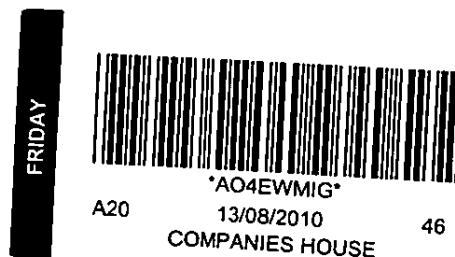


Annual Report & Financial Statements
for the year ended 31 March 2010

Highams Systems Services Group plc

is a business and technology recruitment consultancy,
specialising in the insurance sector

Company Number 1700310



Highams Systems Services Group plc
Quadrant House
33/45 Croydon Road
Caterham, Surrey CR3 6PB

T +44 (0) 1883 341144
F +44 (0) 1883 346699
E info@highams.com
www.highams.com

Group at a glance

Our Markets

Highams provides technology, business and professional services resource to the financial sector specialising in insurance and investment management on a contract, interim and permanent basis. Highams' main client base ranges from the niche SME sector to larger corporate organisations.

Our Consultants, Contractors and Applicants

Our speciality is in finding excellent career opportunities and assignments for senior IT, business and professional services talent. We are constantly developing our relationships and networks to ensure we obtain the best available positions for such talent, whilst ensuring that their skills and personalities are compatible with the needs of our clients.

Our People

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

Contents

	Page
Operating and financial highlights	1
Chairman's statement	2
Directors	3
Directors and advisers	4
Report of the Directors	5-7
Statement of Directors' responsibilities	8
Corporate governance	9
Directors' remuneration report	10
Independent auditor's report	11
Consolidated income statement	13
Consolidated statement of comprehensive income	14
Consolidated balance sheet	15
Consolidated statement of changes in equity	16
Consolidated statement of cash flow	17
Notes to the financial statements	18-34
Company balance sheet	35
Notes to the company financial statements	36-40
Notice of meeting	41
Financial calendar	43

Operating and financial highlights

	2010 £'000	2009 £'000
Revenue	7,546	10,533
Gross profit	1,266	1,765
Operating profit/(loss) for the financial year	141	(317)
Profit/(loss) for the financial year before tax	131	(370)
Net current assets	188	48
Equity	296	63
Profit/(loss) per share	0 34p	(0 77)p

Operational

- Significant £0 5m turnaround of the business
- Group revenue at £7 5m (2009 £10 5m), reflecting a reduced, but now stable number of contractors working on client sites during the year
- Group profit before taxation of £131,000 (2009 loss of £370,000)
- The Directors are not recommending the payment of a final dividend (2009 nil)
- Profit margins improved slightly to 16 8 per cent (2009 16 7 per cent)
- Market activity continues to improve
- Contractor numbers stable and permanent recruitment strong overall
- Recruitment of new staff selectively and closely tailored to client requirements
- Strong brand in difficult trading market

Chairman's Statement

Introduction

As I noted in our interim results (announced 12 November 2009), our market had been showing signs of improvement and an increase in activity and we had been hoping for continued further progress into the second half of the year. I am pleased to report that that profitable progress has continued and that the Company has achieved a significant £0.5 million turnaround of the business during the year.

I am also pleased to note that this turnaround has been achieved in line with our stated intention "to seek profits, whilst maintaining the quality of our service". We believe that this has been achieved despite some very difficult market conditions.

Contractor numbers have stabilised from the beginning of the year compared to the reducing levels of contractors in the prior period. This however has resulted in reduced revenue to March 2010. I am also pleased that permanent recruitment has remained strong overall and this is despite difficult employment market conditions.

We still continue to focus in our niche market within the insurance and financial services sector and in maintaining our quality of service and delivery associated with our brand.

Staff numbers regrettably were reduced during the first half of the year as part of our necessary cost reduction programme, but I am pleased to report that we have now begun to recruit new staff selectively into the company to enhance the levels of activity required to meet the needs of our clients. I am also pleased to report an increase in requirement levels from both existing and new customers.

The company has explored the possibility of growing by acquisition as well as organically but is not in any current negotiations. Seymour Pierce were recently appointed as nominated adviser and stockbroker to assist the company's growth plans.

Financial Results

Group revenue fell by 28.6 per cent to £7.5m (2009: £10.5m), reflecting a reduced, but now stable number of contractors working on client sites during the year. This contrasts with the sharp decline in contractor numbers during the previous year.

Gross profit was reduced at £1.26m (2009: £1.76m), but our profit margins improved slightly to 16.8 per cent (2009: 16.7 per cent).

Group profit before taxation was £131,000 (2009: loss of £370,000). The Directors are not recommending the payment of a final dividend for the year to 31 March 2010 (2009: nil).

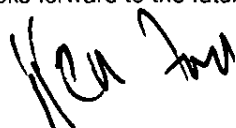
Executives and Staff

We remain a strong team of very knowledgeable long serving staff, and whilst we have been in a very challenging market, we look forward to rebuilding for Highams the success it previously enjoyed. I would like to acknowledge the loyalty and commitment of all the staff to the group and am extremely grateful. I extend a very warm welcome to all new members of the team and I look forward to their development and future success with Highams. I would particularly like to thank Mark de Lacy and Kerri Sayers, who joined the Highams Board of Directors back in September 2008, for their significant contribution to the turnaround of the business.

Outlook

I am pleased by the progress achieved during the year and the considerable achievement by all at Highams in delivering a £0.5m turnaround of the business. We look forward to continuing this progress and to restoring Highams back onto a strong and sustainably profitable path. Our objective for the current year is to return revenue to prior year levels. We have made a good start and providing the employment market remains firm, the Board looks forward to the future with enthusiasm and confidence.

Ken Ford
30 July 2010



Directors

Eric Kenelm (Ken) Ford

Non-Executive Chairman

Ken Ford has over 37 years of experience in the City. From 1993 he worked at Teather & Greenwood stockbrokers serving as Head of Corporate Finance, Managing Director, Chief Executive Officer and latterly as Deputy Chairman until retirement in 2007. Prior to this he worked as a director at Aberdeen Asset Management and served for seven years as a director at Morgan Grenfell, as Head of Research and Head of Corporate Finance at Morgan Grenfell Securities. Ken is a Fellow of the Chartered Securities Institute and on the executive committee of the Quoted Companies Alliance. He is also Chairman of Brainjuicer Group plc and other companies.

