Company Registration No. 924542

HUMAN RESOURCE GROUP PLC

Annual Report and Financial Statements 1999

HUMAN RESOURCE GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 1999

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J C Parkinson	*Chairman and Chief Executive*
A E Prior	*Finance Director*
Mrs B Parkinson	*Non-executive director (Founder)*
M J Champion	*Non-executive director*
Dr H E Billot	*Non-executive director*

SECRETARY

A E Prior

REGISTERED OFFICE

Wellington House
Church Road
Ashford
Kent
TN23 1RE

BANKERS

National Westminster Bank Plc
20 High Street
Ashford
Kent
TN24 8SH

SOLICITORS

Olswang
90 Long Acre
London
WC2E 9TT

Miller & Co
Transport House
Apsley Street
Ashford
TN23 1LF

AUDITORS

Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR

SALIENT FEATURES OF THE LAST FIVE YEARS

	1995 £'000	1996 £'000	1997 £'000	1998 £'000	1999 £'000
Turnover	17,026	22,728	31,426	41,784	48,427
Profit on ordinary activities before taxation	245	313	1,026	859	899
Tax on profit on ordinary activities	(101)	(179)	(371)	(471)	(411)
Profit for the year	144	134	655	388	488
Minority interests	(22)	(43)	(121)	(106)	(285)
Retained profit	122	91	534	282	203

INTRODUCTION TO HUMAN RESOURCE GROUP PLC

The Group has become a leading UK supplier of both temporary and permanent staff across the broad spectrum of employment activity. Human Resource Group's structure, which in more recent years has developed particularly through the establishment of new joint ventures, enables it to offer a first class service with great focus and specialist skill based on the sectorial in-depth knowledge of its operating company directors and consultants.

These services are provided through the following companies:

Financial Services

Anderson's Deutschland GmbH - Banking and financial institutions (Frankfurt)
Anderson's (UK) Ltd* - Banking and financial institutions – branch in Geneva
Bermingham Power Ltd* - Accountancy specialist
Anthony Griffin & Co Ltd* - Property
Public Sector Recruitment Ltd – Public sector
H.R. Management Services Ltd

Information Technology

Hayden Pearse Group Ltd*
Eclipse Personnel Ltd
Interactive Recruitment Ltd
Impact Europe Ltd
New World Recruitment Ltd
Equinox IT Recruitment Ltd*

*These business have offices in the City of London.

Engineering and Sales (including construction, oil, gas, food and processing industries)

Recruitment Holdings Ltd
Human Engineering Ltd
Human Engineering (Scotland) Ltd
Sales and Marketing Selection Ltd
Pennine Engineering Ltd
Pennine Engineering (Lancs) Ltd
Engineering Technical & Computing Recruitment Ltd
Encore Technical Solutions Ltd
Montin Engineering Services Ltd
Nursery and Garden Centre Recruitment Ltd

High Street (including commercial, technical and semi-skilled contract staff)

PSB Recruitment Ltd
Staffsign (Group) Ltd
Staffsign (East Anglia) Ltd
Staffsign (North West) Ltd
Staffsign (Thames Valley) Ltd
Staffsign (West Midlands) Ltd
Staple Inn Recruitment Ltd – Design, creative, secretarial, administrative and clerical

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report for 1999 a growth of 16% in turnover to £48.4m (£41.8m). After taking into account further development costs, operating profit amounted to £1.2m (£1.1m), which was less than our initial expectations for the year, but nevertheless a solid performance.

Borrowing costs were similar to last year and profit before tax increased 5% to £899k (£859k). Advantage has been taken of past tax losses from joint ventures, resulting in a relatively lower charge to taxation which allowed the post tax profit to increase 26% to £488k (£388k).

The amount of post tax profit attributable to minority interests increased to £204k (£106k) plus an additional £81k attributed in the current year relating to the prior year. The current year increase reflects the good progress of a number of the joint venture businesses.

DEVELOPMENT

The nine new joint ventures added during 1998 made good progress with seven moving into operating profit. After a difficult start, the acquisition made late last year, Montin Engineering Services Ltd., is now operating at break-even.

In order to allow time for the large number of 1998 new joint ventures to become established financially, progress towards additional joint ventures was deliberately held back with only two being established during the year. Some of the older established businesses did, however, develop additional branches.

The Group will continue to invest in new joint ventures operating in a variety of disciplines within new recruitment areas. It is also actively seeking new development opportunities to broaden its business base into complementary fields such as training and consultancy.

PERSONNEL

I thank all staff for their continued commitment and effort during the year. I firmly believe that our employment policies encourage and support the development of employees at every level.

CURRENT TRADING

We expect 2000 to show good growth compared with 1999 and particularly as the benefit of past investment in joint ventures and acquisition continues.

