

Highams Systems Services Group plc

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

Annual Report & Financial Statements
for the year ended 31 March 2006



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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, skilful and motivated
- *Trust* developing relationships of mutual trust with clients and suppliers

Group at a glance

Highams Systems Services Group

comprises two principal operating companies, Highams Recruitment Limited and Highams Recruitment BV, which provide total IT resource solutions to the Insurance, Investment Management and Financial Services sectors.

The companies to which Highams supplies personnel range from major financial institutions through start-up insurance companies to specialist software suppliers to this market. Our niche market expertise and proven resourcing processes have positioned us as the specialist of choice with many blue chip organisations.

At Highams, we work hard to develop and maintain long-term relationships with our clients, contractors and applicants. To help achieve this, we focus on the development and retention of our very experienced staff to ensure they are among the most knowledgeable in the industry, both in terms of recruitment best practice and the specialist niche markets in which Highams operates.

Operating and Financial Highlights

Financial	2006 £'000	2005 £'000
Turnover	17,997	13,512
Operating profit/(loss) for the financial year before amortisation of goodwill and exceptionals	192	(207)
Loss for the financial year before tax	(13)	(511)
Net current assets	848	747
Shareholders' funds	1,974	1,992
Loss per share	(0.05)p	(1.86)p
Profit/(loss) per share before amortisation of goodwill and exceptionals	0.35p	(0.83)p
Dividend per share	-	-

Operational

- Success of first full financial year following RWP acquisition
- Return to operating profitability
- Turnover increased by 33%
- Substantial cost savings realised
- Revenue and EBITDA growth in second half of year

Chairman's Statement

Our first full year with RWP Recruitment Services integrated into Highams progressed well with a marked increase in turnover, a reduction in the cost base (despite the increase in turnover), and with a return to operating profitability.

The successful integration of RWP into the Group and the return to operating profitability are important steps in the implementation of a strategy that we confidently believe will enhance our client base leading to further improvement in our operating performance.

Financial Results I am pleased to report that the turnover of the Group rose by 33 per cent. to £18.0m (2005: £13.5m) and that the Group returned to an operating profit of £192,000 before goodwill amortisation (2005: loss of £207,000 before goodwill amortisation and exceptionals).

Group loss before taxation was £13,000 (2005: loss of £511,000).

The Group had net assets of £1.97m (2005: £1.99m) at the year-end.

Final Dividend The Directors are not recommending the payment of a final dividend for the year to 31 March 2006 (2005: nil).

Trading Overview Trading in our specialist areas of insurance and finance has remained positive; the volume of new requirements received for contract and permanent IT personnel increased from the first half of the year to the second half. We have seen improvement in turnover and operating profit, both in the second half of the year compared to the first half and in the second half of the year compared to the equivalent period last year, despite continuing pressure on margins.

Since the start of the financial year, the effect of previously announced board and management changes, together with the consolidation of our premises and the full integration of our sales teams, has enabled us to realise the twin goals of a significantly enhanced sales capability and a substantial rationalisation of the Group's cost base.

The enhancement to our sales capability is evidenced by the increase in turnover and gross profit, whilst our administrative expenses (excluding goodwill amortisation and exceptional items) as a proportion of revenues have fallen to 10.7% (2005: 14.2%).

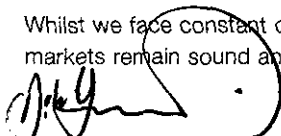
In my Interim Statement, I noted that we were experiencing particular demand for business analysts and consultants, which is significant for several reasons. Not only do these individuals introduce to the Group higher revenues and gross profit, but they are frequently associated with projects which in themselves create other new business opportunities. I am pleased to say that this trend has continued, with a sizeable majority of requirements we receive now falling into this category.

Executives and Staff I have very much enjoyed my first year of working with the very experienced and loyal management and staff team at Highams.

We have also been delighted to welcome a number of excellent new sales people to the team in recent months, whom we expect to quickly make their mark and contribute to the continued growth of our company. We expect to make further key appointments, in sales and other strategic areas, in the coming months.

Outlook I look forward to the Group's continued progress in the months ahead and see a range of new sales opportunities being driven by the increasing level of M&A activity within our client sectors recently, the provision of new web services across those sectors and the introduction of legislative changes to existing compliance and pension arrangements.

Whilst we face constant challenges, the fundamentals of both the Group and of its markets remain sound and I look forward to the future with confidence.