Mark de Lacy

Managing Director

Mark de Lacy has been employed by Highams since 1990. Originally brought in for his sales experience, Mark rapidly progressed to a senior role, responsible for the development of the Group's major accounts within the Life and Pensions and Insurance sectors. He moved into recruiting and developing successful sales teams before being appointed in 2007 to Sales Director, and Managing Director in September 2008. Mark continues to actively develop new strategic accounts within specialist vertical markets.

Kerri Anne Sayers

Chief Operating Officer

Kerri Sayers has been employed by Highams since 1994 when she initially managed the finance department. She has since managed both the operation of the finance and HR team through various Group acquisitions and disposals. She is a member of the CIPD and was previously Twin Operations Manager for a high street recruiter. She has been a director of the company since 30 September 2008.

John Edward Higham

Non-Executive Director and Deputy Chairman

John 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

Company Registration Number.	1700310
Registered Office	Quadrant House 33/45 Croydon Road Caterham Surrey CR3 6PB
Directors	EK Ford (<i>Chairman</i>) M de Lacy (<i>Managing Director</i>) KA Sayers (<i>Chief Operating Officer</i>) JE Higham (<i>Non-executive and Deputy Chairman</i>)
Secretary	KA Sayers
Bankers	The Royal Bank of Scotland plc Turnpike House 123 High Street Crawley West Sussex RH10 1DQ
Nominated Adviser and Brokers	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0DA
Solicitors	Eversheds LLP One Wood Street London EC2V 7WS
Auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

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 2010

Principal Activity

Highams provides technology, business and professional services resource to the financial sector specialising in insurance and investment management on a contract, interim and permanent basis. Highams' main client base ranges from the niche SME sector to larger corporate organisations.

Results and Dividends

The Group recorded a profit before taxation and goodwill impairment of £131,000 (2009: loss before taxation and goodwill impairment £370,000) on a revenue of £7.5m, (2009: £10.5m).

The directors do not recommend a final dividend (2009: nil). No interim dividend was paid during the year (2009: nil).

Review of Business

The Board has reviewed the detail of the business during what was another difficult trading year, and in line with our cost saving strategy we have achieved our goal of keeping our costs firmly under control whilst becoming a profitable business. This strategy has put us in good stead for the future business strategy to grow the business into a sustainable and profitable company.

The results show a turnaround of the business of around £0.5m net and although the revenue was reduced by 28.6 per cent, the reduction in the overhead cost far outweighed this as costs reduced by 46 per cent.

We are recruiting selectively into the business to meet the need of the increased level of requirements including, new "seasoned" recruiters as well as "delivery" personnel. We have a very skilled base of staff with longevity of service. Coupled with the new recruits we expect to continue to rebuild our service offering, along with increasing the brand awareness of the business that Highams possess.

Whilst the gross profit has reduced overall the business stabilised during the year and operating costs were in line with the business requirements. The business is now well positioned to increase its sales activity with little further increase in base costs. With the recruitment market now showing signs of recovery, and with the increase in business requirements being received from our clients, we believe that we will see the benefits of this activity in our future growth. Permanent revenue remained strong during the period.

The result of the focus on developing new processes for our database in line with our strategy as set last year has increased the value of the data held, with constant churn and updates being easily accessible to the team. We are now increasing headcount and training these new staff to assist our senior consultants to continue to provide an excellent service to our existing clients and new clients alike. We continue to build relationships with existing and new clients and improve our knowledge within our specialist sectors. The directors are continually seeking to improve all aspects of the processes on which we operate.

Tracking and tracing our key players are crucial to Highams' success. We have a number of client and candidate testimonials, an example below:

"I like working with Susanne and her colleagues at Highams, and have been a repeat customer over the past few years as our business has grown. I feel assured that I'm not being 'sold to' and that their network of contacts is absolutely top-notch in the insurance industry."

The return to profitability and increased confidence in our sector contributes to the Board's belief that we are in an excellent position for the future growth of our company. We have been successful in renewing contract and permanent PSL's (preferred supplier list) and have been awarded a number of new PSL's during the year too.

Key Financial Risks of the Group

Details of the Group's financial instruments are given in note 19 to the financial statements

Key Business Risks of the Group

Staff

Highams has an excellent record of staff retention in the recruitment market. In a service company such as Highams, it is essential that high-quality staff are recruited and then retained (through appropriate incentives, focused training and a challenging but supportive environment) if client relationships are to be maintained and new customers won.

Clients

Clients may choose not to continue to use Highams' services if our service fails to meet the required standards. We may also lose a client's business if that client is acquired by a competitor. To help ensure the maintenance of high standards, Highams is committed to the REC Code of Professional Practice and its ISO9001 2008 certified quality management system. Importantly, longevity of service of many Highams' staff helps provide clients with continuity of service with someone who has a detailed knowledge of their needs, a big factor in helping retain clients.

Competition

There are many competing recruitment organisations and RPO's (recruitment process outsourcing) companies. It is very important that Highams maintains and enhances its niche market approach in order to continue to differentiate itself from most other such organisations.

Given that the permanent and contract applicants have many recruitment organisations from which to choose, the risk is that they may choose not to register with Highams. Highams' staff work hard to be knowledgeable about their niche business and technical areas. By developing a network of clients, contractors and applicants relevant to that niche, Highams' staff are better positioned to attract and help talented contractors and applicants than more generalist agencies might be. Highams database of such applicants and contractors continues to be an excellent source for the business and processes are continually updated to ensure continuity.

Directors

The biographies of the current directors of the Company are set out on page 3. The directors that served during the year were:

E K Ford	Chairman
JE Higham	Non Exec Director
M de Lacy	Managing Director
KA Sayers	Chief Operating Officer

Substantial shareholders

As at 30 March 2010, the following substantial shareholdings have been notified to the Company:

	Number of shares	% of issued Share Capital
EK Ford	13,802,857	20.00
MJ Gray	10,304,286	14.93
D and G Hart	9,787,719	14.18
JE Higham	9,269,078	13.43
EI Andrews	3,570,000	5.17

Share option schemes

Information regarding the Company's share option schemes is given in note 21 to the financial statements.

