Annual Report & Financial Statements
for the year ended 31 March 2011

Highams Systems Services Group plc

is a business and technology recruitment consultancy within
the financial services market, specialising in the insurance sector.

HIGHAMS GROUP

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 resources 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.

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Operating and financial highlights

	2011 £'000	2010 £'000
Revenue	**9,020**	7,546
Gross profit	**1,630**	1,266
Operating profit for the financial year	**313**	141
Profit for the financial year before tax	**303**	131
Net current assets	**495**	188
Equity	**801**	296
Profit per share	**0.73p**	0.34p

Operational

- Increase in revenue, gross margin and profit
- Group revenue at £9m (2010: £7.5m)
- Group profit before taxation £303,000 (2010: £131,000)
- Profit margins improved to 18 per cent. (2010: 16.8 per cent.)
- Earnings per share 0.73p (2010: 0.34p)
- Market activity continues to improve
- Increased number of contractors on site and permanent placements
- Stronger Highams team, both in size and delivery capability
- Increase in new clients in specialist areas

Chairman's Statement

I am pleased to report our full year results to 31 March 2011, which have seen an encouraging and sustained increase in revenue, gross margin and profit and the continued turnaround and growth of our business.

The Group's financial performance, along with an improved balance sheet and cash position, now provide Highams with the opportunity to build on its existing strong client base and to move into new specialist areas within the financial services arena.

Contractor numbers have increased steadily over the period and permanent placements revenue has continued to be strong.

Our strategy is to build in our specialist areas ensuring delivery to our niche market within the insurance and financial services sector. Selective recruitment of new staff into the company has continued from the prior period, enhancing the levels of activity required to meet the needs of our clients and delivery of our specialist services. We believe that the Highams offering and quality of our service is based upon our staff's deep understanding and knowledge of our clients' requirements and their markets.

We are also focussed on re-opening a London presence to be able to offer increased visibility to our City clients and applicants and Highams continues to explore the possibility of growing strategically by acquisition along with assistance from our Nominated Adviser, Seymour Pierce.

Financial Results

Group revenue increased by 20 per cent. to £9m (2010: £7.5m), primarily reflecting an increase in the number of contractors working on client sites during the year.

Gross profit improved by 29 per cent. to £1.63m (2010: £1.26m), with profit margins increased again to 18 per cent. (2010: 16.8 per cent.).

Group profit before taxation increased substantially by 131 per cent. to £303,000 (2010: £131,000). The Directors are not recommending the payment of a final dividend for the year to 31 March 2011 (2010: nil), but a resumption in future dividend payments will be kept under review.

Executives and Staff

We remain a strong team of very knowledgeable long serving staff and we look forward to continuing to build Highams. I would like to acknowledge the loyalty and commitment of all the staff to the group and am extremely grateful for their efforts. Again I extend a very warm welcome to all new members of the team and I look forward to their development and the future success of Highams.

Outlook

I am pleased by the substantial progress seen during the year and the considerable achievement by all at Highams. We look forward to continuing this progress over the coming financial year.

Ken Ford
4 July 2011

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. John is an Associate of the Chartered Insurance Institute.

Directors and advisers

Company Registration Number:	1700310
Registered Office:	Quadrant House 33/45 Croydon Road Caterham Surrey CR3 6PB
Directors:	EK Ford *(Chairman)* M de Lacy *(Managing Director)* KA Sayers *(Chief Operating Officer)* JE Higham *(Non-executive and Deputy Chairman)*
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 The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
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 2011.

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 £303,000 (2010: £131,000) on a revenue of £9m (2010: £7.5m).

The directors do not recommend a final dividend (2010: nil). No interim dividend was paid during the year (2010: nil).

Review of Business

The Board has reviewed the detail of the business during the year, and in line with our strategy we continue to keep our costs firmly under control. We have increased revenue and profitability, this is due to delivering better results to new and existing clients.

The results show an increase in revenue, gross margin and profit of the business. The revenue was increased by 20 per cent. with minimal increase in the overhead costs, giving a pre tax profit of £303,000.

We have a very skilled base of staff with longevity of service. Coupled with the new recruits we expect to continue to build our service offering, along with increasing the brand awareness of the business that Highams possesses.

The business continues to be well positioned to increase its sales activity with little further increase in base costs. 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 again remained strong during the period.

Our focus is clearly set on continuing to increase our contractor base. To support this we have recruited additional staff into the resource and sales teams. We provide in-house training and mentoring which is measured against regularly set objectives with all staff. We have achieved new agreements with a number of very good quality clients which relies upon the skills of our business development team and the client support services staff.

