	-	(0.74)	106	-	0.54
Loss for the financial year	<u>(514)</u>	<u>27,008</u>	<u>(1.90)</u>	<u>(293)</u>	<u>19,425</u>	<u>(1.51)</u>

The weighted average number of shares excludes shares held by the Employee Share Benefit Trust.

Loss per share before goodwill amortisation and exceptional items is presented as the directors consider that this gives a useful indication of underlying performance.

The average exercise price of share options is above market value and therefore the options are not dilutive under the terms of FRS14.

11. Goodwill

The carrying value of goodwill comprises:

	£'000
Cost	
At 1 April 2004	-
Additions (note 13)	1,485
At 31 March 2005	1,485
Amortisation	
At 1 April 2004	-
Charge for the year (see below)	91
At 31 March 2005	91
Carrying value at 31 March 2005	1,394

Goodwill arising on the acquisition of RWP Recruitment Services Limited is being written off over 10 years.

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 2004	119	515	132	91	857
Acquisition of subsidiary	-	67	19	-	86
Additions	3	5	-	-	8
Disposals	-	-	-	(34)	(34)
31 March 2005	122	587	151	57	917
Depreciation					
1 April 2004	96	509	130	23	758
Acquisition of subsidiary	-	58	15	-	73
Charge for the year	23	7	5	14	49
Disposals	-	-	-	(9)	(9)
31 March 2005	119	574	150	28	871
Net book value 31 March 2005	3	13	1	29	46
Net book value 31 March 2004	23	6	2	68	99

Notes to the Accounts

for the year ended 31 March 2005

12. 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 2004	119	307	98	56	580
Additions	3	-	-	-	3
Disposals	-	-	-	(15)	(15)
31 March 2005	122	307	98	41	568
Depreciation					
1 April 2004	96	305	94	14	509
Charge for the year	24	2	1	10	37
Disposals	-	-	-	(4)	(4)
31 March 2005	120	307	95	20	542
Net book value 31 March 2005	2	-	3	21	26
Net book value 31 March 2004	23	2	4	42	71

13. Investment in subsidiary undertakings

	Company £'000
Cost	
At 1 April 2004	80
Additions	50
Inter-company transfer	(50)
At 31 March 2005	80
Provision	
At 1 April 2004 and 31 March 2005	80
Net book value 31 March 2005	-
Net book value 1 April 2004	-

	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
RWP Recruitment Services Limited	Recruitment	Ordinary
EquationHR Limited	Recruitment	Ordinary
Highams Holding BV	Holding Company	Ordinary
Highams Share Scheme Trustee Limited	Employee Benefit Trust	Ordinary

All subsidiaries are incorporated in the UK other than Highams Recruitment BV and Highams Holding BV which are incorporated in The Netherlands. All subsidiaries are wholly owned.

13. Investment in subsidiary undertakings *continued*

Additions

On 18 August 2004, EquationHR Limited acquired the entire share capital of RWP Recruitment Services Limited.

On 17 September 2004, the Company subscribed for 49,998 ordinary £1 shares at par in EquationHR Limited in addition to the 2 shares formerly held. On 31 March 2005, the entire shareholding was transferred to Highams Recruitment Limited.

The net assets acquired and their corresponding fair values were:

	Book value at 18 August 2004 £'000	Fair value to the Group £'000
Tangible fixed assets	13	13
Current assets		
Debtors	1,723	1,723
	1,736	1,736
Current liabilities		
Bank overdraft	(102)	(102)
Creditors	(853)	(853)
	(955)	(955)
Net assets	781	781
		£'000
Shares allotted at fair value		495
Cash consideration (including expenses of £185,000)		1,771
		2,266
Net assets acquired		(781)
Goodwill arising on acquisition (note 11)		1,485

The net assets of RWP Recruitment Services Limited were hived-up to EquationHR Limited on 30 September 2004 and, on the same date, that company's name was changed to RWP Recruitment Services Limited.

All recognised gains and losses are included within the profit and loss account.

During the year RWP Recruitment Services Limited contributed £327,000 to the Group's operating cashflows, paid interest of £4,000 and was responsible for tax cash outflows of £72,000.

