

## **Business Systems Group Holdings plc**

### **Preliminary results for the year ended 31 March 2005**

Business Systems Group Holdings plc, the information technology practice providing business solutions for the entire technology lifecycle, today announces its preliminary results for the year ended 31 March 2005.

#### **Highlights**

- Profit before tax of £576k compared to £117k loss in the prior year
- Recommended dividend of 0.3p per share
- Revenues increased by 30.2% rising to £29.5m from £22.6m in the prior year as at 31 March 2005
- Successful acquisition of the Unix business of Global Network Solutions Europe Limited (GNS) generating profits of £273k (before amortisation of goodwill and allocation of Group overheads) and free cashflow in BSG's first period of ownership
- Contractual revenues continue to increase, showing 34% growth compared to the prior year end.
- Another period of positive cash generation, resulted in a year end cash balance of £9.0m compared to £7.9m at the previous year end.

#### **Trading update**

The Board is confident that the market for managed services will continue to grow, and that with its unique position in that market, BSG will continue to grow contracted revenues at strong margins. Following the acquisition of GNS' Unix business, the Group has a wider technical skill set and can offer services across a broader range of operating platforms. A strong first quarter supports the Board's view that smaller and mid sized customers are increasingly looking to outsource many of their more routine technology processes. By providing this type of service, BSG is able to demonstrate competence in its initial delivery to these new customers and is able to gain their trust. This allows BSG to develop a more sophisticated relationship with these new customers.

#### ***Contacts:***

**BSG**  
Nick Gerard, Group Chief Executive  
James Wheaton, Group Finance Director

Tel: 020 7880 8888

## **CHAIRMAN'S STATEMENT**

In the year ended 31 March 2005, the Group achieved its third consecutive year of improving results. The year has seen material growth in revenues, integration of an acquisition and return to operating profit.

### **Summary of results**

- Pre-tax profit of £576k (£117k loss in prior year).
- Dividend of 0.3p per share recommended.
- Revenues increased by 30.2% to £29.5m for the year with growth in all business units (£22.6m prior year). Of this increase £4.5m was from an acquisition and £2.4m was from organic growth.
- Contractual revenues grew 34% from the previous year end to an annualised value of £7.8m in March 2005.
- Cash generation of £1m resulted in a year end cash balance of £9.0m and no debt.
- The business acquired from Global Network Solutions Europe Limited in August generated free cashflow in the first period of ownership.

### **Acquisition**

Important to the advances the Group made during the year was the purchase of the Unix business of Global Network Solutions Europe Limited (GNS) on 16 August 2004. This business is important in completing the range of BSG's technology offering to cover all the main operating systems used by our enterprise customers. Therefore the Group can now offer a managed service across a customer's complete IT platform.

The initial consideration was £118k with a nine month earn-out to 15 May 2005. The total consideration is estimated to be £249k including legal costs.

In the seven and a half months to the financial year end, the business generated profits of £273k before amortisation of goodwill and allocation of Group overheads therefore more than repaying the entire cost of the acquisition.

### **AIM**

On 2 August 2004, BSG's listing was transferred from the Official List of the UK Listing Authority to the Alternative Investment Market (AIM). The Board believes that, due to its greater flexibility and lower cost of complying with continuing obligations, AIM is a more appropriate exchange for a company of BSG's size.

### **Dividend**

Following the Group's return to operating profit, the Board is recommending a final dividend of 0.3p (2004: nil). This represents a dividend of approximately 33% of the Group's profit after tax for the year. The Board intends to maintain this as a clear and consistent distribution policy in future years.

In addition, approval will be sought at the AGM for a general authority for the Company to make purchases of its own securities up to 10% of the Company's issued share capital.

### **Current trading and outlook**

The Board believes BSG has a unique position in the IT services market. Following the acquisition of GNS, the Group now has a complete managed service offering to medium sized enterprises across their full range of operating platforms. This, allied to the abilities of the software development team, enables BSG to offer a genuine outsourcing proposition up to the application level. This will allow the Group to continue to grow its contractual revenues at good margins and develop increasingly sophisticated relationships with its customers.

Whilst the markets in which BSG operates continue to be competitive, this differentiation is enabling BSG to grow while many competitors are experiencing a slowdown. The Board is increasingly confident that BSG now has the right capabilities to cater for future customer demands, both in terms of technical offering and quality of service.

**Roger Keenan**  
Chairman

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 March 2005**

	<b>Year ended 31 March 2005 £'000</b>	<b>Year ended 31 March 2004 (as restated per note 2) £'000</b>
<b>TURNOVER</b>		
Continuing Operations	25,033	22,643
Acquisition	4,452	-
	<u>29,485</u>	<u>22,643</u>
Cost of sales	(23,290)	(17,650)
	<u>6,195</u>	<u>4,993</u>
<b>GROSS PROFIT</b>		
Administrative expenses	(5,979)	(5,378)
	<u>149</u>	<u>(385)</u>
<b>OPERATING PROFIT/(LOSS)</b>		
Continuing Operations	149	(385)
Acquisition	67	-
	<u>216</u>	<u>(385)</u>
Other interest receivable and similar income	360	268
	<u>576</u>	<u>(117)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Tax on profit/(loss) on ordinary activities	165	-
	<u>741</u>	<u>(117)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		
Dividends	(245)	-
	<u>496</u>	<u>(117)</u>
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>		
Basic profit/(loss) per share	0.94p	(0.15)p
Diluted profit per share	0.90p	-

**COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS  
AND STATEMENT OF MOVEMENTS ON RESERVES  
Year Ended 31 March 2005**