The profitability of the company 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 winning new client business within the specialist area such as compliance, solvency II programmes and RDR (Retail Distribution Review).

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, which is a big factor in helping retain clients.

Competition

There are many competing recruitment organisations and RPO (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:

EK Ford	Non-Executive Chairman
JE Higham	Non-Executive Director and Deputy Chairman
M de Lacy	Managing Director
KA Sayers	Chief Operating Officer

Substantial shareholders

As at 30 March 2011, 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 2011 was 35 (2010: 42).

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 themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

This report was approved by the Board of Directors on 4 July 2011.

KA Sayers
Company Secretary

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 Group's management procedures are transparent and clearly understood by those who work within the Group, and by those who invest in it.

The Board
The aim of the Board is to function at the head of the Group'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 Group 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 Group'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 Group 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 their 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 Group 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 each granted options on 2,070,530 shares exercisable at 1.25p per share pursuant to the Highams EMI Share Option Scheme. The vesting of 50 per cent. (2,070,550) 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.

Mark de Lacy and Kerri Sayers were also each granted options on 690,184 shares exercisable at 2.75p per share pursuant to the Highams EMI Share Option Scheme. These options are exercisable following the approval of the audited consolidated accounts for the financial year ending 31 March 2012 and were granted by Remcom on 7 September 2010; the share price was 2.75p.

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 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows 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 sections 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2011 and of the group's profit for the period 31 March 2011 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
4 July 2011
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 2011

	Note	**2011 £'000**	2010 £'000
Revenue	4	**9,020**	7,546
Cost of sales		**(7,390)**	(6,280)
Gross profit		**1,630**	1,266
Administrative costs		**(1,317)**	(1,125)
Operating profit		**313**	141
Finance income	5a	**–**	–
Finance costs	5b	**(10)**	(10)
Profit before tax		**303**	131
Tax credit	9	**200**	101
Profit for the period attributable to equity shareholders		**503**	232
Profit per share			
Basic profit per share	10	**0.73p**	0.34p
Diluted profit per share	10	**0.71p**	0.33p

All of the above relate to continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 March 2011

	2011 **£'000**	2010 £'000
Profit for the period	**503**	232
Foreign currency translation difference	**–**	1
Total comprehensive income for the period attributable to equity shareholders	**503**	233

Consolidated balance sheet

At 31 March 2011
Company number 1700310

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Intangible assets	11	**–**	–
Property, plant and equipment	12	**5**	7
Deferred tax asset	17	**301**	101
Total		**306**	108
Current assets			
Trade and other receivables	13	**1,592**	1,291
Cash and cash equivalents		**176**	4
Total		**1,768**	1,295
Total assets		**2,074**	1,403
Current Liabilities			
Trade and other payables	14	**(1,273)**	(876)
Borrowings	15	**–**	(231)
Total		**(1,273)**	(1,107)
Net Assets		**801**	296
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**	4
Retained earnings		**(2,068)**	(2,573)
Total Equity		**801**	296

The financial statements were approved and authorised for issue by the Board of directors on 4 July 2011.

K A Sayers, Director

J E Higham, Director

Consolidated statement of changes in equity

As at 31 March 2011

	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 2009	1,597	1,239	90	(61)	3	(2,805)	63
Currency adjustments	–	–	–	–	1	–	1
Profit for the year	–	–	–	–	–	232	232
At 1 April 2010	1,597	1,239	90	(61)	4	(2,573)	296
Currency adjustments	–	–	–	–	–	–	–
Share based payment credit	–	–	–	–	–	2	2
Profit for the year	–	–	–	–	–	503	503
At 31 March 2011	**1,597**	**1,239**	**90**	**(61)**	**4**	**(2,068)**	**801**

Consolidated statement of cash flows

For the year ended 31 March 2011

	2011 £'000	2010 £'000
Operating activities		
Profit for the year before tax	**303**	131
Depreciation of property, plant and equipment	**8**	5
Amortisation of intangible assets	**–**	3
Net finance costs	**10**	10
Changes in trade and other receivables	**(301)**	52
Change in trade and other payables	**399**	(162)
Net cash generated by operating activities	**419**	39
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6)**	–
Purchase of intangible assets	**–**	–
Proceeds of property plant and equipment	**–**	–
Interest received	**–**	–
Net cash generated by investing activities	**(6)**	–
Financing activities		
(Decrease)/increase in borrowings	**(231)**	94
Proceeds from issue of share capital	**–**	–
Associated cost of share issue	**–**	–
Interest paid	**(10)**	(10)
Net cash from financing activities	**(241)**	84
Net changes in cash and cash equivalents	**172**	123
Cash and cash equivalents, beginning of year	**4**	(119)
Cash and cash equivalents, end of year	**176**	4

Notes to the financial statements

For the year ended 31 March 2011

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 (IFRSs) 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 2011 the group had net assets of £801,000. It made a profit for the year of £503,000.

