

**Highams Systems Services Group plc**  
("Highams" or "the Group")

**Proposed Placing of 37,142,857 New Ordinary Shares at 1.75 pence per share to raise  
£650,000 (gross)**

**Capital Reorganisation**

**Board Changes**

Highams Systems Services Group plc, the AIM-quoted IT recruitment consultancy, is pleased to announce that Charles Stanley Securities has conditionally placed 37,142,857 New Ordinary Shares at 1.75 pence per share to raise £650,000 (gross).

**Summary**

- £650,000 of additional funding for the Group to allow the further development of both its business and brand
- Capital injection stabilises and protects Highams' infrastructure, whilst providing new management with a sound platform upon which to grow the Group
- Board changes and fund raising open up an exciting new chapter and range of opportunities for Highams

**Dave Pye, Chief Executive, commented;**

"I am delighted to announce this significant injection of capital into the Highams Group and the proposed appointment of Ken Ford as the Group's new Non-Executive Chairman. Ken's background and reputation within the financial community, his extensive experience and his substantial investment into the Group represents a very pleasing endorsement of the Group and its brand, as well as of the new management team."

"I believe that the placing and changes to the Board, alongside Highams' reputation within its markets, will provide Highams with an excellent platform upon which to further develop its business and I offer all at Highams my best wishes for its future success".

**Enquiries:**

Dave Pye, Chief Executive  
Mark de Lacy, Managing Director  
**Highams Systems Services Group plc**  
[www.highams.com](http://www.highams.com) Tel: 01883 341 144

Rick Thompson / Carl Holmes  
**Charles Stanley Securities (Nominated  
Adviser)** Tel: 020 7149 6000

Tarquin Edwards  
**Adventis Financial PR** Tel: 020 7034 4758

**Proposed Placing of up to 37,142,857 New Ordinary Shares  
at 1.75 pence per New Ordinary Share**

**Proposed Capital Reorganisation**

**Proposed Board Changes**

**Notice of Annual General Meeting**

**1. Introduction**

The Board of Highams announced the results for the year to 31 March 2008 earlier today and the Board are now pleased to announce that Charles Stanley Securities has conditionally placed 37,142,857 Placing Shares with a number of new and other investors at a price of 1.75 pence per Placing Share. The Placing will raise approximately £650,000 (gross) and will provide the Company with additional working capital.

The Placing is subject to approval by Shareholders of the Resolutions at the Annual General Meeting. An Annual General Meeting has been convened for 11.00 am on 23 October 2008, at which Shareholders will be asked to consider and, if thought fit, approve the Resolutions required inter alia to implement the Placing. Details of the Annual General Meeting are set out in the Notice of Annual General Meeting accompanying the Circular being sent to Shareholders today.

If the Resolutions are approved, it is expected that the Placing Shares will be admitted to trading on AIM at 8.00 a.m. on 24 October 2008.

This announcement provides information on the Company and sets out the background to and reasons for the Placing and Capital Reorganisation and to explain why the Board considers the Placing to be in the best interests of the Company and Shareholders as a whole and why it recommends that Shareholders vote in favour of the Resolutions.

**2. Background to and reasons for the Placing**

Highams has not been immune from the challenges faced by others in the recruitment sector and this has had a negative impact on Highams financial performance, as evidenced by the Company's results for the year ended 31 March 2008 which were announced today. The Company has embarked upon an effort to revitalise the brand of Highams which remains strong in the market and has since the year end embarked on a programme of cost reduction. The proposed additional capital injection should ensure that the Company is able to protect its infrastructure, and further provide the requisite working capital to develop the business and brand going forward.

**3. Details of the Placing**

The Company is proposing to raise approximately £650,000 (gross), by way of a Placing of an aggregate of 37,142,857 New Ordinary Shares at 1.75 pence per share with certain new and other investors. The Placing is conditional on the passing of the Resolutions set out in the Notice of Annual General Meeting and Admission.