Alan Howarth
Chairman
30 June 2006

Group Managing Director's Report

Overview It has been very encouraging this year to return to a position where our operations are running profitably. This has come about through a combination of higher sales volumes and a further reduction in costs (despite the significantly enhanced turnover).

All of Highams' revenue is derived from IT recruitment services, the vast majority of which are provided to clients in the UK and some in Belgium and The Netherlands.

Most of our clients are in the insurance and finance sectors. Our very experienced sales team has acquired a deep knowledge of these sectors, which helps to differentiate Highams from more generalist agencies when seeking to win new clients. We use this knowledge to help identify important business changes that may affect our clients, and prepare recruitment solutions to help meet their evolving needs.

Trading Review

Profit and loss account For the year as a whole, turnover improved by 33% to £18.0m (2005: £13.5m), gross profit improved by 23% to £2.1m (2005: £1.7m) and we achieved an operating profit of £192,000 before goodwill amortisation (2005: loss of £207,000 before goodwill amortisation and exceptionals).

Our contract recruitment service represents 88% of gross profit (2005: 85%) with our permanent recruitment service representing 12% (2005: 15%). The small increase in the contract recruitment percentage is a result primarily of RWP's business having been weighted predominantly towards contract recruitment.

In 2004 when we acquired RWP, part of the consideration was in our shares which we valued at 12.48p being the agreed value with the owners of RWP. After subsequent consideration and discussion with the Financial Reporting Review Panel, we have decided that it is more appropriate for the purposes of the financial statements to value these shares at 7.25p, which was the share price when we acquired control of RWP. We have accordingly adjusted last year's financial statements, the effect of which has been to reduce goodwill and merger reserve by £207,000 with consequent adjustments to the goodwill amortisation.

Cash flow The Group had positive operating cash flows of £458,000 (2005: £38,000 outflow), though the impact of taxation and interest charges and a reduction in the amount outstanding under the invoice discounting facility to £300,000 (2005: £778,000) resulted in an overall decrease in cash balances of £174,000.

Group Prospects

The Market Last year saw steady growth in the IT recruitment market and we anticipate that this will continue through the current year across the insurance and finance sectors in which we specialise.

Strategy The emphasis for the year ahead is on the delivery of improved results through organic growth and continued careful control of the cost-base. Whilst we expect some organic growth to come from the continued steady upward trend in the financial services sector, we expect to benefit also from the addition of new sales staff to our very experienced team.

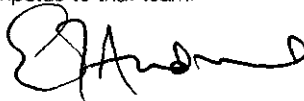
We have enjoyed considerable success in winning a number of new clients in the past year right across the range of our niche market sectors. This is fully in line with our strategy of driving organic growth through existing and new clients, whilst continuing to reduce any reliance upon the small number of clients accounting for a disproportionately large element of turnover and gross profit.

We will additionally seek out niches in other vertical markets (as we have successfully achieved in the Health Service market over the past two years).

Our emphasis, whatever the sector, will continue to be on finding higher value business, primarily from small and medium sized organisations.

We continue to remain alert for earnings enhancing acquisitions in our core areas of expertise and believe that, as we demonstrated with RWP, the Group can derive appropriate and worthwhile benefits of scale from carefully selected and integrated opportunities.

Staff I would like to thank our loyal and long-serving team who perform such a vital role in maintaining the very important long-term relationships that we enjoy with many of our clients. I am pleased to say that we have additionally recruited a number of very capable individuals to our sales team over the past few months who have brought extra capacity and a fresh impetus to that team.



Ted Andrews
Group Managing Director
30 June 2006

Directors

Alan Miles Howarth

Non-Executive Chairman

Alan, aged 60, was appointed a director and Chairman on 3 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 54, has been a director of Highams since joining the company on 1 November 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 52, was appointed Finance Director on 29 October 1996. He is a chartered accountant providing financial and business consultancy to SME's.

Glennville David Burbidge

Group Sales Director

Glen, aged 47, joined Highams as a director on 18 August 2004 on the acquisition of RWP Recruitment Services Ltd. He was the managing director of RWP, having joined them in 1994, and has over 18 years experience in the IT recruitment sales environment.

John Edward Higham

ACII Non-Executive Director and Deputy Chairman

John, aged 61, 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. He has been a director of the Company since 1 February 1983.

