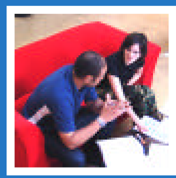





Business Systems Group Holdings plc

Report and Financial Statements

Year ended 31 March 2002

Contents

Chairman's Statement

The year ended 31 March 2002 was an extremely difficult one for the Group. The sudden down-turn of corporate investment in information technology has resulted in a serious fall in demand across the whole IT market, negatively affecting all companies operating in that sector. BSG has been no exception. Despite incurring considerable losses in the year the management has taken appropriate action which, coupled to the loyalty of our excellent staff and long term customers, has resulted in both trading Companies in the Group returning to cash breakeven in March 2002. Given these factors, the wide offering of services the Group provides and its cash resources, we remain confident of the future.

Summary of results

Turnover for the year fell by 36% to £24.2m from £37.7m in the prior year and the Group produced a loss before tax of £10.5m after taking exceptional charges of £1m for redundancies and £3m for write downs of goodwill. Clearly this loss is extremely disappointing and has consumed some of the Group's financial resources. However the Board believes the Group has now weathered the dramatic change in its markets and emerged in better shape than many of its competitors, whilst still retaining the balance sheet to grow from the current position.

BSG Limited

BSG Ltd suffered the most difficult year in its 15 year history in the twelve months to 31 March 2002. In the middle of 2001 revenues in the consulting business contracted by 75% in a matter of weeks. Revenues on completed contracts could not be replaced as a significant number of the division's pipeline projects were cancelled or postponed indefinitely. The Company incurred a loss for the year of £6.3m (2001: profit £1.2m). The losses of the business before goodwill and redundancy costs were halved in the second half of the year compared with the first six months and it achieved ebitda breakeven in March 2002.

In June 2001 the Company acquired the Experience Design Team of Atomic Tangerine Inc. for a consideration of £941,000. The team is now fully integrated into the consulting division - BSG Atomic Solutions. There was a deferred element to the consideration that was payable on meeting certain performance criteria in the twelve months following acquisition. These criteria were not met and no deferred consideration was payable. Given the collapse of the IT consulting market since the middle of 2001 the Board considered it realistic to write off the goodwill arising on this acquisition.

Webgenerics Limited

Investment continued through the year in the Company's hosting and dotEncrypt products and services. As a result of this investment the Company made a loss for the year of £2.4m. This loss (including £0.1m of redundancy costs) represented a small increase over the £1.6m reported in the ten month prior period. Having won a substantial hosting contract in the fourth quarter, the Company made its first profit in March 2002. While revenues from the dotEncrypt family of products are not yet significant, all the products are in commercial use or in pilot with customers.

An impairment review was carried out on the goodwill arising from the acquisition of Webgenerics. This review has led to the goodwill on products that are not actively being sold or developed being written off. Therefore the goodwill retained relates to the hosting service, which is now profitable, and dotEncrypt.

Current trading

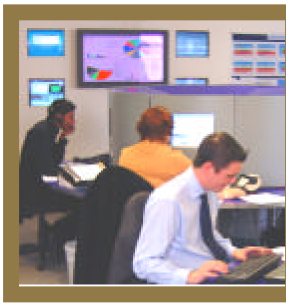
The markets in which the Group trades continue to be very difficult and the specific timing of the turnaround in the corporate technology sector is impossible to predict. Therefore management is continuing to keep a tight rein on costs with the target of at least trading at ebitda breakeven, while positioning the Group for the eventual improvement in the marketplace. To this end a further 15 positions were cut in April in the consulting division leaving total Group headcount at 166. We remain confident that BSG, having emerged from the turmoil of the last twelve months, will be among the companies that benefit most from the recovery in its markets.

Geoffrey Procter

Geoffrey Procter
Chairman

Operating Review

bsg



Services

What we do
BSG Services deliver a comprehensive range of services for all or part of an organisation's technical infrastructure. These comprise technology strategy consulting, system design and integration, hardware and software supply, 24x7 support services including fully managed hosting and outsourcing and tailored education programmes.

2001/02 Review
During the last 12 months BSG's core Services business has, like many others, found market conditions difficult. Despite this, BSG Services has maintained its position as an authoritative and respected infrastructure services provider.

A number of important market changes have continued to impact on the BSG Services offer.