OUTLOOK

The Human Resource Group is one of the broadest based recruitment groups in the U.K., with a substantial range of services covering a wide spectrum of disciplines and locations. We will maintain our strategy to co-ordinate the marketing of these services in order to maximise benefits to clients, shareholders and employees.

Although there are shortages of skilled staff in some areas, the present economic conditions are generally encouraging for the recruitment and temporary staff industry and the Group feels optimistic about its progress in the year ahead. Changes in Government legislation affected by the EC in relation to the Working Time Directive, the revision of the Employment Agencies Act and Fairness at Work Employment Relations Bill are affecting the whole of the recruitment industry, but we remain confident that we will be able to grow into a significant player in our market.

HUMAN RESOURCE GROUP PLC

CHAIRMAN'S STATEMENT

FLOTATION

In the light of the 1999 results not demonstrating sufficient growth for a planned successful launch onto the Stock Market, the Board decided to hold flotation plans over until we can show stronger progress for the year 2000. On that basis it is hoped that the market float will be a serious option during the first half of 2001.

Jack C Parkinson

Chairman

5 May 2000

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

During 1999 the Group continued the development of its recruitment and selection business, as well as its other key activity of providing temporary staff across a diverse spread of business including banking, finance, accountancy, information technology, engineering, sales and commerce. The business focus, together with deep specialist skills of its senior executives, meets the broad spread of client needs from high level executive selection and recruitment to the provision of staff to employers seeking temporary contract personnel of many descriptions.

The UK recruitment market is believed to offer great growth potential. It is highly fragmented, competitive and sensitive to the general business environment. Within that market the Human Resource Group Plc ranks in the top 50 in sales terms.

Operationally the Group's business can be divided into four key business sectors which are commented on as follows:

Engineering and Sales

This major sector, dominated by Recruitment Holdings Ltd, services a very broad spectrum of industry both nationally and internationally, covering the recruitment and supply of technical, engineering, scientific, selling and marketing staff to meet wide ranging client needs as well as being able to undertake in-house design projects.

Overall the sector's turnover in 1999 was static at £13.6m (£13.2m). Recruitment Holdings Ltd. turnover reflected a downturn in its traditional engineering base offset by a first full year's turnover from Montin Engineering Services Ltd. Reflecting the Recruitment Holdings' results, the operating profit for the sector, after having absorbed development losses from a new joint venture in the nursery and garden centre staff services, reduced to almost break-even (£282k). 1998 joint ventures in this sector progressed well, with two providing operating profits, the others with reduced operating losses.

Recruitment Holdings is addressing the problems of its changing market by moving some focus to emerging businesses, including graphic and media sectors and high tech manufacturing. Montin is now at break-even and the other joint ventures continue to move forward.

High Street

This sector focuses primarily on the provision of commercial, technical and semi-skilled permanent and temporary staff across all forms of business.

It operates under two long established key subsidiaries, PSB Recruitment Ltd and Staffsign (Group) Ltd., with the latter company having management input into several other companies utilising the "Staffsign" brand name. In general terms, PSB concentrates more on commercial, technical and executive requirements through a network of branches throughout Kent and Sussex. Staffsign, also with a network of branches but spread over a wider area, aims more at blue collar needs in manufacturing, warehousing, distribution, catering and service industries.

Turnover for the total sector grew in 1999 by 19% to £21.7m (£18.2m) and operating profit increased almost 146% to £956k (£389k), with the key factor behind the substantial growth having been from the Staffsign companies which have recovered well from the loss last year of two major accounts and also having cut out certain loss-making branches. During the year one branch of Staffsign (Group) Ltd. was converted into a new joint venture company, Staffsign (North West) Ltd., in order to accommodate new leadership.

OPERATING AND FINANCIAL REVIEW (continued)

Information Technology

The companies in this sector concentrate mainly on providing both permanent and contract IT staff to every business sector.

The year was again highly successful in turnover terms for the sector, where it grew 19% to £10m (£8.4m). Operating profits, however, fell to £361k (£460k) after absorbing ongoing development costs and suffering from the effects of reduced profitability from one of the sectors' older established businesses affected by a fall of income from temporary staff contracting. The foregoing was further compounded by a reduction in project work over the millennium period.

We are optimistic that this sector will show improved profitability in the current year.

Financial and Business Services

In sales terms, this is the smallest of the business sectors within the Group. It operates through six companies all providing permanent and temporary staff to the commercial sector including banking, financial institutions, accountants and property. The sector includes one company based in Frankfurt and another that has very recently set up a branch in Geneva.

The turnover of the sector during 1999 was £3.2m (£1.9m) and made an operating profit of £48k compared with a £195k loss for 1998. The 1998 joint ventures have produced good results as did Anthony Griffin & Co Ltd., one of the older businesses in this sector. However, Anderson's (UK) Ltd. and Bermingham Power Ltd., in very competitive markets, both generated operating losses, as they did in 1998. This reflected reduced turnover from placements of staff and weaker margins from temporary contracts offset by positive reductions in overheads. In spite of the generally disappointing 1999 results, the directors of the two latter companies have addressed their business problems and we are optimistic that the situation will recover in the current year.