The Placing Shares will represent approximately 53.82 per cent. of the Enlarged Share Capital of the Company following completion of the Capital Re-organisation. The Placing Price of 1.75 pence per Ordinary Share represents a 7.69 per cent. premium to the mid market closing price of 1.625 pence per Ordinary Share on 29 September 2008, being the latest practicable date prior to the posting of the Circular to Shareholders.

The net proceeds of the Placing will be utilised to reduce the levels of Company indebtedness and to provide the Company with general working capital.

The Placing is not a rights issue or open offer and the Placing Shares will not be offered generally to Shareholders on a pre-emptive basis. The Directors, the New Directors and the

Proposed Director believe that the considerable extra cost and delay involved in a rights issue or open offer would not be in the best interests of the Company in the circumstances and, accordingly, the Board considers that it is in the best interests of the Company and Shareholders as a whole for the funds to be raised through the Placing.

Conditional on the passing of the Resolutions, application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Placing Shares will commence on AIM at 8.00 am on 24 October 2008.

The Placing Shares will, when issued and fully paid, rank equally in all respects with the New Ordinary Shares, including the right to receive any dividend or other distribution declared, made or paid after the date of their unconditional allotment.

It is expected that share certificates for the Placing Shares which are to be held in certificated form will be despatched to placees by 6 November 2008. The Placing Shares will be in registered form and no temporary documents of title will be issued.

#### **4. Board Changes**

The Board believes that Shareholders of the Company will be best served by a new Board, which combines a mixture of members of the previous management team, who have significant operating experience in, and understanding of, Highams, as well as of the wider sector in which the Company operates. In addition, the new Chairman will bring extensive business and investment experience to the Board going forward. The New Directors, being Mark de Lacy and Kerri Sayers, were appointed to the Board on 29 September 2008 and the Proposed Director, being Ken Ford, will be appointed to the Board immediately following Admission. Brief backgrounds and full information on the New Directors and the Proposed Director can be found in paragraph 5 below

As part of this reorganisation Dave Pye will be resigning as Chief Executive following the posting of this Circular as will Ted Andrews, the current Chief Operating Officer. Furthermore, Alan Howarth has announced his resignation on 29 September as Chairman, with immediate effect.

#### **5. Background and information on the New Directors and Proposed Director**

##### **Mark de Lacy, aged 49, new Managing Director**

Mark de Lacy has been employed by the Group since 1990. Originally brought in for his sales experience, Mark de Lacy 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 the role of Sales Director. Mark continues to actively develop new strategic accounts within specialist vertical markets, whilst developing the sales teams, both at the Caterham and London offices.

##### **Kerri Anne Sayers, aged 44, new Chief Operations Officer**

Kerri Sayers has been employed by the Group since 1994 when she initially started in the finance department. She has since managed both the operations 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.

##### **Eric Kenelm (Ken) Ford, aged 59, proposed Non-Executive Chairman**

Ken Ford has over 36 years of experience in the City. From 1993 he worked at Landsbanki (formerly Teather & Greenwood) 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 Securities Institute and on the executive committee of the Quoted Companies Alliance. He is also Chairman of Brainjuicer Group plc and a director of a number of other companies.

**Additional Information on the New Directors and the Proposed Director**

- (a) In addition to the information disclosed above, the Proposed Director holds or has held the following directorships or has been a partner in the following partnerships within the five years prior to the date of this announcement.

Proposed Director	<i>Current Directorship or partnerships</i>	<i>Past Directorships within the last 5 years</i>
Ken Ford	Mintonview Ltd The Wells Fine Dining Company Ltd BrainJuicer Group plc BrainJuicer Ltd 7 safe group Ltd Lewis Communications (Holdings) Ltd Lewis Communications Limited Principal Residential Properties Limited The Flying Kiwi Inns Ltd Hybridan LLP Atlantic Coal Plc	Landsbanki Securities (UK) Holdings plc Landsbanki Securities (UK) Ltd Teather & Greenwood Nominees Ltd Teawood Nominees Ltd The Quoted Companies Alliance Camomile Wood Nominees Ltd Escalon Investments Limited First Manchester Properties Nationwide Residential Properties Ltd County of Kent Development Ltd

Kerri Sayers and Mark de Lacy do not currently hold any additional directorships and neither have they done so in the past 5 years.