The most vital of these has been a significant shift in focus by senior IT and business decision makers to ensure that technology investment provides a clear return for the business. The challenge for many organisations is to turn a set of disparate technologies into a set of solutions that provide the business with a return on the investment. Supporting this shift, technology has now evolved to a point where organisations are more able to align their technology strategy and infrastructure with business processes. The benefit for many organisations in adopting this approach is improved efficiency - measured by reduced costs, improved collaboration and communication and consistent working practices.

BSG Services recognised this shift in focus during the early part of 2001 and has responded in two ways.

Firstly, by learning lessons from traditional software development, the 'Business Forum' has been developed. The Forum is an approach that assesses and understands the business goals, working practices and key drivers for the client first, before considering what the most appropriate technology solution might be. During the year, the 'Forum' has been used by a number of varied organisations as a quick, low-cost, low-risk method of aligning technology with the business and in defining their immediate technology priorities.

Secondly to support the 'Forum' process BSG has held monthly 'Business Efficiency' seminars since August 2001. These events have been organised in association with Compaq, Microsoft and OVUM. The major benefit for BSG is that, more than ever, the BSG Services team are able to engage with organisations at the IT and business strategy stage. This opportunity has led on to wider infrastructure design and delivery opportunities.

During the last 12 months BSG has also witnessed a slowdown in traditional IT investment, be it desktops, servers or software upgrades.

To counter the downturn in investment in traditional hardware infrastructure BSG has been successful in targeting organisations with emerging technologies that are now being more widely adopted. These technologies include SAN (Storage Area Networking), Windows and Exchange 2000, XP and Wireless applications. BSG's continued strong relationships with the leading market vendors has resulted in a number of co-ordinated sales and marketing initiatives designed to grow new business revenues.

Another change in the market has been the increased propensity to outsource business critical IT tasks and functions to trusted suppliers. IT outsourcing is predicted to grow significantly during the next two years as organisations strive to share risks, and manage costs by focusing on their core business activities. BSG has a proven support services offer designed to take risk and cost away from our clients. BSG's accreditations with the leading vendors has created a highly skilled technical team experienced at problem resolution and managing client relationships. This experience and expertise enabled BSG to win a major outsourcing contract in the final quarter of the year.

This contract was won against tough competition from a major outsourcing player as BSG was able to demonstrate greater flexibility in providing access to the right resource at the right time and in offering the breadth of the services required by the client.

To support the outsourcing offer, BSG has successfully integrated other divisions of the BSG Group to ensure clients are presented with a comprehensive service.

An example of this is how the Webgenerics datacentre services, which provide fully managed hosting, now play a key role in the BSG Services outsourcing proposition and delivery mechanism.

Mapeley

“they demonstrate a 'can do' approach that makes things happen.”

Mapeley(www.mapeley.co.uk) is one of the UK's leading providers of long-term serviced business space to governments and major corporations managing over 2.2 million square metres of real estate.

IT plays a critical role in Mapeley's client service delivery - yet IT is not one of their core skills. Their challenge in outsourcing critical IT functions was to ensure that their chosen provider was able to meet their stringent demands in providing comprehensive and flexible service coverage, 24x7, via an expert team at a competitive price.

BSG have been employed by Mapeley to provide a fully managed hosting service for their business critical servers and a helpdesk to support their UK HQ, 4 regional HQ's and 20 Customer Service Offices around the country. Mapeley also have access to BSG's systems integration skills in implementing plans for a UK mobile workforce.

"BSG can be regarded as our IT operations team. They understand our business requirements and day to day IT demands but they also demonstrate a 'can do' approach that makes things happen - a refreshing attitude in today's market"

John Heywood, Director
Mapeley

Marie Curie Cancer Care

“BSG has enabled Marie Curie to obtain the best value for money from its technology investment.”

Marie Curie Cancer Care (www.mariecurie.org.uk) is the largest comprehensive cancer charity in the UK. It has 10 hospices and employs over 3000 nurses across the UK.

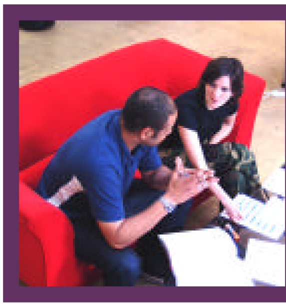
The key challenge facing Marie Curie was to turn a collection of technologies into solutions that delivered value to the charity. Value that could be measured by improved patient care, increased income and in reduced costs.