Directors and Advisers

Directors

AM Howarth, (Chairman, director from
3 May 2005)
EI Andrews, (Group Managing Director)
GD Burbidge, (Group Sales Director)
MA Eve, (Finance Director)
JE Higham, (Non-executive)
NN Graham Maw, (until 13 April 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

Registered number

1700310

Bankers

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

Registrars

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

Nominated Adviser and Broker

Charles Stanley Securities
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 2006.

Principal Activity Highams is a specialist IT recruitment company and its principal activity is 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 of £13,000 (2005: loss £511,000) on a turnover of £18.0m (2005: £13.5m).

The directors do not recommend a final dividend (2005: nil). No interim dividend was paid during the year (2005: 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 8.

In accordance with the Company's Articles of Association, JE Higham and EI Andrews retire by rotation and offer themselves for re-election. Biographical details for these directors are provided on page 8.

Directors' interest in shares The persons who held the office of director at 31 March 2006 had the following interests in fully paid ordinary 5p shares of the Company at the beginning and end of the financial year:

	31 March 2006		1 April 2005	
	Shares	Options	Shares	Options
EI Andrews	3,570,000	-	3,570,000	-
GD Burbidge	587,842	-	587,842	-
MA Eve	62,400	-	62,400	-
JE Higham	8,697,649	-	8,697,649	-

Notes:

1. MA Eve's interest includes 37,200 shares held by his wife and children.
2. MA Eve has further non-beneficial interests in 1,230,000 shares held by The John Higham Family Trust of which he is a trustee (see also 3).
3. JE Higham's interest includes 200,000 shares held by his wife and 1,230,000 shares held by The John Higham Family Trust.
4. AM Howarth has no interests in shares of the Company.

Substantial Shareholders As at 5 June 2006, the following substantial shareholdings have been notified to the Company:

	Number of shares	% of issued Share Capital
El Andrews	3,570,000	11.20%
Barclayshare Nominees Limited	1,051,927	3.30%
Brewin Nominees Limited	1,302,300	4.09%
JE Higham	7,267,649	22.80%
John Higham Family Trust	1,230,000	3.86%
MJ Radlett	1,589,847	4.99%
Rock (Nominees) Limited	1,109,846	3.48%

Share option schemes Information regarding the Company's share option schemes is given in note 22 to the financial statements.

Corporate governance The directors report on page 14 upon the extent to which the Company observes and complies with the "Combined Code" published by the Financial Reporting Council in July 2003.

Report of the Directors

continued

Supplier payment policy The Group's policy is to pay its contractors by direct credit within seven days of receipt of correct invoices. 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 2006 was 26 (2005: 24).

Financial instruments Details of the Group's financial instruments are given in note 15 to the financial statements.

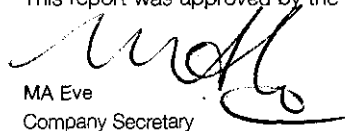
Liability insurance for Company Officers The Company has maintained insurance cover for the directors against liability arising from negligence, default, breach of duty and breach of trust in relation to the Company.

Charitable and political donations During the year, the Company made no charitable donations (2005: nil). There were no political donations (2005: nil).

Auditors So far as the directors who were in office at the time that this Directors' report was approved are aware, there is no relevant audit information of which the auditors are unaware. Each such director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

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 30 June 2006.


MA Eve
Company Secretary

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Corporate Governance

The Board is committed to high standards of corporate governance so that the Company's management procedures are transparent and clearly understood by those who work within the Company, and by those who invest in it.

The Board The aim of the Board is to function at the head of the Company's management structures, leading and controlling its activities and setting a strategy for enhancing shareholder value. Regular strategy meetings are held to review the Group's forward planning – vital in a rapidly changing market and technology environment.

The Board currently consists of 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.

An ongoing process has been established for identifying, evaluating and managing the principal risks faced by the Group. The process has been in place for the full year under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews the process.

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 at least twice a year, is chaired by Alan Howarth; the other members of the committee are John Higham and Tony Eve. 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 financial statements.

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 which forms part of the audited financial statements. 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.

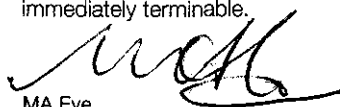
Bonuses Bonuses may be awarded at Remcom's discretion depending on Company performance and profits within the relevant business area. No bonus awards were made in the year.

Share Schemes Details of all Company share schemes, together with the performance incentives, appear in note 22 to the financial statements. 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 to the financial statements.

Service Contract The executive directors, with the exception of MA Eve, each has 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

Report of the independent auditors to the shareholders of Highams Systems Services Group plc.

We have audited the group and parent company financial statements (the "financial statements") of Highams Systems Services Group plc for the year ended 31 March 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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 Statement of Corporate Governance, 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 consolidated financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2006 and of its loss for the year then ended;
- the company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Bromley
30 June 2006

Consolidated Profit & Loss Account

for the year ended 31 March 2006

		2006 £'000	2005 Restated £'000
	<i>Notes</i>		
Turnover	2	17,997	13,512
Cost of sales		(15,885)	(11,799)
Gross profit		2,112	1,713
Administrative expenses			
– before exceptional costs and goodwill amortisation		(1,920)	(1,920)
– exceptional items	6	-	(200)
– goodwill amortisation	10	(128)	(79)
		(2,048)	(2,199)
Operating profit/(loss) before exceptional items and goodwill amortisation			
		192	(207)
Operating profit/(loss)		64	(486)
Interest receivable	3a	2	15
Interest payable	3b	(79)	(40)
Loss on ordinary activities before taxation	7	(13)	(511)
Tax on loss on ordinary activities	8	(2)	9
Loss for the year	18	(15)	(502)
Loss per share – basic and diluted	9	(0.05)p	(1.86)p

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 March 2006

	2006 £'000	2005 Restated £'000
Loss for the financial year	(15)	(502)
(Loss)/profit on foreign currency translation	(1)	1
Total recognised gains and losses relating to the year	(16)	(501)
Prior year adjustment	12	
Total recognised gains and losses since the last annual report	(4)	

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet

31 March 2006

	Notes	2006 £'000	2005 Restated £'000
Fixed assets			
Goodwill	10	1,071	1,199
Tangible assets	11a	55	46
		<u>1,126</u>	<u>1,245</u>
Current assets			
Debtors	13	3,170	2,909
Cash at bank and in hand		73	247
		<u>3,243</u>	<u>3,156</u>
Creditors: amounts falling due within one year	14	<u>(2,395)</u>	<u>(2,409)</u>
Net current assets		<u>848</u>	<u>747</u>
Net assets		<u>1,974</u>	<u>1,992</u>
Capital and reserves			
Called up share capital	17a	1,594	1,594
Share premium	18a	679	679
Merger reserve	18a	90	90
Employee share benefit trust reserve	18a	(61)	(59)
Profit and loss account	18a	<u>(328)</u>	<u>(312)</u>
Shareholders' funds	18a	<u>1,974</u>	<u>1,992</u>

The financial statements on pages 18 to 34 were approved by the Board of Directors and authorised for issue on 30 June 2006.
EI Andrews & MA Eve, Directors

The accompanying notes are an integral part of these financial statements.



Company Balance Sheet

31 March 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	11b	26	26
Investments	12	-	-
		<u>26</u>	<u>26</u>
Current assets			
Debtors	13	2,945	3,198
Cash at bank and in hand		2	3
		<u>2,947</u>	<u>3,201</u>
Creditors: amounts falling due within one year	14	(199)	(623)
Net current assets		<u>2,748</u>	<u>2,578</u>
Net assets		<u>2,774</u>	<u>2,604</u>
Capital and reserves			
Called up share capital	17a	1,594	1,594
Share premium	18b	679	679
Merger reserve	18b	297	297
Employee share benefit trust reserve	18b	(61)	(59)
Profit and loss account	18b	265	93
Shareholders' funds	18b	<u>2,774</u>	<u>2,604</u>

The financial statements on pages 18 to 34 were approved by the Board of Directors and authorised for issue on 30 June 2006.

El Andrews & MA Eve, Directors

The accompanying notes are an integral part of these financial statements.



Consolidated Cash Flow Statement

for the year ended 31 March 2006

	Notes	2006 £'000	2005 Restated £'000
Net cash inflow/(outflow) from operating activities	19	458	(38)
Returns on investments and servicing of finance			
Interest received		2	15
Interest paid		(79)	(40)
		(77)	(25)
Taxation			
UK corporation tax		(46)	(64)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(38)	(8)
Sale of tangible fixed assets		9	25
		(29)	17
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(1,771)
Net overdraft acquired with subsidiary undertaking		-	(102)
Deferred consideration received		-	300
		-	(1,573)
Equity dividends paid		-	-
Cash inflow/(outflow) before financing in the year		306	(1,683)
Financing			
Net proceeds from issue of shares		-	412
Purchase of own shares by Employee Share Benefit Trust		(2)	-
Invoice discounting facility		(478)	778
		(480)	1,190
Decrease in cash in the year	20	(174)	(493)

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2006

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 amounts receivable for services provided during the accounting period net of trade discounts and value added tax. Revenue in respect of contract placements is recognised in the period in which the contractor undertakes the work. Revenue in respect of permanent placements is recognised in the period in which a placement commences work.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is carried on the balance sheet and amortised over its useful economic life of ten years. 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.

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. 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.

Employee share benefit trust

The cost of the Company's shares held by the employee share benefit trust is deducted from shareholders' funds in the company and consolidated balance sheet. Any cash received by the employee share benefit trust on disposal of the shares it holds is also recognised directly in shareholders' funds. Other assets and liabilities of the employee share benefit trust (including borrowings) are recognised as assets and liabilities of the company.

Any shares held by the employee share benefit trust are treated as cancelled for the purposes of calculating earnings per share.

Notes to the Financial Statements

for the year ended 31 March 2006

2. Segmental information

(a) Classes of business

In the years ended 31 March 2006 and 2005 the group operated the single activity of recruitment services.

(b) Geographical analysis

	Turnover by origin		Turnover by destination	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
United Kingdom	17,739	13,137	16,790	12,230
Rest of World	258	375	1,207	1,282
	<u>17,997</u>	<u>13,512</u>	<u>17,997</u>	<u>13,512</u>

The United Kingdom accounts for substantially all of the Group's loss before tax, and net assets.

3. Interest

(a) Interest receivable

	2006	2005
	£'000	£'000
Bank deposit	<u>2</u>	<u>15</u>

(b) Interest payable

	2006	2005
	£'000	£'000
Invoice discounting facility	70	40
Other	<u>9</u>	<u>-</u>
	<u>79</u>	<u>40</u>

4. Information regarding employees (including directors)

(a) Staff costs

Total staff costs were as follows:

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Wages and salaries	1,094	1,302	334	702
Social security costs	120	126	36	61
Other pension costs	102	58	90	48
	<u>1,316</u>	<u>1,486</u>	<u>460</u>	<u>811</u>

(b) Staff numbers

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

	Group		Company	
	2006	2005	2006	2005
	Number	Number	Number	Number
Management	5	7	7	9
Production and administration	5	3	-	4
Sales and marketing	17	21	-	-
	<u>27</u>	<u>31</u>	<u>7</u>	<u>13</u>

5. Directors' remuneration

Aggregate remuneration

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

	2006 £'000	2005 £'000
Emoluments	273	382
Compensation for loss of office (C Williams)	-	73
Money purchase pension contributions	86	37
	<u>359</u>	<u>492</u>

(a) Directors' remuneration

	Fees/basic salary 2006 £'000	Taxable benefits 2006 £'000	Total emoluments 2006 £'000	Money purchase pension contributions 2006 £'000	2006 £'000	Total emoluments 2005 £'000	Money purchase pension contributions 2005 £'000	2005 £'000
Executive								
El Andrews	71	6	77	76	153	118	31	149
GD Burbidge	100	9	109	10	119	56	6	62
MA Eve	36	-	36	-	36	40	-	40
C Williams resigned 31 March 2005	-	-	-	-	-	185	-	185
Non-Executive								
NN Graham Maw deceased 12 April 2005	3	-	3	-	3	36	-	36
JE Higham	20	-	20	-	20	20	-	20
AM Howarth appointed 3 May 2005	28	-	28	-	28	-	-	-
Aggregate emoluments	<u>258</u>	<u>15</u>	<u>273</u>	<u>86</u>	<u>359</u>	<u>455</u>	<u>37</u>	<u>492</u>

The services of AM Howarth 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 given six months' prior notice by the director and twelve months' notice by the Company. The services of MA Eve are secured by an agreement which can be terminated on six months' notice.

(b) Directors' pension entitlements

During the year, two directors were members of money purchase pension schemes (2005: 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.