- (b) Save as disclosed t none of the New Directors and the Proposed Director has:
- (i) any unspent convictions in relation to indictable offences;
  - (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;
  - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (vi) been publicly criticised by an statutory or regulatory authority (including recognised professional bodies);or
  - (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

- (c) By Board Notice 431 dated 16 July 1997 the Securities and Futures Authority (“SFA”) gave notice that disciplinary proceedings brought against Teather & Greenwood Limited Partnerships (of which Mr Ford was a partner) and Mr Ford relating to breaches of the Securities and Investment Board Principles 2 and 9 had been concluded by settlement with the following outcome:

Teather & Greenwood Limited Partnership was reprimanded, find £50,000 and agreed to pay a contribution of £10,000 towards SFA’s costs; and

Mr Ford was reprimanded, find £8,000 and agreed to pay a contribution of £2,000 towards SFA’s costs.

SFA took into account that Teather & Greenwood LP had previously conducted a full internal review of its compliance procedures and had implemented a remedial action plan. SFA also took into account that neither Teather & Greenwood LP nor Mr Ford had previously been the subject of disciplinary action, both cooperated with SFA and no clients had been disadvantaged. Mr Ford was also reprimanded by the Securities Institute as a result.

There are no other details required to be disclosed under paragraph (g) of Schedule 2 of the AIM Rules.

## 6. Directors’ Interests

The interests of the Directors (and their immediate families and or persons connected with them), as at the date of the Circular sent to Shareholders and on completion of the Placing and Capital Reorganisation, in the issued share capital of the Company are as follows:

Name	Existing Holding		Holding post Placing and Capital Reorganisation	
	Number of Existing Ordinary shares	%	Number of New Ordinary Shares	%
John Higham*	8,697,649	27.29	9,269,078	13.43
Edward Andrews	3,570,000	11.20	3,570,000	5.17

\* John Higham’s interest includes 200,000 shares held by his wife and 1,230,000 shares held by The John Higham Family Trust

The interests of the New Directors and the Proposed Director (and their immediate families and or persons connected with them), as at of the date of the Circular sent to Shareholders and on completion of the Placing and Capital Reorganisation, in the Existing Share Capital of the Company are as follows:

Name	Existing Holding		Holding post Placing and Capital Reorganisation	
	Number of Existing Ordinary shares	%	Number of New Ordinary Shares	%
Ken Ford**	1,250,000	3.92	18,392,857	26.65
Mark de Lacy	21,779	0.07	593,208	0.86

Kerri Sayers	1,400	0.004	572,829	0.83
--------------	-------	-------	---------	------

*\*\* Ken Ford's interest is held by Teawood Nominees Limited*

John Higham, Mark de Lacy and Kerri Sayers are investing £10,000 each in the Placing representing 571,429 New Ordinary Shares each and Ken Ford is investing £300,000 in the Placing, representing 17,142,857 New Ordinary Shares.

## **7. Use of proceeds**

The proceeds of the Placing will be used to reduce the levels of Company indebtedness and to provide the Company with general working capital.

## **8. Capital Reorganisation**

The New Ordinary Shares to be issued pursuant to the Placing are all being issued at the Placing Price. This represents a premium of 7.69 per cent. to the 1.625 pence closing mid-market price of the Existing Ordinary Shares on 29 September 2008, being the last day of trading prior to the posting of the Circular to Shareholders.