Marie Curie Cancer Care used BSG's 'Business Forum' process to align the IT strategy with their business objectives. The 'right' technology infrastructure was then designed, managed and implemented to improve inter-company communication, enable effective information sharing, support consistent working practices and provide remote access for its field teams.

"BSG has enabled Marie Curie to obtain the best value for money from its technology investment. As a charity it is critical that every '£' spent on IT offers more than a '£' back in benefit. The BSG approach, that begins with aligning IT to business goals, has created the strategy and infrastructure to allow us to achieve this."

Peter Crutchfield, IT Director,
Marie Curie Cancer Care

Operating Review



Atomic Solutions

What we do

BSG Atomic Solutions creates technology solutions via a specialist knowledge of target market sectors to deliver real benefits to its clients. These solutions include business consulting, online proposition development, proof of concept, validation and prototyping, application development and implementation.

2001/02 Review

BSG Atomic Solutions, which combines the BSG Consulting team with the Experience Design team of Atomic Tangerine, has continued to operate in an extremely challenging market. The traditional consulting and design agency market has suffered as many organisations have reassessed both the priority and scale of any new online development initiatives. As a result of the unexpected extent of this market downturn it was unfortunately necessary to reduce the number of staff within the BSG Atomic Solutions division during the year. This included closing down The Brilliant Agency in September 2001 in response to a significant reduction in pure design led project work. Further to this, another round of redundancies was made in November in response to continued poor resource utilisation.

The key change in the market to affect the newly integrated BSG Atomic Solutions team has been the continued drive by many organisations to bring web and application development skills in-house. As a result clients increasingly want to work with partners to deliver specific, often smaller scale initiatives that maximise the value of working with market and technology specialists. In addition to this change in approach, client organisations are looking to learn lessons from past mistakes in taking their business online. Rather than designing new applications many companies are instead prioritising work to revamp or redesign their existing online presence.

In response to this fundamental shift, BSG Atomic Solutions has continued to evolve its proposition to allow any target organisation to rapidly visualise their strategy or plans via a working proof of concept that can then be quickly validated, prototyped and piloted with the client. During the second half of the year this approach was successful in winning a major strategic contract with a global publishing organisation.

During the year the marketing strategy was developed further to focus the team on demonstrating a genuine, in-depth understanding of the markets in which our clients operate. The purchase of the Experience Design team of Atomic Tangerine gave BSG a headstart into the Financial Services sector including access to a number of senior client relationships and successful project case studies. Since the acquisition in June 2001, the Experience Design team has been integrated into the BSG Atomic Solutions team in designing and managing solutions within other chosen markets, in addition to Financial Services.

A number of existing client relationships have provided BSG Atomic Solutions with a small number of good fit projects. However it is clear that opportunities have been much more difficult to close in the last year. The main reason for this is because organisations are adopting a strategic, longer term view of their online business and how best to integrate this with the existing offline operations. Organisations understand that they no longer need to be first in the market, but instead feel that they can learn from the experience of others. BSG Atomic Solutions developed two simple ways to tackle this market inertia knowing that many organisations appreciate how a compelling online user experience can drive sales, increase customer loyalty and open new routes to market.

Firstly a concept has evolved where key representatives from the client, BSG Atomic Solutions and other partners meet to rapidly develop a detailed proposition and the key business success criteria. The outputs of this activity are a pragmatic digital channel strategy, high level functional architectures and a roadmap or implementation plan. The real focus is still ROI - how these applications can generate more revenue for our clients. As with the BSG Services market, clients must clearly see how it will be easier to sell to or retain customers as a result of delivering the proposition and how success is to be measured. Secondly to support this concept BSG Atomic Solutions has also developed a 'value' based pricing model which allows the client to share the risk and/or reward of the project with BSG based on the delivery of pre-agreed, measurable business success criteria.

George Wimpey UK Ltd

"the BSG solution has made it easy to manage and control this vital strategic initiative"

George Wimpey UK Ltd is one of the UK's leading home builders.

George Wimpey wanted to develop stronger relationships with its prospective buyers by providing online services that make purchasing and owning a new home an easier and more enjoyable experience. The challenge was to do this cost effectively whilst incorporating their large network of offices and staff.

BSG designed and launched 180 'micro sites', each representing a local Wimpey and McLean housing development.