FINANCIAL REVIEW

The 1999 annual report has been produced in accordance with applicable standards.

Going Concern

After making enquiries, the directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Capital Expenditure

Capital expenditure on fixed assets in the year amounted to £847k (£915k) which mainly related to the purchase of replacement staff vehicles and some upgrading of IT hardware and software and general office equipment.

Acquistions

During the year PSB Recruitment Ltd. made a small purchase of the goodwill and assets of Wealden Personnel Consultancy for £27k and Human Resource Group Plc increased its stake in its subsidiary Anthony Griffin & Co Ltd. from 51% to 86% for £20k.

Share Capital

No change to share capital took place during the year, no options were granted but options over 5000 shares were cancelled.

OPERATING AND FINANCIAL REVIEW (continued)

Cash flow and Borrowings

At the year end the net borrowings of the Group amounted to £4.5m (£4.3m), a marginal increase over the year of £0.2m. In particular the Group was able to reduce its long term loans by £0.6m mainly by the sale of certain properties which did not form any part of the core business. Further details of the Group's cash flow are contained in the Consolidated Cash Flow Statement and in the Notes to the Accounts.

The Group operates on a day-to-day basis comfortably within its bank finance and current account facilities and given their reasonable expectation of the business continuing to operate profitably, the Directors are confident of the Group's ability to fund its normal future development. Any significant acquisition would, of course, necessitate additional funding.

Financial Costs

Net interest amounted to £266k (£280k) with costs of a marginal increase in working capital demands having been offset by lower interest rates.

Taxation

The effective tax rate for the year was 46.2% (54.8%). This rate remains very high as losses in joint ventures are not available for Group tax relief. However, with several of those new companies now moving into profit, some reversal of that situation has taken place resulting in the improved effective rate indicated.

Dividend

No dividend is proposed as a result of the need to retain in the businesses adequate working capital to meet the Group's needs in supporting its ongoing development.

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report to the shareholders, together with the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Group, predominantly within the United Kingdom, is that of a recruitment specialist and supplier of temporary staff at many levels across a broad spectrum of industry and commerce. The Group is also involved in contract personnel management and consultancy.

The Chairman's statement on pages 3 and 4 and the operating and financial review on pages 5 to 7 describe the performance of the Group during the year and its planned future developments.

RESULTS

The Group's profit on ordinary activities before taxation for the year amounted to £899k compared with £859k for 1998. The detailed results are set out in the consolidated profit and loss account on page 14.

Retained profits after minority interests of £203k (1998: £282k) have been transferred to reserves.

DIVIDEND

Given the requirement to fund future developments, no dividend is recommended (1998: £nil).

DIRECTORS AND THEIR INTERESTS

The directors in office at 31 December 1999, who served throughout the year except where noted, and their interests in the share capital of the company, at 31 December 1999 and at 1 January 1999 or date of appointment, were as follows:

			Ordinary shares of 10p each	
			1999	**1998**
Mrs B Parkinson	-	Family Trust (non-beneficial interest)*	40,820	40,820
J C Parkinson	-	Beneficial	655,912	655,912
	-	Family Trust **	704,200	704,200
	-	Family Trust (non-beneficial interest)***	79,000	79,000
A E Prior			3,000	3,000
M J Champion			-	-
Dr H E Billot		(appointed 1 May 1999)	-	-

* Held by a family trust of which Mrs B Parkinson is a trustee with no beneficial interest.

** Held by a family trust of which certain of the directors are trustees and Mr J C Parkinson has a beneficial interest.

*** Held by a family trust of which Mrs B Parkinson and Mr J C Parkinson are trustees. Neither of the trustees has a beneficial interest.

DIRECTORS' REPORT (continued)

Share options were granted to certain directors and employees within the Group on 3 July 1990 and 22 December 1997 under the Executive Share Option Scheme, exercisable at a subscription price of £3.45 and £1.28 per share respectively, normally between the third and tenth anniversary of the date of grant. No options were exercised during the year and no share options were granted.

Under this scheme, A E Prior held share options at 31 December 1999 and at 1 January 1999 as follows:-:

10p ordinary shares 1999	1998	Subscription price
11,000	11,000	£3.45 and £1.28

None of the other directors held share options under the Executive Share Option Scheme.

The interests of J C Parkinson in subsidiary companies of Human Resource Group plc are as follows:

Pennine Engineering (Lancs) Ltd	10 ordinary shares of £1 each
PSB Recruitment Ltd	3,000 ordinary shares of 10p each

YEAR 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

EMPLOYEE INVOLVEMENT

The Group's policy is to consult with employees and provide information on matters likely to affect their interest.

DISABLED PERSONS

Applications for employment made by disabled persons are given full and fair consideration, having regard to the disabilities of the persons concerned. The Group also makes reasonable effort to help with the rehabilitation of employees disabled in the course of employment, and when appropriate seeks training opportunities for other positions within the Group. Opportunities for development and promotion are open to all employees.

CREDITOR PAYMENT POLICY

The Group's policy concerning the majority of its trade creditors is to pay as far as practicable on agreed terms of settlement commensurate with normal trading practice.

The Group's 'creditor days' at 31 December 1999 were 38 (1998: 37).

DIRECTORS' REPORT (continued)

ENVIRONMENTAL POLICY

Our policy is to conduct all our business in a responsible manner in order to reduce recognised hazards, to respect the environment and the health and safety of our employees, customers and suppliers.

We ensure that our business complies with all relevant environmental, safety and hygiene legislation.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office.

Approved by the Board of Directors
and signed on behalf of the Board

A E Prior
Secretary

5 May 2000

CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

The Board supports high standards of corporate governance and in the event of a public flotation of its shares would intend to observe relevant requirements of the Combined Code on Corporate Governance issued by the London Stock Exchange.

Although not required, the directors have decided to provide some corporate governance disclosures.

BOARD COMPOSITION

The Board of Directors, which meets monthly, comprises two executive directors and three non-executive directors, with the role of the Chairman and Chief Executive being combined.

The Board establishes the principal aims and strategic business direction of the Group, reviews each individual group company's objectives and guidelines as well as approving any changes that may be initiated to them. This includes all matters relating to financing, capital expenditure, acquisitions and investments in new joint ventures. Annual operating budgets and the Group's management controls and procedures are subject to direct Board review and approval.

BOARD COMMITTEE

Given the small size of the Board it is not practical at this stage to establish either an Audit or Remuneration Committee. However, the non-executive directors have full authority to investigate the Group's affairs and may call upon external expertise to assist should the need arise.

SEPARATE MANAGEMENT

Each subsidiary company is managed by a separate Board which includes the Group Chairman. Management accounts and minutes of their meetings are available to members of the Group Board.

INTERNAL FINANCIAL CONTROL

The Board is responsible for ensuring that the Group has in place a system of internal financial control. Any system of internal control can only provide reasonable, not absolute assurance against material misstatement or loss. The key features of the system include a clearly defined structure of responsibility and reporting as well as a system of internal financial reporting and review.

The Board has reviewed the effectiveness of the control system both for the current year and the period to date of approval of these financial statements. It has considered the major business risks and control environment and believes that the system of financial control provides reasonable assurance that assets are safeguarded, transactions properly authorised and recorded and that material errors and irregularities are either prevented or would be detected within a timely period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF

HUMAN RESOURCE GROUP PLC

We have audited the financial statements on pages 14 to 31 which have been prepared under the accounting policies set out on pages 19 and 20.

Respective responsibilities of directors and auditors

As described on page 12 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the Group's affairs as at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

5 May 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999	1998
		£'000	£'000
TURNOVER	2	48,427	41,784
Cost of sales		(35,431)	(31,084)
GROSS PROFIT		12,996	10,700
Administrative expenses	3	(12,069)	(9,659)
Other operating income		238	98
OPERATING PROFIT	3	1,165	1,139
Interest payable and similar charges	4	(266)	(280)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		899	859
Tax on profit on ordinary activities	7	(411)	(471)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		488	388
Minority interests	18		
- Amounts relating to current year		(204)	(106)
- Amounts relating to previous year		(81)	-
		(285)	(106)
RETAINED PROFIT FOR THE FINANCIAL YEAR		203	282

All activities of the Group are continuing.

The movements in reserves are set out in note 17 to the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 1999

	1999 £'000	1998 £'000
Profit for the financial year	203	282
Currency translation differences on foreign currency net investment	5	9
Total recognised gains and losses relating to the year	208	291

There is no difference between the profit on ordinary activities before taxation, retained profit for the year stated above and their historical cost equivalents.

CONSOLIDATED BALANCE SHEET
31 December 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Intangible fixed assets	8	206	196
Tangible fixed assets	10	1,839	2,167
		2,045	2,363
CURRENT ASSETS			
Work in progress		5	60
Debtors	12	9,762	8,587
Cash at bank and in hand		620	612
		10,387	9,259
CREDITORS: amounts falling due within one year	13	(10,205)	(9,191)
NET CURRENT ASSETS		182	68
TOTAL ASSETS LESS CURRENT LIABILITIES		2,227	2,431
CREDITORS: amounts falling due after more than one year	14	(257)	(825)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(4)	(19)
TOTAL NET ASSETS		1,966	1,587
CAPITAL AND RESERVES			
Called up share capital	16	165	165
Share premium account	19	592	592
Capital reserve		7	7
Profit and loss account	17	823	615
EQUITY SHAREHOLDERS' FUNDS	20	1,587	1,379
EQUITY MINORITY INTERESTS	18	379	208
		1,966	1,587

These financial statements were approved by the Board of Directors on 5 May 2000.

