

BUSINESS SYSTEMS GROUP HOLDINGS PLC

CHAIRMAN'S STATEMENT

I present the results for Business Systems Group Holdings plc (the "Group") for the year ended 31 March 2007. The main objective of the year was to move the Group back to breakeven following the loss of a contract in March 2006, the consequence of which was to take the business into loss, as seen in the interim results. I am pleased to report that we achieved breakeven in the second half of the year following a good performance by all parts of the Group.

Summary of results

- Pre-tax loss of £262k (£767k profit prior year).
- Revenues decreased by 5.1% to £32.9m for the year (£34.6m prior year).
- Cash balance of £8.2m and no debt (£9.3m prior year). During the year the Group returned £1m of cash to shareholders through a combination of share buy-backs and dividend.
- The Group has made substantial progress in building contractual revenues. The annualised value of contracts at the year end increased from £5.4m at 31 March 2006 to £7.1m at 31 March 2007.
- Breakeven achieved in second half of the year.

Contractual revenues

The Group's core strategy to create value continues to be to grow its book of services contracts, and we have made substantial progress in achieving this during the year. The Board believes that in the competitive IT market it is important to have on-going contractual relationships with customers that ensure long-term trading partnerships, which in turn gives the Group greater opportunity to demonstrate differentiation and add value. Increasing the value of this measure is the single most important key performance indicator for the business.

In the course of the year, we have grown the annualised value of contracts at the year end by 31% from £5.4m to £7.1m.

Share buy-back

Further to the share buy backs reported in the last annual report which totalled 6.8 million shares as at 15th June 2006, the Board made a further purchase of 500,000 shares during this financial year, making a total of 7.3 million shares held in treasury by the Group.

Dividend

The Group has not paid an interim dividend (2006: nil) and does not propose to pay a final dividend (2006: 0.31p).

Current trading and outlook

The key objective of the coming year is to continue profitable trading in the Hardware and Solutions parts of the Group and to achieve a further year of strong growth in managed services.

The Board believes that the market for managed services in medium size companies has never been larger and more active. There are two key opportunities to ensure growth in this area over the coming year. Firstly, the Group's data centre supply contracts expire later in the year. Whilst this presents a risk as market prices have risen, driven by increasing power demands in under specified facilities, the Board is seeking to take advantage of this situation to secure long term supply of space which is of a more contemporary specification. This should give the Group a competitive cost base and capacity for growth.

In addition to this, and in order to maximise the opportunity for growth, the Group intends to overhaul and innovate its core managed service products, such as back-up and monitoring in order to ensure that by bringing the right services to market, with the right quality and at the right price, we are ideally positioned to benefit from this increasingly active market-place.

Roger Keenan
Chairman

14 June 2007

BUSINESS SYSTEMS GROUP HOLDINGS PLC

CONSOLIDATED PROFIT & LOSS ACCOUNT Year ended 31 March 2007

	Year ended 31 March 2007	Year ended 31 March 2006 (as restated per note 2)
	£'000	£'000
TURNOVER	32,861	34,639
Cost of sales	<u>(27,148)</u>	<u>(28,282)</u>
GROSS PROFIT	5,713	6,357
Administrative expenses	<u>(6,411)</u>	<u>(6,002)</u>
OPERATING (LOSS)/PROFIT	(698)	355
Other interest receivable and similar income	<u>436</u>	<u>412</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(262)	767
Tax on (loss)/profit on ordinary activities	<u>-</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(262)	767
Basic (loss)/earnings per share	<u>(0.35)p</u>	<u>0.94p</u>
Diluted (loss)/earnings per share	<u>(0.35)p</u>	<u>0.90p</u>

BUSINESS SYSTEMS GROUP HOLDINGS PLC

COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

Year ended 31 March 2007

	Share Capital £'000	Own Shares Held £'000	Profit and Loss Account £'000	EBT Reserve £'000	Total £'000
Balance at 1 April 2006	4,209	(114)	4,805	(190)	8,710
Retained loss for the year	-	-	(262)	-	(262)
Purchase of own shares	-	(758)	-	-	(758)
Dividends	-	-	(234)	-	(234)
Share-based payment	-	-	11	-	11
Movement in reserves from EBT redemptions	-	-	(21)	97	76
Balance at 31 March 2007	<u>4,209</u>	<u>(872)</u>	<u>4,299</u>	<u>(93)</u>	<u>7,543</u>

There are no recognised gains or losses for this financial year or the previous year 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.

BUSINESS SYSTEMS GROUP HOLDINGS PLC

BALANCE SHEET As at 31 March 2007

	2007	2006 (as restated per note 2)
	£'000	£'000
FIXED ASSETS		
Tangible assets	1,235	1,052
	<u>1,235</u>	<u>1,052</u>
CURRENT ASSETS		
Stocks	141	87
Debtors	6,218	6,209
Cash at bank and in hand	8,244	9,252
	<u>14,603</u>	<u>15,548</u>
CREDITORS: amounts falling due within one year	<u>(8,145)</u>	<u>(7,697)</u>
NET CURRENT ASSETS	<u>6,458</u>	<u>7,851</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	7,693	8,903
PROVISION FOR LIABILITIES	<u>(150)</u>	<u>(193)</u>
NET ASSETS	<u><u>7,543</u></u>	<u><u>8,710</u></u>
CAPITAL AND RESERVES		
Called up share capital	4,209	4,209
Own shares held	(872)	(114)
Profit and loss account	4,299	4,805
EBT reserve	(93)	(190)
	<u>7,543</u>	<u>8,710</u>
SHAREHOLDERS' FUNDS	<u><u>7,543</u></u>	<u><u>8,710</u></u>

BUSINESS SYSTEMS GROUP HOLDINGS PLC

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 March 2007

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Net cash inflow from operating activities	141	502
Returns on investments and servicing of finance		
Interest received	436	412
Net cash inflow from returns on investments and servicing of finance	436	412
Capital expenditure		
Purchase of tangible fixed assets	(672)	(377)
Sale of tangible fixed assets	3	-
Net cash outflow from capital expenditure and financial investment	(669)	(377)
Acquisitions and disposals		
Consideration for acquisitions	-	(70)
Net cash outflow for acquisitions	-	(70)
Dividends paid	(234)	(240)
Cash (outflow)/inflow before management of liquid resources and financing	(326)	227
Financing		
Sale of shares from EBT	76	145
Purchase of own shares	(758)	(114)
(Decrease)/increase in cash in the year	<u>(1,008)</u>	<u>258</u>

BUSINESS SYSTEMS GROUP HOLDINGS PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

1. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 March 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 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. The financial statements adopt FRS20 "Share-based payment", which requires a charge in respect of the fair value of share options and other share based payments, for the first time. The charge for the year ended 31 March 2007 was £11k. Comparative figures for the year ended 31 March 2006 have been restated with a charge of £15k in accordance with this standard. This charge relates entirely to the fair value of share options.

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

	2007	2006
	£'000	£'000
Operating (loss)/profit	(698)	355
Depreciation of tangible assets	484	352
Amortisation of intangible assets	-	30
Share-based payment	11	15
Loss on disposal of tangible assets	2	1
Decrease in provisions	(43)	(124)
(Increase)/decrease in stocks	(54)	105
(Increase)/decrease in debtors	(9)	922
Increase/(decrease) in creditors within one year	448	(1,154)
	<u>141</u>	<u>502</u>
Net cash inflow from operating activities	<u>141</u>	<u>502</u>

4. ANALYSIS OF NET FUNDS

	At		At
	1 April	Cash	31 March
	2006	flows	2007
	£'000	£'000	£'000
Cash at bank and in hand	9,252	(1,008)	8,244
	<u>9,252</u>	<u>(1,008)</u>	<u>8,244</u>
Net funds	<u>9,252</u>	<u>(1,008)</u>	<u>8,244</u>

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NOTES TO THE ACCOUNTS

Year ended 31 March 2007

5. (LOSS)/EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue and ranking in full for dividend during the year. Shares held by the trustees of the employee share scheme and which have not been allotted to staff rank for dividend only to the extent of 0.01p per share and have, therefore, been excluded from the calculation of the weighted average number of shares, as have treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, those share options granted under the Enterprise Management Incentive Plan. When a loss is incurred, since the conversion of potential Ordinary shares to Ordinary shares would decrease net loss per share, options are not dilutive and therefore diluted and basic losses per share are the same.

	Year ended 31 March 2007	Year ended 31 March 2006 (as restated per note 2)
(Loss)/profit for the financial period and basic and diluted earnings attributable to ordinary shareholders (£'000)	(262)	767
Weighted average number of ordinary shares ('000)	75,693	81,427
Effect of dilutive share options	2,167	3,867
Adjusted weighted average number of shares ('000)	<u>77,860</u>	<u>85,294</u>
Basic (loss)/earnings per share	(0.35)p	0.94p
Diluted (loss)/earnings per share	(0.35)p	0.90p