The results of RWP Recruitment Services Limited prior to its acquisition were as follows:

Profit and Loss Account:

	1 January 2004 to 18 August 2004 £'000	Year ended 31 December 2003 £'000
Turnover	7,219	10,083
Operating profit	189	337
Net interest	(12)	(10)
	177	327
Taxation	(52)	(62)
Profit for the period	125	265

Notes to the Accounts

for the year ended 31 March 2005

14. Debtors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	2,830	1,176	8	14
Amounts due from subsidiary undertakings	-	-	3,144	994
Other debtors	11	319	-	326
Prepayments and accrued income	68	143	46	81
	<u>2,909</u>	<u>1,638</u>	<u>3,198</u>	<u>1,415</u>

15. Creditors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Invoice discounting facility	778	-	164	-
Trade creditors	620	336	69	27
Other taxes and social security costs	109	81	63	43
Accruals and deferred income	771	192	249	130
Other creditors	131	75	78	75
	<u>2,409</u>	<u>684</u>	<u>623</u>	<u>275</u>

16. 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, bank borrowings and invoice discounting. 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 invoice discounting facilities are charged at 1.65% 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 2005	<u>68</u>	<u>68</u>
31 March 2004	<u>59</u>	<u>59</u>

16. Derivatives and other financial instruments *continued*

Maturity of financial liabilities

The overdraft facility is repayable on demand.

Borrowing facilities

The Group has an overdraft facility, expiring on 22 September 2005, of £1,000,000 gross (net nil) and a confidential invoice discounting facility of £1,750,000. Both facilities are Group cross guaranteed. At 31 March 2005 the Group's use of the combined facilities was £778,000.

Fair values

The fair values of the financial assets and liabilities at 31 March 2005 are not materially different from their book values.

17. 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.

18. Share capital

(a) Summary

	Authorised Ordinary 5p shares Number	£'000
At 1 April 2004	30,000,000	1,500
Increase during the year	12,921,300	646
At 31 March 2005	42,921,300	2,146
	Allotted, called up and fully paid Ordinary 5p shares Number	£'000
At 1 April 2004	19,574,298	979
Issued during the year	12,301,270	615
At 31 March 2005	31,875,568	1,594

In relation to the acquisition of RWP Recruitment Services Limited, on 17 August 2004 8,333,334 new Ordinary shares were issued at a price of 6p each following a placing and on 18 August 2004 3,967,936 new Ordinary shares were issued to shareholders of RWP Recruitment Services Limited, representing £495,000 of the consideration due on the acquisition.

(b) Contingent rights to the allotment of shares

As at 31 March 2005, options have been granted in respect of 420,139 (2004: 547,139) 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.

Notes to the Accounts

for the year ended 31 March 2005

19. Reconciliation of movements in shareholders' funds

(a) Group

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Profit and loss account £'000	Total £'000
1 April 2004	979	684	-	-	150	1,813
Prior year adjustment (note 1)	-	-	-	(59)	39	(20)
1 April 2004, as restated	979	684	-	(59)	189	1,793
Issue of new shares	615	83	297	-	-	995
Expenses on issue of shares	-	(88)	-	-	-	(88)
Loss for the year	-	-	-	-	(514)	(514)
Foreign currency translation differences	-	-	-	-	1	1
Closing shareholders' funds	1,594	679	297	(59)	(324)	2,187

(b) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Profit and loss account £'000	Total £'000
1 April 2004	979	684	-	-	54	1,717
Prior year adjustment	-	-	-	(59)	39	(20)
1 April 2004, as restated	979	684	-	(59)	93	1,697
Issue of new shares	615	83	297	-	-	995
Expenses on issue of shares	-	(88)	-	-	-	(88)
Profit for the year	-	-	-	-	-	-
Closing shareholders' funds	1,594	679	297	(59)	93	2,604

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.

20. Net cash flow from operating activities

	2005 £'000	2004 £'000
Operating loss	(498)	(487)
Depreciation of tangible fixed assets	49	72
Goodwill amortisation	91	-
Decrease in debtors	152	651
Increase/(decrease) in creditors	167	(245)
Profit on disposal of fixed assets	-	-
Exchange difference	1	6
Net cash outflow from operating activities	(38)	(3)

21. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 2004 £'000	Cash flow £'000	31 March 2005 £'000
Cash at bank and in hand	740	(493)	247
Invoice discounting facility	-	(778)	(778)
Net funds	740	(1,271)	(531)

Cash at bank and in hand includes £2,312 (2004: £2,312) in respect of monies held in the Employee Share Benefit Trust.