	<b>Share Capital £'000</b>	<b>Profit and Loss Account £'000</b>	<b>EBT Reserve £'000</b>	<b>Total £'000</b>
<b>THE GROUP</b>				
Balance at 1 April 2004 as previously stated	4,209	3,320	-	7,529
Prior year adjustment (note 2)	-	125	(581)	(456)
	<u>4,209</u>	<u>3,445</u>	<u>(581)</u>	<u>7,073</u>
Balance at 1 April 2004 as restated	4,209	3,445	(581)	7,073
Retained profit for the year	-	496	-	496
Decrease in EBT reserve	-	-	207	207
Profit on EBT redemptions/sales	-	121	-	121
	<u>4,209</u>	<u>4,062</u>	<u>(374)</u>	<u>7,897</u>

**THE COMPANY**

Balance at 1 April 2004 as previously stated	4,209	4,269	-	8,478
Prior year adjustment (note 2)	-	125	(581)	(456)
	<u>4,209</u>	<u>4,394</u>	<u>(581)</u>	<u>8,022</u>
Balance at 1 April 2004 as restated	4,209	4,394	(581)	8,022
Retained loss for the year	-	(385)	-	(385)
Decrease in EBT reserve	-	-	207	207
Profit on EBT redemptions/sales	-	121	-	121
	<u>4,209</u>	<u>4,130</u>	<u>(374)</u>	<u>7,965</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>Year ended 31 March 2005 £'000</b>	<b>Year ended 31 March 2004 (as restated per note 2) £'000</b>
Profit/(loss) attributable to shareholders of the Company and total recognised gains and losses related to the year	496	(117)
Prior period adjustment (note 2)	128	-
	<u>624</u>	<u>(117)</u>
Total gains and losses recognised since the last annual report	<u>624</u>	<u>(117)</u>

**BALANCE SHEET**  
**31 March 2005**

	<b>Group 2005 £'000</b>	<b>Group 2004 (as restated per note 2) £'000</b>
<b>FIXED ASSETS</b>		
Intangible assets	75	-
Tangible assets	1,028	1,124
	<u>1,103</u>	<u>1,124</u>
<b>CURRENT ASSETS</b>		
Stocks	192	97
Debtors	7,131	4,057
Cash at bank and in hand	8,994	7,945
	<u>16,317</u>	<u>12,099</u>
<b>CREDITORS: amounts falling due within one year</b>	<u>(9,206)</u>	<u>(5,783)</u>
<b>NET CURRENT ASSETS</b>	<u>7,111</u>	<u>6,316</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	8,214	7,440
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	<u>(317)</u>	<u>(367)</u>
<b>NET ASSETS</b>	<u><u>7,897</u></u>	<u><u>7,073</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	4,209	4,209
Profit and loss account	4,062	3,445
EBT reserve	(374)	(581)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<u><u>7,897</u></u>	<u><u>7,073</u></u>

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2005**

	Notes	Year ended 31 March 2005 £'000	Year ended 31 March 2004 £'000
<b>Net cash inflow from operating activities</b>	3	715	1
<b>Returns on investments and servicing of finance</b>			
Interest received		<u>360</u>	<u>268</u>
Net cash inflow from returns on investments and servicing of finance		360	268
<b>Taxation</b>		-	165
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(219)	(134)
Sale of tangible fixed assets		<u>-</u>	<u>7</u>
Net cash outflow from capital expenditure and financial investment		(219)	(127)
<b>Acquisitions and disposals</b>			
Consideration for acquisitions		<u>(135)</u>	<u>-</u>
Net cash outflow for acquisitions		(135)	-
<b>Cash inflow before management of liquid resources and financing</b>		721	307
<b>Financing</b>			
Sale of shares from EBT		<u>328</u>	<u>11</u>
<b>Increase in cash in the year</b>	4, 5	<u><u>1,049</u></u>	<u><u>318</u></u>

## Notes to the Preliminary Statement

- The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 March 2005 or 2004, but is derived from those accounts. Statutory accounts for 2004 have been delivered to the Registrar of Companies and those for 2005 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s237(2) or (3) Companies Act 1985.
- Adoption of UITF 38 requires assets of the Group's Employee Benefit Trust (EBT) to be recognised in the financial statements where there is de facto control of those assets. The Company's own shares held in the EBT should be deducted from shareholders' funds. Prior to the adoption of UITF 38, the Company's own shares held in the EBT were recognised as an asset on the balance sheet at the lower of cost and net realisable value. UITF 38 has been adopted in these financial statements and all primary statements and notes relating to the accounts have been restated accordingly. Compliance with UITF 38 has reduced the shareholders' funds at 31 March 2004 by £456,000. This prior year adjustment comprises a reduction in the cost of investments of £595,000 (which becomes the EBT reserve), an increase in the profit & loss reserve of £125,000 (being the release of £128,000 of provision on the investment less £3,000 loss on redemption of options in the prior year) and £14,000 reduction in the EBT reserve for option redemptions in the prior year. Additionally the result for the year ended 31 March 2004 has been restated down by £256,000, being the removal of the previously reported provision release accounted for as an exceptional credit. There is no impact on the current year's profit or cash flows.

### 3. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 (as restated per note 2) £'000
Operating profit/(loss)	216	(385)
Depreciation of tangible assets	368	558
Amortisation of intangible assets	121	-
Profit on disposal of tangible assets	-	(3)
Decrease in provisions	(50)	(633)
Increase in stocks	(95)	(6)
(Increase)/decrease in debtors	(3,074)	324
Increase in creditors within one year	3,229	146
<b>Net cash inflow from operating activities</b>	<b>715</b>	<b>1</b>

### 4. ANALYSIS OF NET FUNDS

	At 1 April 2004 £'000	Cash flows £'000	At 31 March 2005 £'000
Cash at bank and in hand	7,945	1,049	8,994
Net funds	7,945	1,049	8,994