Notes to the Financial Statements

for the year ended 31 March 2006

6. Exceptional items

The exceptional items comprise the following:

	2006 £'000	2005 £'000
Post acquisition integration and restructuring costs	-	200
Exceptional administrative expenses	-	200

7. Loss on ordinary activities before taxation

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

	2006 £'000	2005 £'000
Auditors' remuneration		
– for audit services	24	30
– for non-audit services	1	5
Depreciation and amounts written off tangible fixed assets		
– owned assets	17	49
Operating lease rentals		
– buildings	70	126
– vehicles and computers	5	5

Included in the Group audit fee is an amount of £5,000 (2005: £5,000) in respect of the Company.

8. Tax on loss on ordinary activities

The tax for the year comprises:

	2006 £'000	2005 Restated £'000
UK corporation tax:		
Current year	-	(9)
Prior year	2	-
Deferred taxation	-	-
	2	(9)
Reconciliation of tax charge		
Loss on ordinary activities before taxation	(13)	(511)
UK corporation tax at the standard rate of 30% (2005: 30%)	(4)	(153)
Effect of:		
Expenses not deductible for tax purposes	47	55
Depreciation in excess of capital allowances	(7)	89
Utilisation of tax losses	(52)	-
Losses carried forward	18	-
Current tax charge for year	2	(9)

At the balance sheet date, the Group had £610,000 (2005: £720,000) of losses to carry forward against future profits.

9. Loss per share

	Profit/ (loss) 2006 £'000	Weighted average number of shares 2006 '000	Profit/ (loss) per share 2006 p	Loss 2005 Restated £'000	Weighted average number of shares 2005 '000	Loss per share 2005 Restated p
Profit/(loss) for the financial year before goodwill amortisation and exceptional items	113	31,700	0.35	(223)	27,008	(0.83)
Goodwill amortisation (note 10)	(128)	-	(0.40)	(79)	-	(0.29)
Exceptional items (note 6)	-	-	-	(200)	-	(0.74)
Loss for the financial year	(15)	31,700	(0.05)	(502)	27,008	(1.86)

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 exercise price of each share option is above average market value and therefore the options are not dilutive under the terms of FRS22 but may become so in the future (see notes 17 and 22).

10. Goodwill

The carrying value of goodwill comprises:

	Group £'000
Cost	
At 1 April 2005, as originally stated	1,485
Prior year adjustment (note 18a)	(207)
At 1 April 2005, as restated, and 31 March 2006	1,278
Amortisation	
At 1 April 2005, as originally stated	91
Prior year adjustment (note 18a)	(12)
At 1 April 2005, as restated	79
Charge for the year	128
At 31 March 2006	(207)
Carrying value at 31 March 2006	1,071
Carrying value at 31 March 2005	1,199

The goodwill arose on the acquisition of RWP Recruitment Services Limited in August 2004.

Notes to the Financial Statements

for the year ended 31 March 2006

11. Tangible fixed assets

(a) Group

	Leasehold improvements £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
1 April 2005	122	587	151	57	917
Additions	2	36	-	-	38
Disposals	(49)	(494)	(90)	(23)	(656)
31 March 2006	75	129	61	34	299
Depreciation					
1 April 2005	119	574	150	28	871
Charge for the year	1	12	-	4	17
Disposals	(49)	(494)	(90)	(11)	(644)
31 March 2006	71	92	60	21	244
Net book value 31 March 2006	4	37	1	13	55
Net book value 31 March 2005	3	13	1	29	46

Following recent structural changes within the Group, the Group has disposed of various items of (mostly fully depreciated) fixed assets.

(b) Company

	Leasehold improvements £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
1 April 2005	122	307	98	41	568
Additions	2	17	-	-	19
Disposals	(49)	(254)	(46)	(22)	(371)
31 March 2006	75	70	52	19	216
Depreciation					
1 April 2005	119	307	95	20	541
Charge for the year	1	5	1	2	9
Disposals	(49)	(254)	(46)	(11)	(360)
31 March 2006	71	58	50	11	190
Net book value 31 March 2006	4	12	2	8	26
Net book value 31 March 2005	2	-	3	21	26

12. Investment in subsidiary undertakings

	Company £'000
Cost	
At 1 April 2005 and 31 March 2006	80
Provision	
At 1 April 2005 and 31 March 2006	80
Net book value 31 March 2006	-
Net book value 1 April 2005	-