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 and other payables days figure at 31 March 2010 was 42 (2009: 35).

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.

Auditors

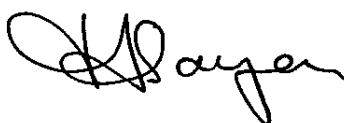
So far as the directors who were in office at the time that this Directors' report was approved are aware, there is no relevant audit information of which the auditors are unaware. Each such director has taken all reasonable steps to make himself aware of any relevant audit information and to establish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

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

This report was approved by the Board of Directors on 30 July 2010.

KA Sayers

Company Secretary
30 July 2010

A handwritten signature in black ink, appearing to read 'KA Sayers', is written over the printed name and title.

Statement of Directors' responsibilities

Directors' responsibilities for the financial statements

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. 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.

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 two 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 Managing Director

These tasks are carried out by 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 collectively undertakes the functions of the Audit Committee which is chaired by John Higham

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 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 Auditors Independence: guidance for audit committee". Each year the committee undertakes to seek reassurance that the external auditors are independent

Remuneration committee

This committee (Remcom), which meets at least twice a year, is chaired by Ken Ford, the Board collectively undertakes the function of Remcom. 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 10

Going concern

After making appropriate enquiries, 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 7 which forms part of the audited financial statements. The members of the remuneration committee (Remcom) are identified on page 9.

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 discussions about his own remuneration.

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.

Share schemes

Details of all Company share schemes appear in note 21 to the financial statements.

Mark de Lacy and Kerri Sayers were granted options on 2,070,530 each shares exercisable at 1.25p per share pursuant to the Highams EMI Share Option Scheme.

The vesting of 50 per cent (2,070,530) of these options was contingent on the following condition, the gross profit of the Group for the year ended 31 March 2010 exceeds the gross profit for the year ended 31 March 2009 by 10 per cent. The balance of the options are exercisable following the approval of the audited consolidated accounts of the Company for the financial year ending 31 March 2010. 50 per cent of these options have now lapsed as the condition of increased gross profit was not met for the year.

The options were granted by Remcom on 21 November 2008, the share price was 1.25p.

Pensions

The group operates a defined contribution pension scheme, the contributions to which are set out in note 7 to the financial statements.

Service contract of the executive directors

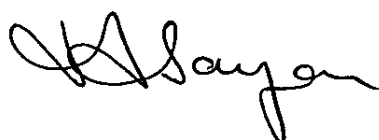
Mark de Lacy and Kerri Sayers have service agreements terminable by the Company or by the executives of not less than six months notice.

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.

KA Sayers

Company Secretary



Independent auditor's report

To the members of Highams Systems Services Group plc

We have audited the financial statements of Highams Systems Services Group plc for the year ended 31 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's profit for the period 31 March 2010 then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

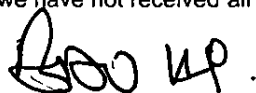
Independent auditor's report continued

To the members of Highams Systems Services Group plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



James Roberts (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Gatwick

United Kingdom

30 July 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated income statement

For the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Revenue	4	7,546	10,533
Cost of sales		(6,280)	(8,768)
Gross profit		1,266	1,765
Administrative costs		(1,125)	(2,082)
Operating profit/(loss)		141	(317)
Finance income	5a	–	4
Finance costs	5b	(10)	(57)
Profit/(loss) before tax		131	(370)
Tax credit	9	101	–
Profit(loss) for the period attributable to equity shareholders		232	(370)
Profit/(loss) per share			
Basic profit/(loss) per share from continuing operations	10	0 34p	(0 77)p
Diluted profit per share from continuing operations	10	0 33p	–

All of the above relate to continuing operations

Consolidated statement of comprehensive income

For the year ended 31 March 2010

	2010 £'000	2009 £ 000
Profit/(loss) for the period	232	(370)
Foreign currency translation difference	1	(1)
Total comprehensive income for the period attributable to equity shareholders	233	(371)

Consolidated balance sheet

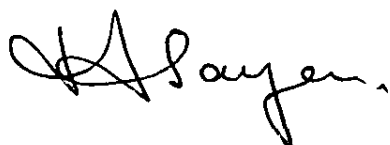
At 31 March 2010

Company number 1700310

	Note	2010 £'000	2009 £'000
Assets			
Non-current assets			
Intangible assets	11	–	3
Property, plant and equipment	12	7	12
Deferred tax asset	17	101	–
Total		108	15
Current assets			
Trade and other receivables	13	1,291	1,343
Cash and cash equivalents		4	–
Total		1,295	1,343
Total assets		1,403	1,358
Current Liabilities			
Trade and other payables	14	(876)	(1,039)
Borrowings	15	(231)	(256)
Total		(1,107)	(1,295)
Net Assets		296	63
Equity			
Share capital	20	1,597	1,597
Share premium account		1,239	1,239
Merger reserve		90	90
Employee share benefit trust reserve		(61)	(61)
Currency reserve		4	3
Retained earnings		(2,573)	(2,805)
Total Equity		296	63

The financial statements were approved and authorised for issue by the Board of directors on 30 July 2010

K A Sayers, Director



J E Higham, Director



Consolidated statement of changes in equity

As at 31 March 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Currency reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2008	1,594	679	90	(61)	4	(2,435)	(129)
Issue of new shares	3	647	—	—	—	—	650
Associated cost of new shares issued	—	(87)	—	—	—	—	(87)
Currency adjustments	—	—	—	—	(1)	—	(1)
Loss for the year	—	—	—	—	—	(370)	(370)
At 1 April 2009	1,597	1,239	90	(61)	3	(2,805)	63
Currency adjustments	—	—	—	—	1	—	1
Profit for the year	—	—	—	—	—	232	232
At 31 March 2010	1,597	1,239	90	(61)	4	(2,573)	296