These were then linked to an active national portal (www.wimpeyhomes.co.uk) enabling property types, designs and sales information to be regularly updated from a central database at Wimpey HQ.

"It was vital to George Wimpey that we empowered our company representatives by allowing them to publish their local property and related information making it easier for buyers to make such a major investment with us. These micro sites will become a valuable source of communication and involvement for the people that buy our homes - the BSG solution has made it easy to manage and control this vital strategic initiative"

Graham Hughes
Director of Customer Services, George Wimpey UK Ltd

Extenza

"challenging conventional thinking within the publishing sector and realising our vision"

Extenza is a division of Royal Swets and Zeitlinger, who are a global publishing, document management and information services organisation. Extenza e-Publishing Services spearheads the outsourced e-journal platform services for publishers within the Group.

The move towards digital publishing and distribution of journal content represents a significant market opportunity for Extenza. The challenge to Extenza is to rapidly develop and deploy an online offering that leverages the Swets brand to deliver a 'best-in-class' service to academic publishers, authors, librarians and content users.

The Extenza solution has been designed to provide a select range of distinctive value added online services whilst focusing on the quality of delivery and a compelling user experience. BSG has helped realise their vision by jointly developing the strategic proposition, designing the Extenza web site (www.extenza-eps.com) and in carrying out the detailed design and analysis required to model the final solution.

"BSG have been critical partners for Extenza ePS in challenging conventional thinking within the publishing sector and in realising our vision to offer a low-cost, no-pain, outsourcing partnership for the provision of digital publications online"

Ruth Jones, General Manager,
Extenza e-Publishing Solutions

Merrill Lynch

"BSG Atomic Solutions rose to the challenge"

Merrill Lynch Investment Managers (MLIM) is one of the world's largest investment management organisations with more than US$518 billion of assets under management.

MLIM wanted to launch and successfully run a Stakeholder Pensions offering in the UK. The solution had to enable full electronic point-of-sale for intermediaries whilst giving end users easy to understand administrative access to the same systems to maximise overhead reduction.

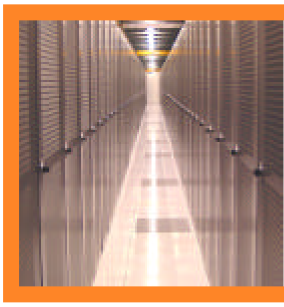
BSG Atomic Solutions worked closely with the MLIM team to produce an online offering providing corporate clients' employees with educational materials, planning tools, calculators, cost of delay tools and a route to transaction. A new, more 'retail' look and feel was created for the site, which was created with simplicity and usability in mind.

"The general perception is that pensions are boring. BSG Atomic Solutions overcame this natural prejudice and helped us produce an online proposition that has been universally well received by consultants, employers and scheme members alike."

Andrew Welch, Vice President,
Merrill Lynch Investment Managers

Operating Review

bsg



dotEncrypt

Applications

What we do
dotEncrypt is a unique digital publishing service providing Persistent Digital Protection (PDP) to organisations who wish to secure and distribute valuable digital content or who want to protect confidential information and intellectual property rights.

2001/02 Review
BSG Applications represents the direct route to market for BSG by selling the Webgenerics applications - critically dotEncrypt. The dotEncrypt proposition has evolved during the year in response to BSG's understanding of where the most commercial applications of the service exist.

The biggest inhibitor to the success of dotEncrypt over the last 12 months has been the slower than expected growth of the online content market place. The main reasons for this are believed to be continued scepticism about placing confidential information online and a lack of understanding of how organisations can use digital rights managment (DRM) to create new business revenues and/or reduce costs.

Whilst it is evident that there is not yet a mass market appeal for dotEncrypt, it is clear that many 'early adopters' regard dotEncrypt as a flexible tool that can be easily and quickly adapted to suit their specific market or customer requirements. dotEncrypt has also provided wider client opportunities for the BSG Group. These opportunities centre around linking secure distribution of digital content with designing and delivering the best 'market' strategies to maximise ROI.

During the year dotEncrypt has evolved into two propositions:

- dotEncrypt Publisher that allows any content provider to protect, sell and distribute valuable digital content online.
- dotEncrypt Email that offers persistent email security for organisations who need to secure confidential information and IPR. Currently this service is in beta test and is being piloted.

The BSG Group will continue to educate its target dotEncrypt audiences, online and offline, about the different applications for the service.