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 Lloyds TSB Commercial Finance linked to receivables, which have been renewed on a revolving basis.

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 2011. 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 2011

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.

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 2011

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 consideration of an additional deferred tax asset. The group has again made profits and 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	
	2011 £'000	2010 £'000
United Kingdom	**6,394**	5,441
Europe	**2,626**	2,105
	9,020	7,546

All of the group's non current assets are located in the United Kingdom.

Transactions with the Group's largest customer equates to 29 per cent. of the Group's revenue, (2010: 28 per cent.).

5. Finance costs

(a) Finance income

	2011 £'000	2010 £'000
Bank deposit interest	**–**	–

(b) Finance costs

	2011 £'000	2010 £'000
Invoice discounting facility	**10**	9
Other	**–**	1
	10	10

6. Employees' remuneration

(a) Staff costs

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

	2011 £'000	2010 £'000
Wages and salaries	**673**	588
Social security costs	**73**	55
Other pension costs	**15**	2
Share based payment expense	**2**	–
	763	645

(b) Staff numbers

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

	2011 Number	2010 Number
Sales	**14**	11
Finance and administration	**3**	3
Management	**4**	4
	21	18

7. Directors' remuneration

Aggregate remuneration

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

	2011 £'000	2010 £'000
Emoluments	**183**	125
Money purchase pension contributions	**14**	1
	197	126

Notes to the financial statements continued

For the year ended 31 March 2011

7. Directors' remuneration continued

(a) Directors Remuneration

	Fees/basic salary 2011 £'000	Taxable benefits 2011 £'000	Total emoluments 2011 £'000	Money purchase pension contributions 2011 £'000	Total 2011 £'000
M de Lacy	**86**	**3**	**89**	**8**	**97**
K Sayers	**64**	**6**	**70**	**6**	**76**
Non-executive					
J Higham	**12**	**–**	**12**	**–**	**12**
K Ford	**12**	**–**	**12**	**–**	**12**
Aggregate emoluments	**174**	**9**	**183**	**14**	**197**

	Fees/basic salary 2010 £'000	Taxable benefits 2010 £'000	Total emoluments 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**

The highest paid director was Mark de Lacy (2010: Mark de Lacy).

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 (2010: 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:

	2011 £'000	2010 £'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	**11**	10
	17	16
Other fees payable to the Company's auditors:		
Subsidiary companies	**8**	8
Tax compliance	**3**	3
	28	27
Amortisation of intangibles	**–**	3
Depreciation of property, plant and machinery	**8**	3
Foreign exchange loss	**22**	–
Operating lease rentals:		
Property	**26**	71
Plant and equipment	**8**	5

9. Income tax expense

	2011 £'000	2010 £'000
Comprising:		
Current tax charge/(credit) for period	**–**	–
Deferred tax asset	**(200)**	(101)
	(200)	(101)

The relationship between the expected tax expense based on the effective tax rate of the Group at 28 per cent. (2010: 28 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2011 £'000	2010 £'000
Result for the year before taxation	**303**	131
Expected tax expense	**85**	37
Expenses not deductible for tax purposes	**3**	3
Utilisation of tax losses	**–**	(50)
Losses carried forward	**11**	10
Recognition of deferred tax asset not previously recognised	**(299)**	(101)
Total income tax credit	**(200)**	(101)

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

Notes to the financial statements continued

For the year ended 31 March 2011

10. Profit per share

	2011			2010		
	Profit £'000	**Weighted average number of shares '000**	**Profit per share p**	Profit £'000	Weighted average number of shares '000	Profit per share p
Basic profit per share	**503**	**68,834**	**0.73**	232	68,834	0.34
Diluted profit per share	**503**	**69,867**	**0.71**	232	69,867	0.33

The weighted average number of shares excludes 183,953 (2010: 183,953) shares held by the Employee Share Benefit Trust.