Signed on behalf of the Board of Directors

J C Parkinson
Director

COMPANY BALANCE SHEET
31 December 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible fixed assets	10	327	275
Investments	11	588	572
		915	847
CURRENT ASSETS			
Debtors	12	5,770	6,441
Cash at bank and in hand		-	100
		5,770	6,541
CREDITORS: amounts falling due within one year	13	(5,391)	(6,239)
NET CURRENT ASSETS		379	302
TOTAL ASSETS LESS CURRENT LIABILITIES		1,294	1,149
CREDITORS: amounts falling due after more than one year	14	(28)	(179)
NET ASSETS		1,266	970
CAPITAL AND RESERVES			
Called up share capital	16	165	165
Share premium account	19	592	592
Capital reserve		7	7
Profit and loss account	17	502	206
EQUITY SHAREHOLDERS' FUNDS		1,266	970

These financial statements were approved by the Board of Directors on 5 May 2000.

Signed on behalf of the Board of Directors

J C Parkinson
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	21	788	327
Returns on investments and servicing of finance			
Interest received		3	5
Interest paid		(234)	(253)
Interest element of finance lease and hire purchase payments		(35)	(32)
Dividend paid to minority interests		(72)	-
Net cash outflow from returns on investments and servicing of finance		(338)	(280)
Taxation			
UK corporation tax paid		(510)	(388)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(456)	(492)
Receipts from sale of tangible fixed assets		672	45
Net cash inflow/(outflow) from capital expenditure and financial investment		216	(447)
Acquisitions and disposals			
Payments to increase stake in subsidiaries	11	(20)	(208)
Payments to acquire assets and trade of a business	24	(27)	(50)
Net cash outflow from acquisitions and disposals		(47)	(258)
Net cash inflow/(outflow) before financing		109	(1,046)
Financing			
Issue of ordinary share capital		-	112
Receipt of loans		30	10
Repayment of loans		(708)	(118)
Capital element of finance lease rental payments		(375)	(313)
Net cash outflow from financing		(1053)	(309)
Decrease in cash in the year		(944)	(1,355)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important Group accounting policies is set out below, together with an explanation of where they have not been applied consistently.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements comprise the statements of the holding company and its principal subsidiaries which are listed in note 11. The financial statements of all subsidiaries are made up to 31 December 1999. Intra Group sales and profits are eliminated on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

Purchased goodwill represents the excess of the consideration paid over the fair value of the identifiable net assets at the date of their acquisition. In accordance with Financial Reporting Standard 10 "Goodwill and Intangible Assets" purchased goodwill is amortised in equal annual instalments over its useful economic life. The expected life of purchased goodwill usually does not exceed 20 years.

Turnover

Turnover represents the amounts receivable by the Group in the ordinary course of business, net of Value Added Tax, for services provided.

Tangible fixed assets and depreciation

Depreciation is provided on a straight line basis in order to write off the cost of the assets, less their estimated residual values, over their estimated useful lives at the following rates:

Freehold properties	2% per annum
Leasehold improvements	10% per annum or unexpired term of lease if less than 10 years
Motor vehicles, office equipment and fixtures and fittings	Between 15% - 33% per annum

Work in progress

Work in progress is valued at the lower of cost plus attributable profit and net realisable value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Leases

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals are charged to profit and loss in equal amounts over the lease term.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

1. ACCOUNTING POLICIES (continued)

Pension scheme

The company contributes to the defined contribution pension scheme of Human Resource Group Plc. The assets of the scheme are held separately from those of Human Resource Group Plc in an independently administered fund. The pension charge for the year is disclosed in note 5 to the accounts.

Foreign exchange

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at the year end. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Exchange differences arising from the above are included in the profit and loss account. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from translation of results of those companies at the closing rate, are taken to reserves and are reported in the statement of total recognised gains and losses.

2. TURNOVER

	1999 £'000	1998 £'000
EU Countries	48,427	41,784

In the directors' opinion there are no significant trading activities other than recruitment and associated activities.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following items:

	1999 £'000	1998 £'000
Prior year administrative expenses	47	-
Auditors' remuneration		
- Group audit fees	62	49
- company audit fees	4	10
Operating lease expense		
- land and buildings	469	357
- plant and machinery	22	42
Depreciation:		
- owned assets	407	262
- assets held under finance leases and hire purchase contracts	142	111
Amortisation of goodwill	11	3
Profit on disposal of tangible fixed assets	(48)	(11)

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
On bank loans and overdrafts	234	250
On other loans	-	3
On finance leases and hire purchase contracts	35	32
Interest receivable	(3)	(5)
	266	280