BSG Applications has continued to enhance the dotEncrypt service during the year. These enhancements include the development of a user friendly experience and an interactive web site (www.dotencrypt.com) which allows interested parties to trial the service online.

BSG will continue to target the publishing sector with the dotEncrypt Publisher proposition. This is a market where BSG has developed not only a detailed understanding of needs and requirements in the last 12 months but also a strong network of clients, prospects and key influencers. The dotEncrypt email service has wider applications and the goal is to work alongside a small number of organisations to pilot, test and measure the success of the email service. In this way BSG will obtain vital client feedback ensuring each project is a success whilst also gathering important market data for future projects.

dotHosted, BSG's fully managed hosting service, is now contributing to the bottom line. The hosting market has continued to be difficult. Predicted online traffic levels have not materialised and the resulting demand for bandwidth and rackspace remains static. However BSG has been successful in integrating the managed hosting offer into the BSG Services proposition and in winning niche hosting contracts that benefit from the fully scalable, pay-for-use bandwidth facilities available with BSG's ISP partnerships.

European Case Clearing House

"For the first time we feel assured that the information is protected"

The European Case Clearing House (ECCH), based at Cranfield University, is the world's most comprehensive source of case studies for management education. Its customers are mainly business schools, universities and companies.

Last year the ECCH sent out nearly 500,000 case studies to 2,500 customers. Traditionally the ECCH has sent photocopied hard copies to its customers. With the introduction of Digital Rights Management software, the ECCH was able to electronically distribute such information. The challenge was to achieve this whilst protecting author copyright.

dotEncrypt enables the ECCH to electronically distribute case studies to its customer base. The process takes minutes and is especially beneficial to the ECCH's overseas customers, saving both time and shipping costs. The dotEncrypt service prevents the sharing of case study information, the use of case studies beyond a specified time and the emailing of case studies to unauthorised users.

"dotEncrypt met all our requirements in terms of functionality, ease of use and commercial considerations. For the first time we feel assured that the information is protected and that we have a fast, global delivery mechanism straight to university and business school desktops".

Alyson Campbell,
Assistant Director, ECCH

TEQUILA\

"The real value in the partnership has come from the managed service BSG offers"

TEQUILA\ manage and support international advertising and promotional campaigns. They operate in 22 countries, worldwide.

An essential part of the TEQUILA\ offer is the design, development, monitoring and management of web sites that support the customer demand generated from their client campaigns. There is no room for error or failure from TEQUILA\ in ensuring these web sites are always available and able to cope with the significant levels of traffic generated over short periods of time.

BSG provides TEQUILA\ with a fully managed service, hosting the TEQUILA\ Digital Group sites around the world as well as all the promotional sites set up for their client campaigns. The 'pay for use' service gives TEQUILA\ the agility of a high bandwidth solution without the penalties for bursting pre-agreed bandwidth thresholds.

"The real value in the partnership has come from the managed service BSG offers. It represents a "safe pair of hands" - BSG not only know our hosting environment, but most importantly they understand how our applications work and what we are trying to achieve. This allows TEQUILA\ to concentrate on what we are best at, our clients' campaigns."

Simon McMaster,
Digital Strategist, TEQUILA

Operating Review

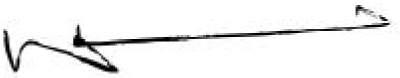
Outlook

The market continues to be extremely challenging and the Board does not expect the technology marketplace to recover significantly in the next twelve months. Furthermore, with the current level of earnings visibility, detailed forecasts lack credibility.

However, having managed the business back to ebitda break even in March 2002, through a combination of cost cutting and revenue wins, the Board is determined to maintain that as a minimum position. Costs, headcount and working capital will continue to be tightly controlled.

Additional revenues are targeted to come from account wins and commercialisation of existing products rather than speculative development of new ones.

The Board believes that, despite the condition of the market, the Group has the necessary ingredients for successful growth in its staff, products and customers.



Nick Gerard
Chief Executive Officer

Amnesty International

“we have the best infrastructure in place as well as the highest levels of support & service”

Amnesty International (www.amnesty.org) is a worldwide campaigning movement that works to promote all the human rights enshrined in the Universal Declaration of Human Rights. Amnesty International has over a million members and supporters in 162 countries and territories.