The Existing Ordinary Shares have a nominal value of 5 pence each. The 1985 Act provides that a company may only lawfully issue new shares for a subscription price at or above the nominal value of those shares. In order that the Company may issue the New Ordinary Shares, pursuant to the Proposals, the Company proposes that each share in the capital of the Company currently having a nominal value of 5 pence each, be sub-divided so that every Existing Ordinary Share in issue be sub-divided and reclassified into one New Ordinary Share having a nominal value of 0.01 pence each and one Deferred Share with a nominal value of 4.99 pence (the "Capital Reorganisation"). The Deferred Shares will have no practical economic value, will not be listed, will be non-voting, will carry no right to a dividend or other distribution or to participate in any way in the income or profits of the company, will carry no right to receive notice or attend, speak or vote at any general meeting of the Company, will have no right to participate in the assets of the Company save that on the return of assets in a winding up, the holders of such Deferred Shares would be entitled only to the repayment of the amount that is paid up on such shares after (i) repayment of the capital paid up on the ordinary share capital and (ii) the payment of £10,000,000 per Ordinary share in the capital of the Company and will be subject to eventual redemption by the Company for a nominal amount and an appropriate resolution will be passed to allow for this. The proposed rights and restrictions attaching to the Deferred Shares will be set out in the new Articles to be adopted pursuant to Resolution 6 in the General Meeting Notice.

The proposed Capital Reorganisation will not affect the rights attaching to the Existing Ordinary Shares, other than to alter their nominal value. The proposed Capital Reorganisation will not affect the voting rights of the holders of Existing Ordinary Shares and will be made by reference to holdings of Existing Ordinary Shares on the register of members as at the close of business on 23 October 2008.

Certificates will not be issued for the Deferred Shares and the Company may, for administrative purposes, register the Deferred Shares in the name of a nominee for the Shareholders.

Replacement certificates will not be sent out in relation to the newly denominated Existing Ordinary Shares. Existing share certificates will remain valid in relation to the number of Ordinary Shares that each shareholder is entitled to following the Capital Reorganisation. New share certificates will only be sent out in relation to trades or transfer of Ordinary Shares effected on or after 24 October 2008.

## **9. Annual Report & Accounts for the Year ended 31 March 2008**

Accompanying the Circular being posted to Shareholders today is the Company's Annual Report & Accounts for the year ended 31 March 2008 which sets out the financial information in respect of the Company, incorporating significant accounting policies and major notes to the accounts for the past two years.

#### **10. Annual General Meeting**

Included with the Circular is the Notice convening the Annual General Meeting to be held at Charles Stanley & Company Limited, 25 Luke Street, London, EC2A 4AR on 23 October 2008 at 11.00 am at which the Resolutions, some of which are inter-conditional, will be proposed to receive the Accounts, re-appoint the Auditors, approve the Capital Reorganisation and Placing, the adoption of the New Articles and to provide the Directors with section 80/95 authority.

In connection with the amendment of the Existing Articles in respect of the Placing and Capital Reorganisation, it is proposed that the Company further amends the Existing Articles to bring them in line with section 175 of the 2006 Act, which comes into force on 1 October 2008. This section of the 2006 Act creates a positive duty for Directors to avoid conflicts of interests unless authorisation has been given by the Board. Directors can only authorise the conflict if there is provision in the Company's articles of association enabling the Directors to authorise the conflict.

The Notice of the Annual General Meeting contains both ordinary resolutions (which require the approval of a simple majority of Shareholders who vote) and special resolutions (which require the approval of at least 75 per cent. of Shareholders who vote). Resolutions 1,2,3,4,5 and 7 will be proposed as ordinary resolutions and Resolutions 6, 8 and 9 will be proposed as special resolutions.

#### **11. Irrevocable undertakings**

The Company has received irrevocable undertakings to vote in favour of the Resolutions to be proposed at the Annual General Meeting from each of the Directors, the New Directors and the Proposed Director holding in aggregate, 13,540,828 Existing Ordinary Shares representing approximately 42.48 per cent. of the Company's Existing Share Capital.

#### **12. Recommendation**

**The Board and the New Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board and the New Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the Annual General Meeting as those Directors and the New Directors holding Existing Ordinary Shares have irrevocably undertaken to do so in respect of their beneficial holdings amounting, in aggregate, to 12,290,828 Existing Ordinary Shares, representing approximately 38.55 per cent. of the Existing Share Capital.**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2008

Dispatch of the Circular	30 September
Latest time and date for receipt of Forms of Proxy for the Annual General Meeting	11.00 am on 21 October
Annual General Meeting	11.00 am on 23 October
Record Date for Capital Reorganisation	6.00 pm on 23 October
Admission effective and dealings commence on AIM	24 October
CREST accounts credited	24 October
Share certificates dispatched by	6 November