Reconciliation of net cash flow to movement in net funds

	2005 £'000	2004 £'000
Cash outflow	(493)	(132)
Increase in invoice discounting facility	(778)	-
	(1,271)	(132)
Net funds at 1 April 2004	740	872
Net funds at 31 March 2005	(531)	740

22. Financial commitments

Group

	Land and buildings 2005 £'000	Other 2005 £'000	Land and buildings 2004 £'000	Other 2004 £'000
Non-cancellable operating leases expiring:				
Within one year	-	-	105	39
Between 2 and 5 years	70	28	-	5
	70	28	105	44

Company

	Land and buildings 2005 £'000	Other 2005 £'000	Land and buildings 2004 £'000	Other 2004 £'000
Non-cancellable operating leases expiring:				
Within one year	-	-	105	39
Between 2 and 5 years	70	23	-	-
	70	23	105	39

Notes to the Accounts

for the year ended 31 March 2005

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 7,000 options have lapsed leaving the total options outstanding at 31st March 2005 at 141,068. 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 from 62.5p 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 2004, 139,331 shares were under option. In the current year 120,000 options have lapsed leaving 19,331 options 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 2004, 259,740 were under option. With no changes this year, the balance at 31 March 2005 remains at 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 adopted an Inland Revenue approved share scheme in which no shares had been granted as at 31 March 2005.

(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 UITF 38 the cost of shares acquired by the Trust are included in the sponsoring company's shareholders' funds.

The Company did not make any contributions to the Trust during the year (2004: £nil). The Trust holds 148,953, which had a market value of £8,565 at 31 March 2005 (2004: 148,953 shares at a market value of £20,493).

No shares have been transferred to employees or were under option as at 31 March 2005. The Trust's only other asset at 31 March 2005 was cash at bank of £2,312 (2004: £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.

Five year record

	2005 £'000	2004 Restated £'000	2003 Restated £'000	2002 Restated £'000	2001 Restated £'000
Results					
Turnover	13,512	8,559	11,096	16,777	20,662
Operating (loss)/profit – continuing operations	(498)	(507)	(208)	60	40
Operating profit/(loss) – discontinued operations	-	20	-	(289)	(619)
Loss on ordinary activities before taxation	(523)	(293)	(190)	(288)	(2,026)
Loss for the financial year after taxation	(514)	(293)	(190)	(273)	(2,017)
Dividends	-	-	-	20	49
Assets employed					
Fixed assets	1,440	99	80	101	165
Net current assets	747	1,694	2,000	2,176	2,422
Provisions for liabilities and charges	-	-	-	-	(15)
Net assets	2,187	1,793	2,080	2,277	2,572
Financed by					
Equity shareholders' funds	2,187	1,793	2,080	2,277	2,572
Key statistics					
Loss per share before goodwill amortisation and exceptional costs	(0.83p)	(2.05p)	(0.98p)	(1.13p)	(2.66p)
Loss per share	(1.90p)	(1.51p)	(0.98p)	(1.40p)	(10.39p)
Return on shareholders' funds*	(23.5%)	(16.3%)	(9.1%)	(12.0%)	(78.4%)
Return on assets employed**	(62.8%)	(17.5%)	(10.0%)	(12.6%)	(22.4%)

Note:

* Loss for the financial year/closing shareholders' funds

** Operating result/fixed and net current assets excluding investments and goodwill

The restatement relates to the change of accounting policy regarding the company's shares owned by the Employee Share Benefit Trust (see note 1 to the financial statements).

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 12 August 2005 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 2005.

Resolution 2 To re-elect Maurice Anthony Eve, who retires by rotation, as a Director of the Company.

Resolution 3 To elect Alan Miles Howarth who, having been appointed since the last annual general meeting of the Company, offers himself for election as a Director of the Company.

Resolution 4 To reappoint 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 5 as an ordinary resolution, and in the case of resolution 6 as a special resolution:

Ordinary Resolution

Resolution 5 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 £531,260 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 2006 or the date falling 15 months from the passing of this Resolution; and

Special Resolution

Resolution 6 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 5 above up to the aggregate nominal amount of £107,302 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 2006 or the date falling 15 months from the passing of this Resolution.

By order of the Board

MA Eve
Secretary
29 June 2005

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 10 August 2005 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 10 August 2005, 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 10 August 2005 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 10 August 2005
Annual General Meeting	11:30 a.m. on 12 August 2005

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