Amnesty International, International Secretariat (AIIS) is the global hub for communication across Amnesty's teams, sites and countries. To maximise its effectiveness in delivering this role, 24 hours a day, AIIS invests in a range of leading technologies to manage, control and monitor their campaigns such as the Urgent Action appeals.

BSG has worked alongside Amnesty International for over 10 years. During this time BSG has successfully won contracts to supply and implement large scale hardware roll-outs, to develop a remote server monitoring service, to provide 24x7 cover and on-site support and to implement a Unified Messaging solution.

"To support Amnesty International's global campaigning activities it is critical our technology infrastructure enables all our sections to communicate around the clock. To do this it is vital we have the best infrastructure in place as well as the highest levels of support and service to minimise the impact of any technical problems we may experience".

Mike Ludbrook, IT Manager,
Amnesty International, International Secretariat

Financial Review

Results

Group

The Group recorded decreased revenues of £24.2m, down 36% when compared with the previous twelve months. Gross margin for the Group at 6.3% (2001: 18.1%) was adversely affected by a significant fall in consulting utilisation within BSG Limited and by on-going investment in Webgenerics Limited.

Group operating expenses before goodwill, exceptional items and interest increased to £8.5m compared with the previous twelve months of £7.5m. The principal reason was an increase in property rent, which is now fixed for the next eight years.

BSG Limited

As with many of its competitors, 2001/2 was an extremely difficult year for BSG, with the business making a large loss before moving back to cash break even in March 2002. Revenues decreased to £23.6m (2001: £37.3m), gross profits fell to £1.8m (2001: £6.8m) and it produced a net loss before interest and taxation of £6.3m (2001: profit £1.2m). The businesses problems were most acute in BSG Atomic Solutions, while gross margins held firm in the services and product divisions. The market for IT and internet consulting services, having been strong in the second half of the prior year, collapsed in the middle of 2001 and has only partly recovered. Management reacted to the changed market conditions by reducing the headcount across the business by almost 30%, with the largest cuts falling on the consulting division. As a result of a combination of the cost savings and some revenue wins in the fourth quarter the business reached the management target of cash breakeven in March 2002.

Webgenerics Limited

The Group has continued to invest in Webgenerics and its family of internet software tools. In the year Webgenerics recorded revenues of £791k (ten months in 2001: £630k) and made a pre-tax loss of £2.4m (ten months in 2001: £1.4m). This loss is attributable to the costs associated with the development of the Company's product offerings that are now all in commercial use or in pilot with customers. During the year, costs and headcount have been reduced to reflect the slower than expected take up of the products and to bring forward the date of breakeven. In March 2002 Webgenerics made its first monthly profit.

Acquisition

On 8 June 2001, the Group acquired the Experience Design business of Atomic Tangerine Inc. for total consideration of £941k. The consideration was met entirely in cash. The transaction included deferred consideration that became payable upon meeting certain performance criteria in the twelve months following the transfer of the business. These performance criteria have not been met and therefore no deferred consideration is payable.

Exceptional Costs

The 30% reduction in headcount resulted in a one off exceptional charge of £1,037k in the year. This charge was funded by the Group's resources and was entirely paid for in the year. In light of the Group's performance in the year and the condition of the IT market generally, management performed an impairment review of all goodwill on the balance sheets of all Group Companies. This review was carried out in compliance with generally accepted accounting principles. As a result the Group has taken a one off exceptional charge comprising:

- £2.1m relating to goodwill allocated to Webgenerics products and services that are no longer either actively being sold nor part of the on-going development programme. Hence the goodwill remaining for Webgenerics is for products and services that are either already in profit, commercial use, or are in pilot stage with a customer.

- £1.0m relating to the goodwill arising on the acquisition of the Experience Design business of Atomic Tangerine Inc.

Financial Review

Taxation
The Group's effective rate of taxation is 30%. The Group has not incurred any taxation in the year due to the size of the losses incurred.

Dividends
The Group has not paid an interim dividend (2001: 0.1p per share) and does not propose to pay a final dividend (2001: 0.1p per share).

Treasury and Financial Risk Management
The Group's financial instruments comprise cash and liquid resources, as well as items such as trade debtors and trade creditors that arise directly from the Group's operations.

The Group's policy is that no trading in financial instruments is undertaken.

Liquidity and Interest Rate Risk Management
The Group finances its operations through retained earnings in combination with the cash generated from its share issue on listing in July 2000.

Cash balances have been invested in AAA rated liquidity funds or placed directly with banks for periods of up to three months. Deposits placed directly with banks are at fixed rates of interest while those invested in liquidity funds accrue interest at varying rates.

The fair value of cash invested in liquidity funds and bank deposits is equal to book value.

While a proportion of cash may be placed for fixed terms, the majority of the Group's funds are invested in immediately realisable liquidity funds so as to ensure that sufficient liquidity is always maintained.

Foreign Currency Risk Management
The Group has no material exposure to assets or liabilities denominated in foreign currencies. Should such exposure arise, the Group's policy would be to hedge such exposures using forward foreign exchange contracts.

Cash flows
Before recovering to cash breakeven in March 2002 the Group consumed £6.5m of cash in the year, £5.8m and £0.7m in the first and second halves respectively. This was principally consumed on trading losses in consulting and Webgenerics, redundancy payments and the acquisition of the Atomic Tangerine business.

BSG and Webgenerics achieved cash break even in March 2002 and hence the Group has sufficient cash resources for all its immediate and medium term requirements.

As at 31 March 2002 the Group's cash balance stood at £8.4m.

James Wheaton
Finance Director

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES
The Group carried on the business of the full service provision of ebusiness solutions, ASP software and ebusiness services.

REVIEW OF DEVELOPMENTS
A detailed account of the Group's progress during the year and future prospects are set out in the Chairman's statement on page 1, and in the Operating Review and Financial Review on pages 2 - 10.

DIVIDENDS
The Board does not recommend a final dividend nor was a dividend paid at the half year (2001: 0.2p per share).

RESEARCH AND DEVELOPMENT
The Group continues an active programme of research and development primarily in the areas of ASP software and ebusiness services. The costs of this activity during the year amounted to £603k (2001: £602k).

DIRECTORS AND THEIR INTERESTS
The Directors of the Company are shown inside the back cover. N Gerard, N Wilding, R Brasher, M Coleman and G Procter served as directors throughout the year. J Wheaton was appointed on 3 September 2001 following the resignation of M Atkinson. Under the Company's Articles of Association, he will automatically retire at the Annual General Meeting (AGM) and, being eligible, will seek re-election at that meeting. In accordance with the company's Articles of Association, R Brasher retires by rotation as a director and, being eligible, offers himself for re-election at the AGM. M Coleman resigned on 14 June 2002. Details of directors' service contracts with the Company are given in the report of the board to the shareholders on directors' remuneration.

Further details relating to directors' shareholdings are given in note 6a to the accounts.

The directors had no interests in the shares of the company's subsidiaries.

MATERIAL INTERESTS
At 14 June 2002, the company had been notified of the following material interests in three percent or more of the issued ordinary share capital:-

Name	Number of Ordinary Shares of 5p each	% shareholding
N Gerard	48,322,643	57.4
P Buckingham	8,373,241	9.95

DONATIONS
The Group made charitable donations of £710 during the year (2001: £2,760). It made no political donations (2001: nil).

EMPLOYEE INVOLVEMENT
Regular meetings are held between managers and employees to discuss topical issues and the prospects of the Group. Opportunity is given at these meetings for senior executives to be questioned about matters which concern the employees. Information about the Group is disseminated to employees across the Group's intranet. Employees participate directly in the success of the Group through participation in the Group's Share Scheme.

EMPLOYMENT OF DISABLED PERSONS
The Group applies employment policies whereby applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions.

SUPPLIER PAYMENT POLICY
It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between Group companies and their suppliers based upon the timely receipt of an accurate invoice. Trade creditor days of the Group as at 31 March 2002 were 33 (2001: 38) calculated in accordance with the requirements of the Companies Act 1985. The holding company, Business Systems Group Holdings plc, does not have any trade creditors.

AUDITORS
Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING
The Notice of the Meeting is contained on pages 36 and 37. In addition to resolutions dealing with the receipt of the accounts for the year ended 31 March 2002 and the directors' and auditors' reports thereon, the re-election of the directors referred to above and the re-appointment of the auditors, three other resolutions will be proposed at the AGM. Resolution 5 is an ordinary resolution which seeks to renew the Directors' authority to allot unissued share capital up to an aggregate nominal value of £990,852 (representing the whole of the Company's unissued ordinary share capital as at 14 June 2002).

