

Business Systems Group Holdings plc (the “Group”)

Preliminary results for the year ended 31 March 2003

Business Systems Group Holdings plc, the information technology company providing business solutions, products and services for the entire technology lifecycle, today announces its preliminary results for the year ended 31 March 2003.

Highlights

- Turnover grew by 9% compared to prior year, with the increase derived mainly from consulting and services revenues.
- Significantly improved trading performance with a small pre-exceptional profit recorded in the second half of the year.
- Pre-tax loss for the year of £383,000 (before exceptional items), compared favourably to an equivalent loss of £6.4m in the prior year.
- Exceptional items of £2.6m (2002: £4.1m) relating to goodwill, unoccupied property and a write down in the carrying value of the investment in own shares.
- Gross margins rose from 6% to 20% during the year.
- Cash balances of £7.6m at the year-end.
- Appointment of new Chairman

Outlook

Whilst the Board is encouraged by the improved performance achieved in the year ended 31 March 2003, it is apparent that demand in the current market remains subdued. With business slower than anticipated, and, bearing in mind the continuing weak visibility of earnings experienced in the technology sector, the trading outlook for the Group remains challenging.

Board changes

The Board also announces today the appointment of Roger Keenan as the Group's new Chairman following the resignation of Geoffrey Procter. Mr Procter will retire from the Group with effect from 30 June 2003 and receive no compensation.

Mr Keenan will take up his appointment with effect from 1 July 2003.

Roger, aged 38, founded Eyretel in 1991 and grew the then small telecommunications company into a worldwide concern which gained its full listing on the London Stock Exchange in April 2000. It was subsequently sold to Witness Systems Inc earlier this year. He was also a director of Realscape Ltd (entered member's voluntary liquidation in 2002), is currently a non-executive director of Amacis, a Belfast based technology start-up, and a trustee of Community Network, a charity which uses conferencing technology to improve social interaction for under-served sections of the community.

Nick Gerard, Chief Executive, thanked Mr Procter for his support and commitment since the Group's flotation three years ago and said "We are delighted to have found someone of Roger's calibre to take on the role going forward and believe that with his very relevant experience at Eyretel, he brings with him a great deal of value to the Board."

Change of Broker

In addition to the above, the Board also announces that KBC Peel Hunt have been appointed as broker, sponsor and financial advisor with immediate effect.

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BSG

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Chairman's Statement

The year ended 31 March 2003 saw a significant improvement over the prior year performance for the Group. Demand in the IT sector remained weak whilst wider business conditions faltered due to political and economic uncertainty. However, despite these negative conditions, the Group improved its performance in most areas as it benefited from actions taken during the previous year ended 31 March 2002. These actions significantly reduced costs but also set the base for increasing revenues.

Summary of results

- Turnover for the year increased by 9% from £24.2m in the prior year to £26.5m. The revenue growth was derived principally from the consulting and services businesses across the Group, which grew by 92% and 42%, respectively.
- The Group produced a loss before tax of £2.9m after taking exceptional charges of £2.6m (relating to goodwill, unoccupied property and write down of investment in own shares).
- The trading performance of the Group improved significantly. Excluding the exceptional items, the Group reported a pre-tax loss of £383,000 compared to the loss of £6.4m in the prior year.
- In the second half of the year, the Group recorded a small pre-exceptional profit of £63,000 improving upon the first half loss of £446,000. Gross margins rose from 6% to 20% during the year.
- The improved trading performance was reflected in positive cash generation in the second half, resulting in cash balances rising from the interims by £0.3m to £7.6m.
- Webgenerics Ltd reported a profit for the second half of the year and was cash generative having completed the development of its ASP suite of products and successfully developing its managed hosting offer. The development team have now been integrated into the BSG Solutions team working on revenue generating projects.
- The Group continues to develop its outsourcing offering, an early success being the renewal of the Mapeley outsourcing contract for a further 3 year period from 1 April 2003. This significantly outweighs the loss of a longstanding support contract with a client who continued to downsize in the current economic climate.

Current trading and outlook

The markets in which the Group trades continue to be very difficult, and there is still no indication as to the timing and nature of a turnaround in the corporate technology sector. However, having taken significant action in the past 24 months to counter these external pressures, the Group is beginning to see the benefits, having achieved a near break-even position from a trading perspective during the financial year under review and having been cash generative in the second half. We remain confident as a

Board that we can continue to improve the financial performance of the Group despite adverse external factors.

On a closing note, it only remains for me to announce my resignation both as Chairman and as a member of the Board and to greet the new Chairman of BSG. I have enjoyed the last three years at BSG but am very pleased to announce the appointment of Roger Keenan as my replacement. Roger has considerable experience working in the technology sector, and this experience should prove invaluable to the Group as it continues to develop. I wish Roger and the other members of the Board well for the future.

Geoffrey Procter
Chairman

19 June 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended 31 March 2003

	Year ended 31 March 2003 Before exceptional items £'000	Year ended 31 March 2003 Exceptional items £'000	Year ended 31 March 2003 Total £'000	Year ended 31 March 2002 Total £'000
TURNOVER	26,475	-	26,475	24,224
Cost of sales	(21,074)	-	(21,074)	(22,691)
GROSS PROFIT	5,401	-	5,401	1,533
Administrative expenses	(6,257)	(2,566)	(8,823)	(12,847)
Other operating income	170	-	170	278
OPERATING LOSS	(686)	(2,566)	(3,252)	(11,036)
Other interest receivable and similar income	303	-	303	526
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(383)	(2,566)	(2,949)	(10,510)
Tax on loss on ordinary activities			160	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR			(2,789)	(10,510)
Basic and fully diluted loss per share			(3.44)p	(12.84)p

There are no recognised gains and losses for this financial year or the previous period other than as stated above and therefore no separate statement of total recognised gains and losses has been presented.

All results are derived from continuing operations.

**COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS
AND STATEMENT OF MOVEMENTS ON RESERVES
Year Ended 31 March 2003**

	Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
THE GROUP				
Balance at 1 April 2002	4,209	13,940	(7,970)	10,179
Retained loss for the year	-	-	(2,789)	(2,789)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2003	<u>4,209</u>	<u>13,940</u>	<u>(10,759)</u>	<u>7,390</u>

BALANCE SHEET
31 March 2003

	Group 2003 £'000	Group 2002 £'000
FIXED ASSETS		
Intangible assets	-	1,347
Tangible assets	1,552	1,669
Investments	-	-
Investments in own shares	211	595
	<hr/>	<hr/>
	1,763	3,611
CURRENT ASSETS		
Stocks	91	137
Debtors	4,381	4,780
Cash at bank and in hand	7,627	8,411
	<hr/>	<hr/>
	12,099	13,328
CREDITORS: amounts falling due within one year	<hr/>	<hr/>
	(5,472)	(6,760)
NET CURRENT ASSETS	<hr/>	<hr/>
	6,627	6,568
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/>	<hr/>
	8,390	10,179
PROVISION FOR LIABILITIES AND CHARGES	<hr/>	<hr/>
	(1,000)	-
NET ASSETS	<hr/>	<hr/>
	7,390	10,179
	<hr/>	<hr/>
CAPITAL AND RESERVES		
Called up share capital	4,209	4,209
Share premium account	13,940	13,940
Profit and loss account	(10,759)	(7,970)
	<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	<hr/>	<hr/>
	7,390	10,179
	<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT
Year Ended 31 March 2002

	Year ended 31 March 2003 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000	Year ended 31 March 2002 £'000
Net cash outflow from operating activities		(446)		(4,810)
Returns on investments and servicing of finance				
Interest received	351		548	
Net cash inflow from returns on Investments and servicing of finance		351		548
Taxation		(4)		(153)
Capital expenditure				
Payments to acquire tangible assets	(706)		(1,107)	
Receipts from sales of tangible fixed assets	21		30	
Net cash outflow for capital expenditure		(685)		(1,077)
Acquisitions				
Capital costs of acquisitions	-		(941)	
Net cash outflow for acquisitions		-		(941)
Equity dividends paid		-		(84)
Net cash outflow before management of liquid resources and financing		(784)		(6,517)
Decrease in cash in the year		(784)		(6,517)

Notes to the Preliminary Statement

1. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 March 2003 or 2002, but is derived from those accounts. Statutory accounts for 2002 have been delivered to the Registrar of Companies and those for 2003 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.

2 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£'000	£'000
Operating loss	(3,252)	(11,036)
Depreciation of tangible assets	781	742
Amortisation of intangible assets	1,347	3,288
Loss on disposal of tangible assets	21	9
Increase in provisions	1,000	-
Diminution in value of investment in own shares	384	-
Decrease in stocks	46	80
Decrease in debtors	444	2,441
Decrease in creditors within one year	(1,217)	(334)
Net cash outflow from operating activities	<u>(446)</u>	<u>(4,810)</u>

3 ANALYSIS OF NET FUNDS

	At		At
	1 April	Cash	31 March
	2002	flows	2003
	£'000	£'000	£'000
Cash at bank and in hand	8,411	(784)	7,627
Net funds	<u>8,411</u>	<u>(784)</u>	<u>7,627</u>

4 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003	2002
	£'000	£'000
Decrease in cash in the year	(784)	(6,517)
Change in net funds resulting from cash flows	(784)	(6,517)
Movement in net funds in the year	(784)	(6,517)
Opening net funds	8,411	14,928
Closing net funds	<u>7,627</u>	<u>8,411</u>