5. INFORMATION REGARDING EMPLOYEES

During the year the average monthly number of persons employed by the Group was as follows:

	1999 No.	1998 No.
Recruitment and administration	331	266

The aggregate payroll costs of these persons were as follows:

	1999 £'000	1998 £'000
Wages and salaries	6,771	5,326
Social security costs	667	514
Other pension costs	61	54
	7,499	5,894

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

6. EMOLUMENTS OF DIRECTORS

	1999 £	1998 £
Aggregate emoluments excluding pension contributions	158,236	128,461
Company pension contributions to money purchase scheme	4,800	2,250

Retirement benefits are accruing to one director under a money purchase scheme (1998: one).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998: 31%)	422	482
Deferred tax	(15)	-
Under/(over) provision in prior years	4	(11)
	411	471

The tax charge is high as a result of losses in subsidiary companies not being available for group tax relief.

8. INTANGIBLE FIXED ASSETS

GROUP	Goodwill £'000
Cost	
At 1 January 1999	199
Additions	21
At 31 December 1999	220
Amortisation	
At 1 January 1999	3
Amortisation provided for the year	11
At 31 December 1999	14
Net book value	
At 31 December 1999	206
At 31 December 1998	196

Goodwill

Additions in the year relate to purchased goodwill of £17,000 arising on the acquisition of assets from a business outside the group, and £4,081 arising from an increase in a stake held in a subsidiary company, see note 9 below.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

9. ACQUISITIONS

PSB Recruitment Limited

On 1 March 1999 the subsidiary PSB Recruitment Limited acquired the assets and trade of Wealden Personnel Consultancy for a cash consideration of £27,000. The directors considered that the fair value of the assets acquired was £10,000 and have therefore capitalised £17,000 as purchased goodwill (note 24).

Anthony Griffin & Co Limited

On 29 July 1999 the stake held in the subsidiary company Anthony Griffin & Co. Limited was increased from 51% to 86%, accounted for by the acquisition method. The company paid cash of £20,000 for the acquisition of these additional shares and, at the date of acquisition, the net assets acquired were valued at net book value of £15,919, no fair value adjustment being deemed necessary by the directors. Profit after tax of Anthony Griffin & Co Limited for the period 1 January 1999 to 29 July 1999 was £18,121, while minority interests were £8,879. For 1998 profit after tax was £9,481 and minority interests were £4,646. Profit after tax from 29 July 1999 to 31 December 1999 was £22,018, while minority interests were £3,082.

10. TANGIBLE FIXED ASSETS

Group	Freehold properties £'000	Short term leasehold improvements £'000	Motor vehicles, office equipment and fixtures and fittings £'000	Total £'000
Cost				
At 1 January 1999	1,064	198	2,057	3,319
Foreign exchange translation differences	-	-	(4)	(4)
Additions	-	46	800	846
Disposals	(452)	(12)	(605)	(1,069)
At 31 December 1999	612	232	2,248	3,092
Depreciation				
At 1 January 1999	194	22	936	1,152
Foreign exchange translation differences	-	-	(3)	(3)
Charge for the year	17	27	505	549
Disposals	(68)	(3)	(374)	(445)
At 31 December 1999	143	46	1,064	1,253
Net book value				
At 31 December 1999	469	186	1,184	1,839
At 31 December 1998	870	176	1,121	2,167

The net book value of tangible fixed assets includes an amount of £492,188 (1998: £503,481) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

10. TANGIBLE FIXED ASSETS (continued)

Company

	Short term leasehold improvements £'000	Motor vehicles, office equipment and fixtures and fittings £'000	Total £'000
Cost			
At 1 January 1999	151	309	460
Additions	22	119	141
Disposals	-	(48)	(48)
At 31 December 1999	173	380	553
Depreciation			
At 1 January 1999	2	183	185
Charge for the year	16	61	77
Disposals	-	(36)	(36)
At 31 December 1999	18	208	226
Net book value			
At 31 December 1999	155	172	327
At 31 December 1998	149	126	275

The net book value of tangible fixed assets includes an amount of £51,433 (1998: £15,868) in respect of assets held under finance leases and hire purchase contracts.

11. INVESTMENTS

Investment in subsidiaries

Company	**1999 £'000**
Cost	
At 1 January 1999	816
Additions	21
Disposals	(24)
At 31 December 1999	813
Provision against investments	
At 1 January 1999	244
Movement during year	(19)
At 31 December 1999	225
Net book value	
At 31 December 1999	588
At 31 December 1998	572

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

11. INVESTMENTS (continued)

Additions in the year include a purchase of additional shares in Anthony Griffin & Co Limited for £20,000. The remaining additions represent a number of smaller investments.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the Group.

Name of company	Issued Share Capital £	% held Company	% held Group
Anderson's (UK) Limited	100	51	51
Anthony Griffin & Co Limited	100	86	86
Bermingham Power Limited	100	76	76
Brian Forbes Search & Selection Limited	85	100	100
Eclipse Personnel Limited	200	69	69
Encore Technical Solutions Limited	100	60	60
Engineering, Technical & Computing Recruitment Limited	100	82	82
Equinox I.T. Recruitment Limited	100	60	60
Foleybrook Properties Limited	100	100	100
Hayden Pearse Group Limited	200	68	68
Human Engineering Limited	100	52	52
Human Engineering (Scotland) Limited	100	52	52
H R Management Services Limited	100	75	75
Impact Europe Limited	100	51	51
Interactive Recruitment Limited	100	61	61
Montin Engineering Services Limited	100	60	60
New World Recruitment Limited	100	51	51
Nursery & Garden Centre Recruitment Limited	100	60	60
Pennine Engineering Limited	87	79	79
Pennine Engineering (Lancs) Limited	100	60	60
PSB Recruitment Limited	10,000	90	90
Public Sector Recruitment Limited	100	52	52
Recruitment Holdings Limited	10,000	90	90
Sales & Marketing Selection Limited	100	80	80
Staffsign (East Anglia) Limited	100	51	59
Staffsign (Group) Limited	10,000	90	90
Staffsign (North West) Limited	100	51	63
Staffsign (Slough) Limited	100	51	83
Staffsign (Thames Valley) Limited	100	51	59
Staffsign (West) Limited	200	Nil	76
Staffsign (West Midlands) Limited	85	60	70
Staple Inn Recruitment Limited	1,000	51	51

The above subsidiaries are all incorporated and trade in Great Britain and are all direct subsidiaries of Human Resource Group Plc.

All of the above companies are engaged in recruitment activities with the exception of Foleybrook Properties Ltd (property investment), and Human Engineering Ltd and Human Engineering (Scotland) Ltd (ergonomic consultancy).

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

11. INVESTMENTS (continued)

Shares are ordinary shares of 100p each except for the shares of Staffsign (Group) Limited, Recruitment Holdings Limited and PSB Recruitment Limited which are ordinary shares of 10p each and Staffsign (Slough) Limited and Staffsign (Thames Valley) Limited, which are ordinary shares of 50p each.

Name of company	Country of incorporation	% held
Anderson's (Holdings) GmbH	Germany	51

Anderson's (Holdings) GmbH is a 100% subsidiary of Anderson's (UK) Ltd, Anderson's (Holdings) GmbH remains a subsidiary by virtue of the controlling interest that Human Resource Group Plc has in Anderson's (UK) Limited. The company's activity is that of a holding company.

12. DEBTORS

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Falling due within one year:				
Trade debtors	8,745	-	7,928	8
Amounts owed by subsidiary companies	-	4,732	-	5,911
Loans to subsidiaries	-	124	-	131
Corporation tax recoverable	43	38	27	-
Other debtors	40	455	60	12
Prepayments and accrued income	934	216	572	196
	9,762	5,565	8,587	6,258
Falling due after one year:				
Loans to subsidiaries	-	205	-	183
	9,762	5,770	8,587	6,441

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts	4,606	1,066	3,714	2,637
Other loans	72	-	130	-
Obligations under finance leases and hire purchase contracts	221	18	211	6
Trade creditors	639	50	530	44
Amounts owed to subsidiary companies	-	3,943	-	3,253
Corporation tax	400	-	468	42
Other taxes and social security	2,385	129	2,632	100
Other creditors	260	23	157	35
Directors' current accounts	-	-	6	6
Accruals and deferred income	1,622	162	1,343	116
	10,205	5,391	9,191	6,239

The bank loans and overdrafts of £4,605,597 (1998: £3,714,000) are secured by a fixed and floating charge over the assets of Human Resource Group Plc and several of its subsidiaries.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans	-	-	399	-
Other loans	-	-	175	175
Minority shareholders' loans	64	-	50	-
Obligations under finance leases and hire purchase contracts	193	28	198	1
Other creditors	-	-	3	3
	257	28	825	179

Minority shareholders' loans are interest free and secured by a fixed and floating charge on the assets of the individual subsidiary company.

The rate of interest payable on bank loans of £Nil (1998: £459,000) is 1.375% above LIBOR. The bank loans are secured by a fixed and floating charge on the freehold properties owned by the Group.

Details of loans not wholly repayable within five years are as follows:

	1999 £'000	1998 £'000
Bank loan repayable in equal quarterly instalments until April 2006	-	459
Less: due within one year	-	(60)
	-	399

These loans are repayable as follows:

	1999 £'000	1998 £'000
Within one year	-	60
Between one and two years	-	60
Between two and five years	-	180
Over five years	-	159
	-	459

Other loans are repayable between one and five years.

The net finance lease and hire purchase contract obligations to which the Group is committed are:

	1999 £'000	1998 £'000
In one year or less	221	211
Between one and five years	193	198
	414	409

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

15. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £'000	1998 £'000
Deferred taxation		
At 1 January	19	19
Profit and loss account	(15)	-
At 31 December	4	19

Deferred taxation provided in the accounts and the amount unprovided of the total potential liability are as follows:

	Amount provided		Amount unprovided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Tax effect of timing differences over depreciation	4	19	-	-

16. SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
5,000,000 ordinary shares of 10p	500	500
Allotted, called up and fully paid:		
1,652,824 ordinary shares of 10p	165	165

Options in shares of Human Resource Group Plc

Number of shares 1999	Number of shares 1998	Subscription price per share	Period of option
2,000	14,000	345p	before 3 July 2000
43,000	56,500	128p	from 23 December 2000 to 22 December 2007
45,000	70,500		Brought forward
(5,000)	(25,500)		Options cancelled during the year
40,000	45,000		Carried forward

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

17. PROFIT AND LOSS ACCOUNT

	Group 1999 £'000	Company 1999 £'000
At 1 January	615	206
Profit for the year	203	296
Currency translation differences on foreign currency net investment	5	-
At 31 December	823	502

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £296,000 (1998: £537,000).

18. MINORITY INTEREST

	1999 £'000	1998 £'000
At 1 January	208	201
Exchange variance on opening balance	(1)	-
Profit for the year – current year	204	106
-in respect of prior year	81	-
Purchase of further stakes in subsidiaries (see note 9)	(22)	(39)
Minority share of dividends proposed by Group undertakings	(91)	(60)
At 31 December	379	208

19. SHARE PREMIUM

	Group 1999 £'000	Company 1999 £'000
At 1 January and 31 December 1999	592	592

20. RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Opening shareholders' funds	1,379	976
Profit for the financial year	203	282
Issue of ordinary share capital	-	112
Other recognised gains relating to the year	5	9
Closing shareholders' funds	1,587	1,379

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £'000	1998 £'000
Operating profit	1,165	1,139
Depreciation	549	373
Amortisation of goodwill	11	3
Profit on sale of fixed assets	(48)	(11)
Increase in debtors	(1,159)	(2,052)
Increase in creditors	216	916
Decrease/(increase) in stocks	55	(45)
Other non cash movements	(1)	4
Net cash inflow from operating activities	788	327

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £'000	1998 £'000
Decrease in cash in the year	(944)	(1,355)
Cash outflow from decrease in debt and lease finance	1053	421
Change in net debt resulting from cash flows	109	(934)
Other non-cash items:		
New finance leases	(380)	(411)
Movement in net debt in the year	(271)	(1,345)
Net debt at 1 January	(4,265)	(2,920)
Net debt at 31 December	(4,536)	(4,265)

23. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 1999 £'000	Cash Flow £'000	Other non Cash changes £'000	At 31 December 1999 £'000
Cash at bank and in hand	612	8	-	620
Overdrafts	(3,654)	(952)	-	(4,606)
	(3,042)	(944)	-	(3,986)
Debt due after one year	(624)	560	-	(64)
Debt due within one year	(190)	118	-	(72)
Finance leases	(409)	375	(380)	(414)
Total	(4,265)	109	(380)	(4,536)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

24. PURCHASE OF ASSETS AND TRADE

	1999 £'000	1998 £'000
Net Assets acquired:		
Tangible fixed assets	10	12
Debtors	-	13
	10	25
Goodwill	17	25
	27	50
Satisfied by:		
Cash	27	50

25. COMMITMENTS

At 31 December 1999 capital expenditure that had been contracted for but not provided in the financial statements was £57,500 (1998: nil).

26. OPERATING LEASE COMMITMENTS

At 31 December 1999 the Group had annual commitments under non-cancellable operating leases as follows:

	Plant and Machinery		Land and buildings	
	1999	1998	1999	1998
Leases which expire:	£'000	£'000	£'000	£'000
Within one year	12	1	38	8
Within two to five years	-	21	231	88
After five years	-	10	226	235
	12	32	495	331

27. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr J C Parkinson by virtue of his controlling interest in Human Resource Group Plc.

28. CONTINGENT LIABILITIES

The company has given cross guarantees to National Westminster Bank Plc (1998: Barclays Bank Plc) in respect of the bank overdrafts of other members of the Human Resource Group of companies. At 31 December 1999 the bank overdrafts under this guarantee amounted to £3,448,250 (1998: £337,400)

29. RELATED PARTY TRANSACTIONS

During the year the group rented five (1998: two) properties from the self-administered pension scheme of Mr J C Parkinson. Rents paid for these properties during the year were £77,235 (1998: £64,000). The Group also rented a property from Mr J C Parkinson for which it paid rent during the year of £40,000 (1998: £8,270). The rents on these properties are determined by an independent professional valuer. There were no outstanding balances at the year end.