	Principal activity	Class of shares held
Consolidated subsidiaries		
Highams Recruitment Services (N.E.) Limited	Dormant	Ordinary
Highams Recruitment BV	Recruitment	Ordinary
Highams Recruitment Limited	Recruitment	Ordinary
RWP Recruitment Services Limited	Dormant	Ordinary
EquationHR Limited	Dormant	Ordinary
Highams Holding BV	Holding Company	Ordinary
Highams Share Scheme Trustee Limited	Trustee of Employment Benefit Trust	Ordinary
Highams International Limited	Holding Company	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. Debtors: amounts falling due within one year

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	2,890	2,830	-	8
Amounts due from subsidiary undertakings	-	-	2,860	3,144
Other debtors	10	11	10	-
Prepayments and accrued income	270	68	75	46
	3,170	2,909	2,945	3,198

14. Creditors: amounts falling due within one year

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Invoice discounting facility	300	778	-	164
Trade creditors	1,523	620	66	69
Other taxes and social security costs	305	109	10	63
Accruals and deferred income	195	771	62	249
Other creditors	72	131	61	78
	2,395	2,409	199	623

Notes to the Financial Statements

for the year ended 31 March 2006

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, 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 the functional currency of the operating unit concerned. These exposures were as follows:

	Euro £'000	Total £'000
31 March 2006	88	88
31 March 2005	68	68

Maturity of financial liabilities

The overdraft facility is repayable on demand.

Borrowing facilities

The Group has an overdraft facility, expiring in July 2007, 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 2006, the Group's use of the combined facilities was £300,000.

Fair values

The fair values of the financial assets and liabilities at 31 March 2006 are not materially different from their book values.

16. Provision for liabilities and charges

A deferred taxation asset has not been created because tax losses carried forward are not expected to be relieved in the foreseeable future.

17. Share capital

(a) Summary

	2006 Number	Authorised 2005 Number	2006 £'000	Authorised 2005 £'000
Ordinary 5p shares	42,921,300	42,921,300	2,146	2,146
	Allotted, called up and 2006 Number	fully paid 2005 Number	Allotted, called up and 2006 £'000	fully paid 2005 £'000
Ordinary 5p shares	31,875,568	31,875,568	1,594	1,594

(b) Contingent rights to the allotment of shares

As at 31 March 2006, options have been granted in respect of 160,399 (2005: 420,139) 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 22. Options on 141,068 shares lapsed on 17 May 2006.

18. 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 2006 £'000	Total 2005 Restated £'000
1 April 2005, as originally stated	1,594	679	297	(59)	(324)	2,187	1,793
Prior year adjustment (see below)	-	-	(207)	-	12	(195)	-
1 April 2005, as restated	1,594	679	90	(59)	(312)	1,992	1,793
Purchase of own shares	-	-	-	(2)	-	(2)	-
Issue of new shares	-	-	-	-	-	-	788
Expenses on issue of new shares	-	-	-	-	-	-	(88)
Loss for the year	-	-	-	-	(15)	(15)	(502)
Foreign currency translation differences	-	-	-	-	(1)	(1)	1
Closing shareholders' funds	1,594	679	90	(61)	(328)	1,974	1,992

The directors have reviewed the accounting treatment adopted in respect of the acquisition of RWP Recruitment Services Limited in the year ended 31 March 2005 and, in discussion with the Financial Reporting Review Panel, have concluded that the fair value of the consideration paid should be restated to reflect the market value of the ordinary shares issued to the vendors at the date the acquisition became unconditional. The effect of this change on the comparative figures is that net assets have reduced by £195,000 and the loss for the financial year has reduced by £12,000. Had this change not been made, current year net assets would have been £174,000 higher and the loss for the year would have been £21,000 greater.

Notes to the Financial Statements

for the year ended 31 March 2006

18. Reconciliation of movements in shareholders' funds continued

(b) Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Profit and loss account £'000	Total 2006 £'000	Total 2005 £'000
1 April 2005	1,594	679	297	(59)	93	2,604	1,697
Purchase of own shares	-	-	-	(2)	-	(2)	-
Issue of new shares	-	-	-	-	-	-	995
Expenses on issue of new shares	-	-	-	-	-	-	(88)
Profit for the year	-	-	-	-	172	172	-
Closing shareholders' funds	1,594	679	297	(61)	265	2,774	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 financial statements.

19. Net cash flow from operating activities

	2006 £'000	2005 Restated £'000
Operating profit/(loss)	64	(486)
Depreciation of tangible fixed assets	17	49
Goodwill amortisation	128	79
(Increase)/decrease in debtors	(261)	152
Increase in creditors	508	167
Profit on disposal of fixed assets	3	-
Exchange difference	(1)	1
Net cash inflow/(outflow) from operating activities	458	(38)

20. Analysis and reconciliation of net funds

Analysis of changes in net funds

	1 April 2005 £'000	Cash flow £'000	31 March 2006 £'000
Cash at bank and in hand	247	(174)	73
Invoice discounting facility	(778)	478	(300)
Net funds	(531)	304	(227)

Cash at bank and in hand includes £2,368 (2005: £4,249) in respect of monies held in the Employee Share Benefit Trust.

Reconciliation of net cash flow to movement in net funds

	2006 £'000	2005 £'000
Cash outflow	(174)	(493)
Decrease/(increase) in invoice discounting facility	478	(778)
	304	(1,271)
Net funds at 1 April 2005	(531)	740
Net funds at 31 March 2006	(227)	(531)

21. Financial commitments

Group

	Land and buildings 2006 £'000	Other 2006 £'000	Land and buildings 2005 £'000	Other 2005 £'000
Non-cancellable operating leases expiring:				
Within one year	-	5	-	-
Between 2 and 5 years	70	22	70	28
	70	27	70	28

Company

	Land and buildings 2006 £'000	Other 2006 £'000	Land and buildings 2005 £'000	Other 2005 £'000
Non-cancellable operating leases expiring:				
Within one year	-	-	-	-
Between 2 and 5 years	70	22	70	23
	70	22	70	23

Notes to the Financial Statements

for the year ended 31 March 2006

22. Employee Share Schemes

(a). Approved Employee Share Option Scheme

The Company adopted an Inland Revenue approved Executive Share Option Scheme on 17 May 1996. At 31 March 2005, 141,068 shares were under option. No options were exercised during the year. The scheme terminated on 17 May 2006 and, accordingly, all options have lapsed.

(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 2005, 19,331 shares were under option. With no changes this year, the balance at 31 March 2006 remains at 19,331. The options are 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 share options as at 8 September 2000. At 31 March 2005, 259,740 were under option. In the current year, all of these options lapsed and no further options have been granted.

(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 2006.

(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 (2005: £nil). At 31 March 2005, the Trust held 148,953 shares in the Company, with a market value of £8,565. During the year, the Trust acquired 35,000 shares for £1,881 resulting in a holding at 31 March 2006 of 183,953 shares at a market value of £5,518.

No shares have been transferred to employees or were under option as at 31 March 2006. The Trust's only other asset at 31 March 2006 was cash at bank of £2,368 (2005: £4,249) 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

	2006	2005 Restated	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
Results					
Turnover	17,997	13,512	8,559	11,096	16,777
Operating profit/(loss) – continuing operations	64	(486)	(507)	(208)	60
Operating profit/(loss) – discontinued operations	-	-	20	-	(289)
Loss on ordinary activities before taxation	(13)	(511)	(293)	(190)	(288)
Loss for the financial year after taxation	(15)	(502)	(293)	(190)	(273)
Dividends	-	-	-	-	20
Assets employed					
Goodwill	1,071	1,199	-	-	-
Tangible fixed assets	55	46	99	80	101
Net current assets	848	747	1,694	2,000	2,176
Net assets	1,974	1,992	1,793	2,080	2,277
Financed by					
Shareholders' funds	1,974	1,992	1,793	2,080	2,277
Key statistics					
Profit/(loss) per share before goodwill amortisation and exceptional costs	0.35p	(0.83p)	(2.05p)	(0.98p)	(1.13p)
Loss per share	(0.05p)	(1.86p)	(1.51p)	(0.98p)	(1.40p)
Return on shareholders' funds*	(0.8%)	(25.2%)	(16.3%)	(9.1%)	(12.0%)
Return on assets employed**	7.1%	(61.3%)	(27.2%)	(10.0%)	(10.1%)

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 Wednesday 6 September 2006 at 11.30 a.m. in order to transact the following business:

Ordinary Business

Resolution 1 To receive and adopt the financial statements and the reports of the Directors and the Auditors for the financial year ended 31 March 2006.

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 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 2007 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 2007 or the date falling 15 months from the passing of this Resolution.

By order of the Board

MA Eve
Secretary
30 June 2006

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 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 4 September 2006 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 4 September 2006 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 4 September 2006 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 4 September 2006
Annual General Meeting	11.30 a.m. on 6 September 2006