### DEFINITIONS

"1985 Act"	the Companies Act 1985 (as amended), to the extent in force and applicable
"2006 Act"	the Companies Act 2006, to the extent in force and applicable
"Admission"	admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the AIM market of the London Stock Exchange plc
"AIM Rules"	the AIM Rules for companies published by the London Stock Exchange governing admission to, and the operation of, AIM
"Annual General Meeting"	the annual general meeting of Highams convened for 23 October 2008, notice of which is set out at the end of the Circular, and any adjournment thereof
"Board" or "the Directors"	the directors of the Company as at the date of the Circular excluding the New Directors
"Capital Reorganisation"	the sub-division and redesignation of each issued Existing Ordinary Share of 5 pence into one New Ordinary Share of 0.01 pence and one Deferred Share of 4.99 pence, the sub-division of each unissued Existing Ordinary Share of 5 pence into 500 New Ordinary Shares of 0.01 pence and the amendments to the Existing Articles
"Capita Registrars"	a trading name of Capita Registrars Limited
"certificated" or "in certificated form"	an Existing Ordinary Share which is not in uncertificated form
"Charles Stanley"	Charles Stanley Securities, a trading division of Charles Stanley & Co. Ltd, Highams' Nominated Adviser and Broker, a member of the London Stock

"Circular"	Exchange and authorised and regulated by the FSA the circular sent to Shareholders today
"Company" or "Highams"	Highams Systems Services Group Plc
"Deferred Shares"	the shares being issued following the Capital Reorganisation with a nominal value of 4.99 pence per share
"Enlarged Share Capital"	the 69,018,425 Ordinary Shares in issue following completion of the Placing and Capital Re-Organisation and on Admission of the Placing Shares
"Excluded Territories"	any jurisdiction where to send the Circular and any accompanying documents might constitute a violation of local securities law or regulation, including, but not limited to the United States, Canada, South Africa, New Zealand, Australia and Japan
"Existing Articles"	the articles of association of the Company as at the date of the Circular
"Existing Ordinary Shares"	the ordinary shares of 5 pence each in the share capital of the Company in issue at the date of the Circular
"Existing Share Capital"	the 31,875,568 Existing Ordinary Shares in issue at the date of the Circular
"Form of Proxy"	the form of proxy which accompanies the Circular, for use at the Annual General Meeting
"FSA"	the UK Financial Services Authority
"FSMA"	the UK Financial Services and Markets Act 2000 (as amended)
"Group"	the Company and its subsidiaries and subsidiary undertakings at the date of the Circular
"London Stock Exchange"	London Stock Exchange plc
"New Articles"	the new articles of association of the Company as amended by the Resolutions in the Notice
"New Directors"	Mark de Lacy and Kerri Sayers
"New Ordinary Shares"	the issued and unissued new ordinary shares with a nominal value of 0.01 pence each in the capital of the Company resulting from the Capital Reorganisation
"Notice"	the notice convening the Annual General Meeting which is set out at the end of the Circular
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	the ordinary shares in the share capital of the Company which may be in issue from time to time which for the avoidance of doubt shall include the Existing Ordinary Shares and the New Ordinary Shares
"Overseas Shareholders"	Shareholders resident in, or citizens of, jurisdictions outside the United Kingdom
"Placing"	the issue of 37,142,857 New Ordinary at the

	Placing Price
"Placing Price"	1.75 pence per share
"Placing Shares"	37,142,857 New Ordinary Shares
"Panel"	the Panel on Takeovers and Mergers
"Proposals"	the proposals set out in the Circular
"Proposed Director"	Ken Ford
"Prospectus Rules"	the Prospectus Rules published by the FSA
"Resolutions"	the resolutions to be proposed at the Annual General Meeting as set out in the Notice
"RIS"	Regulated Information Service
"Shareholder"	a holder of Ordinary Shares from time to time
"UK"	the United Kingdom of England, Scotland, Wales and Northern Ireland
"UKLA"	the UK Listing Authority
"US", "USA" or "United States"	the United States of America, each State thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction