23 November 2006

Business Systems Group Holdings plc ("BSG" or the "Group")

Interim results for the six months ended 30 September 2006

Business Systems Group Holdings plc, the managed services provider which designs, deploys and operates a range of information technology products, solutions and services, today announces interim results for the six months ended 30 September 2006.

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

CHAIRMAN'S STATEMENT

I am pleased to present the results for the Group for the six months ended 30 September 2006.

At the year end, I noted the impact of the non-renewal of a significant contract with the result being that the Group would fall into loss this financial year. This has happened, with the business delivering a loss of £405k in the first six months, in line with expectations. The Group has nevertheless made good progress in replacing these lost contractual revenues, especially in the Managed Services arena, which is key to the Group's plan to re-build profitability. During the period, the Group achieved a net increase of £800k in the annualised value of contractual revenues and maintained its strong cash position with a cash balance of £8.1m at the half year end.

The key points to note for the period were:

- In the first six months of the year, the Group produced an operating loss of £612k compared with an operating profit of £286k in the corresponding period of the prior year. The loss before tax was £405k, down from a profit of £490k in the same period of the prior year.

- Revenues fell by 14% from £18.8m to £16.2m. Revenues fell year on year in the first quarter due to the exceptionally strong performance last year. The second quarter showed growth of 8%, despite the aforementioned contract loss.

- Contractual revenues have grown to an annualised £6.4m as at September 2006, from an annualised £5.6m at March 2006, an increase of £800k.

- The Group's balance sheet remains strong with £8.1m cash and no debt. This compares with £8.7m of cash a year ago. During the six months the Group has paid £234k for the final dividend for last year and £707k in respect of share buy-backs.

- The Solutions business, which develops and supports software applications, has benefited from the cost reductions made in February. As a result the business has generated a profit for the six months.

The Board does not recommend that an interim dividend be paid.

Outlook

The Group remains committed to its stated strategy of growing contractual revenues, and Managed Services in particular. Following the success in growing these revenues in the first six months the Board will be aiming for similar increases in the second half.

Roger Keenan
Chairman
22 November 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited Six months to 30 September 2006 £'000	Unaudited Six months to 30 September 2005 (as restated per note 1) £'000	Audited Year ended 31 March 2006 (as restated per note 1) £'000
Turnover	3	16,187	18,800	34,639
Cost of sales		(13,666)	(15,504)	(28,282)
Gross profit		2,521	3,296	6,357
Net operating expenses		(3,133)	(3,010)	(6,002)
Operating (loss)/profit	3	(612)	286	355
Net interest receivable		207	204	412
(Loss)/profit on ordinary activities before taxation		(405)	490	767
Taxation		-	-	-
(Loss)/profit on ordinary activities after taxation and retained (loss)/profit		(405)	490	767
Basic (loss)/earnings per share	5	(0.54)p	0.60p	0.94p
Diluted earnings per share	5	-	0.59p	0.90p

There are no recognised gains or losses other than the (loss)/profit for the current and preceding financial periods. Accordingly no statement of total recognised gains and losses is presented.

CONSOLIDATED BALANCE SHEET

	Unaudited at 30 September 2006 £'000	Unaudited at 30 September 2005 (as restated per note 1) £'000	Audited at 31 March 2006 (as restated per note 1) £'000
Fixed Assets			
Tangible assets	1,260	978	1,052
	1,260	978	1,052
Current Assets			
Stock	159	82	87
Debtors	5,283	5,408	6,209
Cash at bank and in hand	8,115	8,715	9,252
	13,557	14,205	15,548
Creditors			
Amounts falling due within one year	(7,285)	(6,429)	(7,697)
Net Current Assets	6,272	7,776	7,851
Total Assets less Current Liabilities	7,532	8,754	8,903
Provision for Liabilities and Charges	(148)	(247)	(193)
Net Assets	7,384	8,507	8,710
Capital and Reserves			
Called up share capital	3,742	4,209	4,159
Capital redemption reserve	467	-	50
Profit and loss account	3,350	4,531	4,691
EBT reserve	(175)	(233)	(190)
Shareholders' Funds	7,384	8,507	8,710

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

(Loss)/profit for the period	(405)	490	767
Decrease in EBT reserve	15	141	184
Loss on EBT redemptions	(4)	(30)	(39)
Dividends	(234)	(245)	(245)
Purchase of own shares	(707)	-	(114)
Share-based payment	9	9	15
Net (reductions)/additions to shareholders' funds	(1,326)	365	568
Opening shareholders' funds	8,710	8,142	8,142
Closing shareholders' funds	7,384	8,507	8,710

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited Six months to 30 September 2006 £'000	Unaudited Six months to 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
Net cash inflow/(outflow) from operating activities	7	11	(157)	502
Returns on investments and servicing of finance:				
Net interest received		207	204	412
Net cash inflow from returns on investments and servicing of finance		207	204	412
Capital expenditure and financial investment:				
Purchase of tangible fixed assets		(427)	(127)	(377)
Sale of tangible fixed assets		2	-	-
Net cash outflow from capital expenditure and financial investment		(425)	(127)	(377)
Acquisitions and disposals:				
Consideration for acquisitions		-	(70)	(70)
Net cash outflow for acquisitions		-	(70)	(70)
Dividends paid		(234)	(240)	(240)
Cash (outflow)/inflow before management of liquid resources and financing		(441)	(390)	227
Financing:				
Sale of shares from EBT		11	111	145
Purchase of own shares		(707)	-	(114)
(Decrease)/increase in cash in the period	8,	(1,137)	(279)	258

NOTES

1. Basis of Preparation

The interim results which are unaudited, have been prepared in accordance with applicable United Kingdom accounting standards using accounting policies consistent with those set out in the accounts for the year ended 31 March 2006, with the exception of the adoption of FRS20 "Share-based payment". A charge arises in respect of the fair value of share options, and comparative figures have been restated in accordance with this standard.

The financial information for the six months ended 30 September 2006 and 30 September 2005 has been neither audited nor reviewed and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The financial information for the year ended 31 March 2006 has been extracted from the statutory accounts for that period which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985.

The interim results for the six months ended 30 September 2006 were approved by the Board of Directors on 22 November 2006.

2. Basis of Consolidation

The Group accounts incorporate the results of the Company and its subsidiaries, Business Systems Group Limited and Webgenerics Limited.

3. Analysis of turnover, operating (loss)/profit and net assets

The Group operates in one principal activity, that of the provision of integrated technology solutions, products and services. The activity is wholly undertaken in the United Kingdom.

4. Dividend

No interim dividend will be paid in respect of the six month period ending 30 September 2006 (2005: nil).

5. (Loss)/earnings per share

Basic (loss)/earnings per share has been calculated by dividing the (loss)/profit on ordinary activities after taxation by the weighted average number of ordinary shares in issue during the period.

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.

	Unaudited Six months to 30 September 2006	Unaudited Six months to 30 September 2005 (as restated per note 1)	Audited Year ended 31 March 2006 (as restated per note 1)
(Loss)/profit for the financial period and basic and diluted earnings attributable to ordinary shareholders (£'000)	(405)	490	767
Weighted average number of ordinary shares ('000)	75,556	80,994	81,427
Effect of dilutive share options ('000)	2,077	2,217	3,867
Adjusted weighted average number of ordinary shares ('000)	77,633	83,211	85,294
Basic (loss)/earnings per share	(0.54)p	0.60p	0.94p
Diluted earnings per share	-	0.59p	0.90p

6. Copies of Report

The interim report will be mailed to shareholders and copies will also be available at the Company's registered office at 226 – 236 City Road, London, EC1V 2TT.

7. Reconciliation of operating (loss)/profit to cash inflow/(outflow) from operating activities

	Unaudited Six months to 30 September 2006	Unaudited Six months to 30 September 2005 (as restated per note 1)	Audited Year ended 31 March 2006 (as restated per note 1)
	£'000	£'000	£'000
Operating (loss)/profit	(612)	286	355
Depreciation of tangible assets	215	177	352
Share-based payment	9	9	15
Amortisation of intangible assets	-	29	30
Loss on disposal of tangible assets	2	-	1
Decrease in provisions	(45)	(70)	(124)
(Increase)/decrease in stock	(72)	110	105
Decrease in debtors	926	1,723	922
Decrease in creditors	(412)	(2,421)	(1,154)
Net cash inflow/(outflow) from operating activities	11	(157)	502

8. Analysis of Net Funds

	Audited at 1 April 2006	Unaudited Cash flows	Unaudited at 30 September 2006
	£'000	£'000	£'000
Cash at bank and in hand	9,252	(1,137)	8,115
Net funds	9,252	(1,137)	8,115

9. Reconciliation of net cash flow to movement in net funds

	Unaudited Six months to 30 September 2006 £'000	Unaudited Six months to 30 September 2005 £'000	Audited Year ended 31 March 2006 £'000
(Decrease)/increase in cash in the period	(1,137)	(279)	258
Net funds at start of the period	9,252	8,994	8,994
Net funds at end of the period	8,115	8,715	9,252