Consolidated statement of cash flow

For the year ended 31 March 2010

	2010 £'000	2009 £ 000
Operating activities		
Profit/(loss) for the year before tax	131	(370)
Depreciation of property, plant and equipment	5	10
Amortisation of intangible assets	3	8
Net finance costs	10	53
Changes in trade and other receivables	52	930
Change in trade and other payables	(162)	(198)
Net cash generated by operating activities	39	433
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(10)
Purchase of intangible assets	–	–
Proceeds of property plant and equipment	–	7
Interest received	–	4
Net cash generated by investing activities	–	1
Financing activities		
Increase/decrease in borrowings	94	(890)
Proceeds from issue of share capital	–	650
Associated cost of share issue	–	(87)
Interest paid	(10)	(57)
Net cash from financing activities	84	(384)
Net changes in cash and cash equivalents	123	50
Cash and cash equivalents, beginning of year	(119)	(169)
Cash and cash equivalents, end of year	4	(119)

Notes to the financial statements

For the year ended 31 March 2010

1 Nature of operations and general information

Highams Systems Services Group plc and its subsidiaries' principal activity is the provision of contract and permanent IT and business related recruitment services, mainly in the insurance, investment management and financial sectors

Highams Systems Services Group plc, a limited liability company, is the Group's ultimate parent company. It is registered in England and Wales. The address of Highams Systems Services Group plc's registered office, which is also its principal place of business, is Quadrant House, 33/45 Croydon Road, Caterham, Surrey CR3 6PB. The details of subsidiary undertakings are listed in Note 6 to the Company Financial Statements.

Highams Systems Services Group plc's shares are listed on the London Stock Exchange's Alternative Investment Market (AIM). Highams Systems Services Group plc's consolidated full year financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company.

2 Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements have been prepared under the historical cost convention. The principal accounting policies of the group are set out below.

The group has taken advantage of certain exemptions available under IFRS1 First time adoption of International Financial Reporting Standards. The exemptions are explained under the respective accounting policy.

The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements.

Going concern

The financial statements have been prepared on a going concern basis. As at 31 March 2010 the group had net assets of £296,000. It incurred a profit for the year of £232,000.

In considering the appropriateness of the going concern assumption the directors have taken into consideration

- 1 Monthly operating and cash flow forecasts, and
- 2 Facilities available to the group,

The group has funding arrangements with its principal banker, linked to receivables, which expired in March 2010. The directors have been able to renew these facilities on a revolving basis and on similar terms.

The directors are therefore confident that the group will be able to continue as a going concern. No adjustments have been made to the carrying values of both assets and liabilities that would be required were the going concern assumption inappropriate.

Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 March 2010. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities. The group obtains and exercises control through voting rights.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

The group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 April 2006.

Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. The carrying amount of capitalised goodwill at 31 March 2006 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount.

Revenue

Revenue 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 represents any excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired for acquisitions after 31 March 2006, together with goodwill recognised on transition to IFRS on 1 April 2006.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses.

Other intangible assets

Computer software included at cost is amortised on a straight line basis over its useful economic life of two years. The amortisation charge is shown within administrative expenses.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of property, plant and equipment over their estimated useful lives at the following rates:

Leasehold improvements	– over remaining period of lease on a straight-line basis
Computer equipment	– 50% per annum on a straight-line basis
Furniture, fittings and office equipment	– 25% per annum on a straight-line basis
Motor vehicles	– 25% per annum on a reducing balance basis

Impairment testing of goodwill, other intangible assets and property, plant and equipment

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually on 31 March. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount the asset is written down immediately.

Notes to the financial statements continued

For the year ended 31 March 2010

2 Accounting policies continued

Leased assets

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term. All of the Group's current leases are operating leases.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit, and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised in the balance sheet only where it is probable that taxable profit will be available against which the difference can be utilised.

Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") 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. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

On consolidation the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at rates of exchange ruling on the balance sheet date. Exchange differences arising from this policy are recognised directly in the currency reserve.

The group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Pension costs

The Group operates a defined contribution pension scheme. The pension cost expensed to the income statement represents contributions payable by the Group to the pension scheme in the period.

Financial assets

All of the Group's financial assets are categorised as loans and receivables.

The Group's financial assets comprise trade receivables, other receivables, cash and cash equivalents. Trade and other receivables are measured initially at fair value and subsequently at amortised cost. Appropriate allowances

for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, and an interest bearing confidential invoice discounting facility. All financial liabilities are measured initially at fair value and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts are included within current liabilities unless there is a right of offset with cash balances.

Employee share benefit trust

The cost of the company's shares held by the employee share benefit trust is deducted from equity in the consolidated balance sheet. Any cash received by the employee share benefit trust on disposal of the shares it holds is also recognised directly in equity. Other assets and liabilities of the employee share benefit trust, (including borrowings) are recognised as assets and liabilities of the group. Any shares held by the employee share benefit trust are treated as cancelled for the purposes of calculating earnings per share.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- "Merger reserve" represents the difference between the value of shares and the nominal value in accordance with the requirements of Merger Relief under the Companies Act
- "Employee share benefit trust reserve" represents the cost of the company's shares held by the employee share benefit trust
- "Currency reserve" represents the differences arising from translation of investments in overseas subsidiaries
- "Retained earnings" represents retained profits less accumulated losses

Notes to the financial statements continued

For the year ended 31 March 2010

2 Accounting policies continued

Standards and interpretations currently in issue but not yet effective

Accounting standards are continually updated with new and revised requirements having been issued that take effect in subsequent accounting periods. The directors are of the opinion that all such published amendments and interpretations to existing requirements are unlikely to materially impact the group, with the possible exception of IFRS 3 Revised 'Business combinations'. Key amongst the changes brought in by this standard are that for any future acquisition it will be necessary to write off all acquisition costs and to recognise all identified intangibles even if their fair value on acquisition cannot be measured reliably. However, it will not be necessary to restate any acquisitions made in earlier periods on this basis.

3. Critical accounting judgements and estimates

In preparing the financial statements it is necessary for the directors to make estimates and judgements about the future. The key assumption made by the directors in the preparation of the financial statements this year concerns the recognition for the first time of a deferred tax asset. In previous years, due to losses made by the group, it was felt that there was not sufficient evidence to warrant the recognition of an asset based on the taxable benefit associated with these assets. However, now that the group has started to make profits it is able to relieve some of those losses in determining its current tax payable for the year, which is why it is anticipated there will be no current tax liability despite making profits in the current year. Furthermore, because the directors are confident of continued profitability it is considered appropriate to recognise a deferred tax asset for the future relief of the group's remaining losses, with the amount recognised based on formalised budgets. However, the actual amount of losses that will be relieved in future will be driven by the group's actual profitability (including periods beyond those for which formal budgets are prepared) and therefore the amount of the deferred tax asset recognised this year may be greater or smaller than the actual benefit accruing to the group. Details of the group's provided and un-provided deferred tax position are shown in note 9 and 17.

4 Operating Segments

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

There is one primary business segment being the provision of contract and permanent IT and business recruitment services.

The Group also makes sales to Europe. An analysis of sales revenue by geographical market is given below.

	Revenue by destination	
	2010 £'000	2009 £'000
United Kingdom	5,441	8,600
Belgium	2,105	1,933
	7,546	10,533

All of the group's non current assets are located in its country of domicile.

Transactions with the Group's largest customer equates to 28 per cent of the Group's revenue, (2009 18 per cent).

5 Finance costs

(a) Finance income

	2010 £'000	2009 £'000
Bank deposit interest	–	4

(b) Finance costs

	2010 £'000	2009 £'000
Invoice discounting facility	9	55
Other	1	2
	10	57

6 Employees' remuneration

(a) Staff costs

Staff costs, including Executive Directors, during the year were as follows

	2010 £'000	2009 £'000
Wages and salaries	588	1,045
Social security costs	55	115
Other pension costs	2	25
	645	1,185

(b) Staff numbers

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

	2010 Number	2009 Number
Sales	11	18
Finance and administration	3	5
Management	4	5
	18	28

7. Directors' remuneration

Aggregate remuneration

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

	2010 £'000	2009 £'000
Emoluments	125	199
Compensation for loss of office	–	30
Money purchase pension contributions	1	13
	126	242

Notes to the financial statements continued

For the year ended 31 March 2010

7. Directors' remuneration continued

(a) Directors Remuneration

	Fees/basic salary 2010 £'000	Taxable benefits 2010 £'000	Total emoluments 2010 £'000	Severance payment 2010 £'000	Money purchase pension contributions 2010 £'000	Total 2010 £'000
M de Lacy	64	–	64	–	1	65
K Sayers	46	6	52	–	–	52
Non executive						
J Higham	–	–	–	–	–	–
K Ford	9	–	9	–	–	9
Aggregate emoluments	119	6	125	–	1	126

	Fees/basic salary 2009 £'000	Taxable benefits 2009 £'000	Total emoluments 2009 £'000	Severance payment 2009 £'000	Money purchase pension contributions 2009 £'000	Total 2009 £'000
M de Lacy (appointed 30 Sept 2008)	47	–	47	–	4	51
K Sayers (appointed 30 Sept 2008)	25	6	31	–	1	32
D Pye (resigned 30 Sept 2008)	94	–	94	–	–	94
E I Andrews (resigned 30 Sept 2008)	–	6	6	30	8	44
Non executive						
J Higham	8	1	9	–	–	9
K Ford (appointed 24 Oct 2008)	4	–	4	–	–	4
A Howarth (resigned 30 Sept 2008)	8	–	8	–	–	8
Aggregate emoluments	186	13	199	30	13	242

The highest paid director was Mark de Lacy (2009 Dave Pye)

M de Lacy and K Sayers are employed under a service agreement which can be terminated at any time by either the director or the company giving six months' prior notice. The services of K Ford and JE Higham are secured by letters of appointment, and these appointments can be terminated by the Company in general meeting at any time.

(b) Directors' pension entitlements

During the year, two directors were members of money purchase pension schemes (2009 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 (5 to 7)

8 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging

	2010 £'000	2009 £'000
The analysis of auditor's remuneration is as follows		
Audit fees payable to the Company's auditor for the audit of		
Company annual accounts	6	6
Group annual accounts	10	10
	16	16
Other fees payable to the Company's auditors		
Subsidiary companies	8	9
Tax compliance	3	4
Tax advisory	–	–
	27	29
Amortisation of intangibles	3	8
Depreciation of property, plant and machinery	5	10
Foreign exchange gain	–	(31)
Operating lease rentals		
Property	71	71
Plant and equipment	5	5

9. Income tax expense

	2010 £'000	2009 £'000
Comprising		
Current tax charge/(credit) for period	–	–
Deferred tax asset	(101)	–
	(101)	–

The relationship between the expected tax expense based on the effective tax rate of the Group at 28 per cent (2009 28 per cent) and the tax expense actually recognised in the income statement can be reconciled as follows

	2010 £'000	2009 £'000
Result for the year before taxation	131	(370)
Expected tax expense	37	(104)
Expenses not deductible for tax purposes	3	3
Differences between capital allowances and depreciation	–	–
Expenses not deductible relating to impairment of goodwill	–	–
Utilisation of tax losses	(50)	(6)
Losses carried forward	10	107
Current tax expense, net	–	–

Please refer to note 17 for information on the entity's deferred tax assets and liabilities

Notes to the financial statements continued

For the year ended 31 March 2010

10. Profit/(loss) per share

	2010			2009		
	Profit £'000	Weighted average number of shares '000	Profit per share p	Profit/ (loss) £'000	Weighted average number of shares '000	Loss per share p
Basic profit/(loss) per share	232	68,834	0 34	(370)	47,770	(0 77)
Diluted profit per share	232	69,867	0 33	—	—	—

The weighted average number of shares excludes 183,953 (2009 183,953) shares held by the Employee Share Benefit Trust

There is no difference in 2009 between the basic and diluted profit/(loss) per share

11. Other intangible assets

The amounts recognised in the balance sheet relate to the following

	2010 £'000	2009 £'000
Software		
Cost		
At 1 April	80	80
Additions	—	—
At 31 March	80	80
Amortisation		
At 1 April	77	69
Charge in year at 31 March	3	8
	80	77
Net book amount		
At 31 March	—	3

12. Property, plant and equipment

	Improvements to property £'000	Computer equipment £'000	Furniture fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2009	75	89	61	—	225
Additions	—	—	—	—	—
Disposals	—	—	—	—	—
At 31 March 2010	75	89	61	—	225
Depreciation					
At 1 April 2009	74	78	61	—	213
Charge for the year	1	4	—	—	5
Disposals	—	—	—	—	—
At 31 March 2010	75	82	61	—	218
Net book value 31 March 2010	—	7	—	—	7

	Improvements to property £'000	Computer equipment £'000	Furniture fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2008	75	79	61	34	249
Additions	—	10	—	—	10
Disposals	—	—	—	(34)	(34)
At 31 March 2009	75	89	61	—	225
Depreciation					
1 April 2008	73	69	61	26	229
Charge for the year	1	9	—	—	10
Disposals	—	—	—	(26)	(26)
At 31 March 2009	74	78	61	—	213
Net book value 31 March 2009	1	11	—	—	12

13 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	1,202	1,161
Other receivables	9	12
Prepayments and accrued income	80	170
	1,291	1,343

Notes to the financial statements continued

For the year ended 31 March 2010

13. Trade and other receivables continued

All amounts are short-term. The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment and no provision (2009: £nil) has been considered necessary.

Some of the unimpaired trade receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is as follows:

	2010 £'000	2009 £'000
More than one month but not more than 3 months	177	234
More than 3 months but not more than 6 months	1	1
More than 6 months but not more than 1 year	—	—
More than one year	1	—
	179	235

14. Trade and other payables

	2010 £'000	2009 £'000
Trade payables	517	703
Other taxes and social security costs	64	103
Other payables	194	55
Accruals and deferred income	101	178
	876	1,039

All amounts are short-term. The carrying values are considered to be a reasonable approximation of fair value.

The contractual maturity of trade payables is as follows:

	2010 £'000	2009 £'000
0 to 30 days	461	619
31 to 60 days	27	50
61 to 120 days	29	34
	517	703

All other financial liabilities including borrowings are repayable on demand.

15. Borrowings

	2010 £'000	2009 £'000
Current liabilities		
Bank overdrafts	—	119
Invoice discounting	231	137
	231	256

The Group has a confidential invoice discounting facility of £2,000,000 (2009: £2,000,000). The facility is Group cross-guaranteed.

16. Leases

Operating leases

The Group leases offices and equipment under non-cancellable operating leases. The total minimum lease payments under non-cancellable operating leases are as follows:

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	—	2	77	41
After one year and less than five years	75	105	—	—
After 5 years	—	—	—	—
	75	107	77	41

Lease payments recognised as an expense during the year amount to £76,630 (2009: £77,012). No sublease income is expected as all assets held under lease agreements are used exclusively by the Group.

The rental contract for the office building rented since July 2000 at Caterham has a lease which expired in March 2010. The lease has been renewed for a further 5 years, which includes a rent free period, reduced rent and with a break clause after year three.

Operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding further leasing.

17. Deferred tax

Deferred tax recognised in the financial statements is set out below:

	2010 £'000	2009 £'000
	101	—

In accordance with IAS 12 "Income Taxes", the deferred tax asset has been recognised to the extent that trade losses will be recoverable against profits in the foreseeable future.

The temporary differences for which the deferred tax asset has not been provided in the financial statements is set out below:

	2010 £	2009 £
Losses	1,972,829	2,475,932
Accelerated capital allowances	116,080	109,114
	2,088,909	2,585,046

18. Related party transactions and controlling related party

The Group's related parties comprise its Board of Directors. Details of the directors' remuneration are given in note 7. There were no other related party transactions.

Notes to the financial statements continued

For the year ended 31 March 2010

19 Financial risk management objectives and policies

Financial instruments

The Group uses various financial instruments, these include cash and cash equivalents, and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk, credit risk and 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 through the invoice discounting facility.

Cash deposits are non-interest bearing unless placed on money markets at over night rates. The overdraft balances are offset against cash deposits in accordance with the facility and is managed such that no interest cost is incurred. The invoice discounting facilities are charged at 1.65 per cent above the UK base rate. The group is therefore exposed to changes in interest rates primarily through its invoice discounting facility. If the UK bank base increased by 1 per cent, finance cost would increase by £4,500 (2009: £12,000).

Liquidity risk

The group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands including on a day-to-day and week-to-week basis, as well as on a monthly basis. As at 31 March 2010 all of the Group's financial liabilities are contractually due within 6 months of the balance sheet date. The majority of working capital is provided through the invoice discounting facility, additional draw down of these payments are directly related to the trade receivables. The Group's liquidity needs are assessed periodically.

Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders

by pricing its offerings commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting years under review is summarised as follows:

Although Highams Systems Services Group plc is not constrained by any externally imposed capital requirements, its goal is to maximise its capital-to-overall financing structure ratio.

The Group sets the amount of capital in proportion to its overall financing structure and manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	2010 £'000	2009 £ 000
Capital		
Total equity	296	63
	296	63
Overall financing		
Total equity	296	63
Plus net borrowings	227	256
	523	319
Capital-to-overall financing ratio	56.6%	19.7%

Credit risk

The Group's principal financial assets are cash deposits and trade receivables. Risks associated with cash deposits are low as they are held at banks with high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade receivables. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The group has historically not suffered from significant bad debt problems. Although the Group's principal bankers are The Royal Bank of Scotland, the Group's invoice discounting facility is held with Lloyds TSB Commercial Finance.

Currency risk

The Group trades within European markets. These transactions are generally priced and invoiced in euros.

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 of the transactions concerned. The exposures which relate only to the sales ledger balance, purchase ledger balance and cash at bank were as follows:

	2010 £'000	2009 £ 000
Euros (net asset)	229	181

The effect of a 25c strengthening of the Euro against Sterling at the reporting date on the Euro-denominated trade payables, trade debtors and cash at bank carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of £41,000 (2008: £33,000). A 25c weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £63,000 (2008: £51,000).

Notes to the financial statements continued

For the year ended 31 March 2010

19 Financial risk management objectives and policies continued

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the years under review may also be categorised as follows

	Cash, loans and receivables 2009 £'000	Non financial assets 2009 £'000	Financial liabilities 2009 £'000	Non financial liabilities 2009 £'000	Total for balance sheet heading 2009 £'000
Balance sheet headings					
Trade receivables	1,202	—	—	—	1,202
Cash at bank	4	—	—	—	4
Other receivables	9	—	—	—	9
Prepayments	—	80	—	—	80
Trade payables	—	—	(517)	—	(517)
Other taxes and social security costs	—	—	—	(64)	(64)
Other payables	—	—	(194)	—	(194)
Accruals	—	—	(101)	—	(101)
Borrowings	—	—	(231)	—	(231)
Total	1,215	80	(1,043)	(64)	188

	Cash loans and receivables 2009 £'000	Non financial assets 2009 £'000	Financial liabilities 2009 £'000	Non financial liabilities 2009 £'000	Total for balance sheet heading 2009 £'000
Balance sheet headings					
Trade receivables	1,161	—	—	—	1,161
Cash at bank	—	—	—	—	—
Other receivables	12	—	—	—	12
Prepayments	—	170	—	—	170
Trade payables	—	—	(703)	—	(703)
Other taxes and social security costs	—	—	—	(103)	(103)
Other payables	—	—	(55)	—	(55)
Accruals	—	—	(178)	—	(178)
Borrowings	—	—	(256)	—	(256)
Total	1,173	170	(1,192)	(103)	48

The fair values of the financial assets and liabilities at 31 March 2010 and 31 March 2009 are not materially different from their book values

20 Share capital

	At 31 March 2010 £'000	At 31 March 2009 £'000
Authorised		
442,921,300 Ordinary 5p shares		
5,554,741,568 Ordinary 5p Shares subdivided to 0 01p	555	555
31,875,868 Deferred shares at 4 99p	1,591	1,591
	2,146	2,146
	At 31 March 2010 £'000	At 31 March 2009 £'000
Allotted, called up and fully paid		
Ordinary 5p shares		
69,018,425 Ordinary 5p shares sub divided to 0 01p	7	7
31,875,568 Deferred shares at 4 99p	1,590	1,590
	1,597	1,597
	Number	Number
Movement in ordinary shares		
Total number of shares in issue at beginning of year	69,018,425	31,875,568
Sub division and redesignation	–	(31,875,568)
Sub division and redesignation to ordinary shares of 0 01p	–	31,875,568
Issue of new ordinary 0 01p shares	–	37,142,857
	69,018,425	69,018,425
Deferred Shares		
Deferred shares of 4 99p	31,875,568	31,875,568

The changes in the share capital took place on 24 October 2008

Each of the ordinary shares of 5p each in the capital of the Company were sub-divided and redesignated into one ordinary share of 0 01p each and one deferred share of 4 99p each

Each of the authorised but un-issued ordinary shares of 5p each in the capital of the company were sub-divided into 500 New Ordinary Shares

The Company issued 37,142,857 ordinary shares of 0 01p each for cash. The premium arising on each share was 1 74p

The Deferred Shares do not carry any voting rights and do not entitle the holders to receive any dividend or other distribution

Notes to the financial statements continued

For the year ended 31 March 2010

21 Employee share schemes

(a) EMI option scheme

The EMI option scheme was amended with effect from 29 March 2007 in order to reflect legislative changes since the scheme's creation in 2000. Options over 4,141,060 ordinary shares were granted on 21 November 2008 at an exercise price of 1.25 pence per share. 50 per cent. of these options have since lapsed leaving 2,070,530 under option. There are no other options in existence.

The share based payment expenses for the period and in aggregate is immaterial and therefore no further IFRS 2 disclosures are given.

(b) 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.

The Company did not make any contributions to the Trust during the year (2009: £nil). The Trust holds 183,953 shares in the Company, with a market value of £5,058 (2009: 183,953 shares at a market value of £2,299). These shares were purchased at a cost of £61,000.

No shares have been transferred to employees or were under option as at 31 March 2010. The Trust's only other asset at 31 March 2010 was cash at bank of £2,368 (2009: £2,368) which is included in the Group's balance sheet as part of cash and cash equivalents. The Trust had no liabilities.

All other options granted in prior years have lapsed and no other types of options were granted in the year.

Company balance sheet

At 31 March 2010

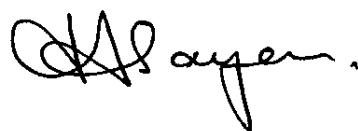
	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	5	–	2
Investments	6	–	–
		–	2
Current assets			
Debtors amount due within one year	7	61	91
Debtors amount due greater than one year	7	1,495	1,607
Cash at bank and in hand		10	–
		1,566	1,698
Creditors amount falling due within one year	8	(122)	(216)
Net current assets		1,444	1,482
Total assets less current liabilities being net assets		1,444	1,484
Capital and reserves			
Called up share capital	9	1,597	1,597
Share premium account	10	1,239	1,239
Merger reserve	10	297	297
Employee share benefit trust reserve	10	(61)	(61)
Profit and loss account	10	(1,628)	(1,588)
Shareholders' funds		1,444	1,484

The financial statements were approved by the Board of Directors and authorised for issue on 30 July 2010

KA Sayers, Director

J E Higham, Director

The accompanying notes on pages 36 to 40 are an integral part of these financial statements




Notes to the company financial statements

For the year ended 31 March 2010

1. Principal accounting policies

Basis of preparation

The parent company financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Tangible fixed assets

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 stated at cost less provision for impairment.

Leased assets

Rentals payable under operating leases being leases which do not result in the transfer to the company of substantially all the risks and rewards of ownership of the assets, are charged to the profit and loss account on a straight line basis over the lease term.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Foreign currencies

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.