11. Other intangible assets

The amounts recognised in the balance sheet relate to the following:

	2011 £'000	2010 £'000
Software		
Cost:		
At start of year	**80**	80
Additions	**–**	–
At end of year	**80**	80
Amortisation:		
At start of year	**80**	77
Charge in year at 31 March 2011	**–**	3
	80	80
Net book amount:		
At end of year	**–**	–

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 2010	75	89	61	–	225
Additions	–	6	–	–	6
Disposals	–	–	–	–	–
At 31 March 2011	75	95	61	–	231
Depreciation:					
At 1 April 2010	75	82	61	–	218
Charge for the year	–	8	–	–	8
Disposals	–	–	–	–	–
At 31 March 2011	75	90	61	–	226
Net book value					
31 March 2011	–	5	–	–	5

	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

Notes to the financial statements continued

For the year ended 31 March 2011

13. Trade and other receivables continued

	2011 £'000	2010 £'000
Trade receivables	**1,509**	1,202
Other receivables	**11**	9
Prepayments and accrued income	**72**	80
	1,592	1,291

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 (2010: £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:

	2011 £'000	2010 £'000
More than one month but not more than 3 months	**499**	177
More than 3 months but not more than 6 months	**8**	1
More than 6 months but not more than 1 year	**–**	–
More than one year	**–**	1
	507	179

14. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**781**	517
Other taxes and social security costs	**168**	64
Other payables	**185**	194
Accruals and deferred income	**139**	101
	1,273	876

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:

	2011 £'000	2010 £'000
0 to 30 days	738	461
31 to 60 days	38	27
61 to 120 days	5	29
	781	517

All other financial liabilities including borrowings are repayable on demand.

15. Borrowings

	2011 £'000	2010 £'000
Current liabilities		
Invoice discounting	–	231
	–	231

The Group has a confidential invoice discounting facility of £1,000,000 (2010: £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:

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	–	–	–	2
After one year and less than five years	**172**	**179**	75	105
	172	**179**	75	107

Lease payments recognised as an expense during the year amount to £33,680 (2010: £76,630). 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:

	2011 £'000	2010 £'000
	301	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.

Notes to the financial statements continued

For the year ended 31 March 2011

17. Deferred tax continued

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

	2011 £	2010 £
Losses	**855,602**	1,972,829
Accelerated capital allowances	**123,654**	116,080
	979,256	2,088,909

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.

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 £5,712 (2010: £4,500).

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 2011 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.

	2011 £'000	2010 £'000
Capital		
Total equity	**801**	296
	801	296
Overall financing		
Total equity	**801**	296
Plus net borrowings	**–**	227
	801	523
Capital-to-overall financing ratio	**100%**	56.6%

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:

	2011 £'000	2010 £'000
Euros (net asset)	**250**	229

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 £44,000 (2010: £41,000). A 25c weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £67,000 (2010: £63,000).

Notes to the financial statements continued

For the year ended 31 March 2011

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 2011 £'000	**Non financial assets 2011 £'000**	**Financial liabilities 2011 £'000**	**Non financial liabilities 2011 £'000**	**Total for balance sheet heading 2011 £'000**
Balance sheet headings					
Trade receivables	**1,510**	**–**	**–**	**–**	**1,510**
Cash at bank	**176**	**–**	**–**	**–**	**176**
Other receivables	**10**	**–**	**–**	**–**	**10**
Prepayments	**–**	**72**	**–**	**–**	**72**
Trade payables	**–**	**–**	**(781)**	**–**	**(781)**
Other taxes and social security costs	**–**	**–**	**–**	**(168)**	**(168)**
Other payables	**–**	**–**	**(185)**	**–**	**(185)**
Accruals	**–**	**–**	**(139)**	**–**	**(139)**
Borrowings	**–**	**–**	**–**	**–**	**–**
Total	**1,696**	**72**	**(1,105)**	**(168)**	**495**

	Cash, loans and receivables 2010 £'000	Non financial assets 2010 £'000	Financial liabilities 2010 £'000	Non financial liabilities 2010 £'000	Total for balance sheet heading 2010 £'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

The fair values of the financial assets and liabilities at 31 March 2011 and 31 March 2010 are not materially different from their book values.

20. Share capital

	At 31 March 2011 £'000	At 31 March 2010 £'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 2011 £'000	At 31 March 2010 £'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	**69,018,425**	69,018,425
Deferred Shares		
Deferred shares of 4.99p	**31,875,568**	31,875,568

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 2011

21. Employee share schemes

(a) EMI option scheme

The EMI option scheme was amended with effect from 29 March 2007 and 16 July 2010 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.

Options over 1,380,368 ordinary shares were granted on 7 September 2010 at an exercise price of 2.75p per share.