2 Directors' remuneration

Directors' remuneration has been disclosed within the directors report and Note 7 of the group financial statements

3. Auditors' remuneration

Auditors' remuneration attributable to the company is as follows

	2010 £'000	2009 £'000
Audit fees – statutory audit	6	6

4 Loss for the financial year

The parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements and is reporting under UK GAAP. The loss for the financial year was £40,198 (2009 Loss of £583,346)

5. Tangible fixed assets

	Leasehold improvements £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2009	75	70	52	–	197
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
At 31 March 2010	75	70	52	–	197
Depreciation					
At 1 April 2009	73	70	52	–	195
Provided in the year	2	–	–	–	2
Eliminated on disposals	–	–	–	–	–
At 31 March 2009	75	70	52	–	197
Net book amount					
At 31 March 2010	–	–	–	–	–
At 31 March 2009	2	–	–	–	2

6 Investments

The amounts recognised in the Company's balance sheet relate to the following

	£'000
Cost	
At 1 April 2009 and 31 March 2010	80
Impairment	
At 1 April 2009 and at 31 March 2010	80
Net book value	
At 1 April 2009 and at 31 March 2010	–

Notes to the company financial statements

For the year ended 31 March 2010

	Principal activity	Class of shares held
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 Employee 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 and are 100 per cent wholly owned. All subsidiaries marked with an asterisk are 100 per cent directly wholly owned by the Company.

7 Debtors

	2010 £'000	2009 £'000
Amounts due from subsidiary undertakings	1,495	1,607
Other debtors	9	12
Prepayments and accrued income	52	79
	1,556	1,698

The net balance of amounts due from subsidiary undertakings as shown above is repayable in more than one year.

8 Creditors amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft	—	9
Trade creditors	58	98
Other taxes and social security costs	4	6
Accruals and deferred income	56	99
Other creditors	4	4
	122	216

9 Share capital

	At 31 March 2010 £'000	At 31 March 2009 £'000
Authorised		
42,921,300 Ordinary 5p shares		
5,554,741,568 Ordinary 5p Shares subdivided to 0.01p	555	555
31,875,868 Deferred shares at 4.99p	1,591	1,591
	2,146	2,146

	At 31 March 2010 £'000	At 31 March 2009 £'000
Allotted, called up and fully paid		
Ordinary 5p shares		
69,018,425 Ordinary 5p shares sub divided to 0 01p	7	7
31,875,568 Deferred shares at 4 99p	1,590	1,590
	1,597	1,597
	Number	Number
Movement in ordinary shares		
Total number of shares in issue at beginning of year	69,018,425	31,875,568
Sub division and redesignation	—	(31,875,568)
Sub division and redesignation to ordinary shares of 0 01p	—	31,875,568
Issue of new ordinary 0 01p shares	—	37,142,857
	69,018,425	69,018,425
Deferred Shares		
Deferred shares of 4 99p	31,875,568	31,875,568

The changes in the share capital took place on 24 October 2008

Each of the ordinary shares of 5p each in the capital of the Company were sub-divided and redesignated into one ordinary share of 0 01p each and one deferred share of 4 99p each

Each of the authorised but un-issued ordinary shares of 5p each in the capital of the company were sub-divided into 500 New Ordinary Shares

The Company issued 37,142,857 ordinary shares of 0 01p each for cash. The premium arising on each share was 1 74p

The Deferred Shares do not carry any voting rights and do not entitle the holders to receive any dividend or other distribution

10 Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium £'000	Merger reserve £'000	Employee share benefit reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2008	1,594	679	297	(61)	(1,005)	1,504
Issue of new shares	3	647	—	—	—	650
Associated cost of issue of new shares	—	(87)	—	—	—	(87)
Loss for the year	—	—	—	—	(583)	(583)
At 1 April 2009	1,597	1,239	297	(61)	(1,588)	1,484
Profit for the year	—	—	—	—	(40)	(40)
At 31 March 2010	1,597	1,239	297	(61)	(1,628)	1,444

Notes to the company financial statements

For the year ended 31 March 2010

11 Financial commitments

	Land and buildings 2010 £'000	Other 2010 £'000	Land and buildings 2009 £'000	Other 2009 £'000
Annual Commitments under non-cancellable operating leases expiring				
Within one year	–	2	77	41
Between 2 and 5 years	25	35	–	–
	25	37	77	41

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Seymour Pierce Limited 20 Old Bailey, London, EC4M 7EN on Tuesday 7 September 2010 at 11 00 a.m. in order to transact the following business

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions

- 1 To receive and adopt the financial statements and the reports of the Directors and the Auditors for the financial year ended 31 March 2010
- 2 To re-elect Kerri Sayers who retires by rotation in accordance with Article 73 of the Company's Articles of Association, as a Director of the Company
- 3 To reappoint BDO LLP as Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the Board to fix their remuneration

To transact any other ordinary business of the Company

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution

- 4 That subject to and in accordance with Article 4.2 of the Articles of Association of the Company, the board be and it is hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (in substitution for any existing authority to allot shares) to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,300 (being approximately one third of the current issued share capital) provided that such authority shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the board may allot shares and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired

To consider and, if thought fit, pass the following resolutions as Special Resolutions

- 5 That subject to the passing of resolution 4 as set out in the notice of this meeting, and in accordance with Article 4.3 of the Articles of Association of the Company, the board be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of the said Act) for cash pursuant to the general authority conferred by resolution 4 as set out in the notice of this meeting, as if section 561(1) of the said Act did not apply to such allotment, provided that this power shall be limited to allotments of equity securities
 - (i) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory, and
 - (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £345.09,and such power shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the board may allot equity

Notice of Meeting continued

securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired

- 6 That the Articles of Association of the Company are amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association
- 7 That the Articles of Association set out in the document produced to this meeting and signed by the Chairman of the meeting for the purposes of identification be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association of the Company

By Order Of The Board

Kerri Sayers

Secretary

Dated 30 July 2010

Registered Office

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

Notes

- 1 Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so
- 2 In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars (Proxies), PXS, 34 Beckenham Road, Beckenham, BR3 4TU, not less than 48 hours before the time of the meeting or of any adjournment of the meeting
- 3 The right of members to vote at the Annual General Meeting is determined by reference to the register of members. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders (including those who hold shares in uncertificated form) must be entered on the Company's share register at 11.00 a.m. on 5 September 2010 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting
- 4 Copies of the service contracts and letters of appointment of each of the Directors, together with the Register of Directors' Interests and a copy of the Company's Articles of Association (together with a redline comparison showing the proposed amendments to the Company's Articles of Association to be made by resolution 7 as set out in the notice of this meeting) will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting

Financial calendar

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

11 00 a m on 5 September 2010
11 00 a m on 7 September 2010