The share based payment expenses for the period are shown in note 6 and are 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 (2010: £nil). The Trust holds 183,953 shares in the Company, with a market value of £4,369 (2010: 183,953 shares at a market value of £5,058). 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 2011. The Trust's only other asset at 31 March 2011 was cash at bank of £2,368 (2010: £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 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	5	**–**	–
Investments	6	**–**	–
		–	–
Current assets			
Debtors: amount due within one year	7	**63**	61
Debtors: amount due greater than one year	7	**1,460**	1,495
Cash at bank and in hand		**11**	10
		1,534	1,566
Creditors: amount falling due within one year	8	**(141)**	(122)
Net current assets		**1,393**	1,444
Total assets less current liabilities being net assets		**1,393**	1,444
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	**(1,679)**	(1,628)
Shareholders' funds		**1,393**	1,444

The financial statements were approved by the Board of Directors and authorised for issue on 4 July 2011.

KA Sayers, Director

J E Higham, Director

The accompanying notes on pages 36 to 39 are an integral part of these financial statements.

Notes to the company financial statements

For the year ended 31 March 2011

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 per cent. on cost per annum
Furniture, fittings and office equipment	– 25 per cent. on cost per annum
Motor vehicles	– 25 per cent. 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:

	2011 £'000	2010 £'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 £53,422 (2010: Loss of £40,198).

5. Tangible fixed assets

	Leasehold improvements £'000	Computer equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost:				
At 1 April 2010	75	70	52	197
Additions	–	–	–	–
Disposals	–	–	–	–
At 31 March 2011	**75**	**70**	**52**	**197**
Depreciation:				
At 1 April 2010	75	70	52	197
Provided in the year	–	–	–	–
Eliminated on disposals	–	–	–	–
At 31 March 2011	**75**	**70**	**52**	**197**
Net book amount:				
At 31 March 2011	–	–	–	–
At 31 March 2010	–	–	–	–

6. Investments

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

	£'000
Cost:	
At 1 April 2010 and 31 March 2011	80
Impairment:	
At 1 April 2010 and at 31 March 2011	80
Net book value:	
At 1 April 2010 and at 31 March 2011	–

Notes to the company financial statements

For the year ended 31 March 2011

	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

	2011 £'000	2010 £'000
Amounts due from subsidiary undertakings	**1,460**	1,495
Other debtors	**11**	9
Prepayments and accrued income	**52**	52
	1,523	1,556

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

	2011 £'000	2010 £'000
Trade creditors	**51**	58
Other taxes and social security costs	**6**	4
Accruals and deferred income	**81**	56
Other creditors	**3**	4
	141	122

9. Share capital

Please refer to note 20 on page 33 for information on the Share capital

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 2009	1,597	1,239	297	(61)	(1,588)	1,484
Loss for the year	–	–	–	–	(40)	(40)
At 1 April 2010	1,597	1,239	297	(61)	(1,628)	1,444
Share based payment credit	–	–	–	–	2	2
Loss for the year	–	–	–	–	(53)	(53)
At 31 March 2011	**1,597**	**1,239**	**297**	**(61)**	**(1,679)**	**1,393**

11. Financial commitments

	Land and buildings 2011 £'000	**Other 2011 £'000**	Land and buildings 2010 £'000	Other 2010 £'000
Annual Commitments under non-cancellable operating leases expiring:				
Within one year	**–**	**–**	–	2
Between 2 and 5 years	**25**	**50**	25	35
	25	**50**	25	37

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at the offices of Seymour Pierce Limited, 20 Old Bailey, London, EC4M 7EN on Tuesday 9 August 2011 at 11.00am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 31 March 2011, together with the Reports of the Directors and of the Auditors thereon.
2. (a) To re-appoint BDO LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

   (b) To authorise the Directors to determine the remuneration of the auditors of the Company.
3. To re-elect as a Director Mark de Lacy, who retires by rotation, in accordance with Article 76 of the Company's Articles of Association.

To transact any other ordinary business of the Company.

SPECIAL BUSINESS

As special business, to consider and if thought fit pass the following resolutions which will be proposed as to resolution 4 as an ordinary resolution and as to resolution 5 as a special resolution:

4. THAT, subject to and in accordance with Article 6.2 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.
5. THAT, subject to the passing of resolution 4 as set out in the notice of this meeting, and in accordance with Article 6.2 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;

   (ii) otherwise than pursuant to sub-paragraphs (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 securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

By Order of the Board
Kerri Sayers
Secretary

Dated: 4 July 2011

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 to 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, by no later than 11.00 am on the 5th August 2011.
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 6.00pm 7th August 2011 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 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	11.00 a.m. on 5 August 2011
Annual General Meeting	11.00 a.m. on 9 August 2011

For your notes