Resolution 6 is a special resolution which seeks to renew the power of the Directors to allot shares for cash without first offering those shares pro rata to existing shareholders up to an aggregate nominal value of £210,457 (representing 5% of the issued ordinary share capital as at 14 June 2002).

The Directors consider that it is in the best interests of the Company and its shareholders that they should have the flexibility conferred by resolutions 5 and 6 to make small issues of shares for cash as suitable opportunities arise, although they have no present intention of exercising either of these authorities. Both of these authorities will expire at the earlier of 15 months from the date of passing of those resolutions and the conclusion of the next annual general meeting of the Company.

Resolution 7 is a special resolution seeking to alter Article 41.2.3 of the Company's Articles of Association. Currently, the Article provides that the trustees who administer the Company's share schemes must deal with leavers from those schemes not less than 21 days after the date on which the particular leaver ceases to hold office with or be employed by the Company or one of its subsidiaries. The proposed amendment will instead require the trustees to do so as soon as reasonably practicable after that date.

Details of Directors

Nick Gerard (age 43), Chief Executive Officer

Nick began his career within the IT industry in 1982 with Chas White & Son Limited as a manager delivering IT Solutions. In 1987 he founded BSG with Phil Buckingham, and has since devoted himself full time to developing the Group. Nick is primarily responsible for the strategic direction of the group and has operational responsibility for Webgenerics.

Richard Brasher (age 41), Non Executive Director

Richard graduated in 1983 from Reading University with a degree in Food Technology and joined Unilever Plc. He worked in marketing and finance for Van den Berghs & Jurgens Limited. He joined Rank Hovis McDougall plc in 1985 working as a Brand Manager with various grocer brands before moving to Tesco Stores Group plc in 1987. He became Director of Fresh Food Buying in 1990 responsible for the development of the Convenience Foods and Metro Stores strategies. During 1995-6 he moved into Retail Operations before being appointed, in 1996, as Director of Marketing Operations responsible for all UK marketing and customer strategy. Richard joined the Group and was appointed to the Board in June 2000. Richard is a member of the Audit, Nomination and Remuneration Committees.

James Wheaton (age 38), Finance Director

James graduated from the London School of Economics in 1985 with a degree in economics. He joined accountants Touche Ross Co, qualifying as a chartered accountant in 1988. Leaving Touche Ross in 1993 he joined BUPA, eventually becoming Divisional Finance Director for BUPA Care Services. James joined Amey Plc as Divisional Finance Director of Amey Business Process Outsourcing before completing a masters in business at London Business School. He joined the Group and was appointed to the Board in September 2001.

Geoffrey Procter (age 54), Non Executive Chairman

Geoff graduated in 1970 with a BSc Hons in Chemical Engineering from Leeds University. He began his career with Fisons Limited and after a short while joined the Agrochemical Division as product manager. In 1977, he joined Air Products plc as the UK Sales Manager for long term supply contracts (Onsites). Subsequently, he held a number of increasingly important management positions in Europe and Asia. In 1997, he held a European role involving acquisitions, disposals and joint venture formation, in Eastern Europe, India and the Middle East. In March 1999, he was appointed as President and Chief Executive Officer of Kemgas Limited. He is a member of the Institute of Directors. Geoff joined the Group and was appointed to the Board as Non-Executive Chairman in June 2000. Geoff is a member of the Audit, Nomination and Remuneration Committees.

Nick Wilding (age 42), Group Marketing Director

Nick graduated in 1982 with a degree in Geography from Reading University. He joined the Automobile Association in 1986 and became Head of the London Operations Centre. While the Developments Manager at the Automobile Associations he launched new vehicle breakdown products, pioneering a new service in partnership with the UK Police Forces. In 1994, Nick moved to EULER Trade Indemnity, part of EULER SA, one of the world's largest credit insurance groups, where he was responsible for strategy and product development including all e-business developments. He joined the Group in March 2000 and was appointed to the Board as Group Marketing Director in May 2000. Nick is a member of the Chartered Institute of Marketing.

Approved by the Board of Directors
and signed on behalf of the Board

C Bishop
Secretary
14 June 2002

Corporate Governance

The Combined Code, as appended to the UK Listing Authority Listing Rules, was based on the report of the Hampel Committee. It sets out Principles of Good Corporate Governance and Code provisions which consolidate the work of the earlier Cadbury and Greenbury Committees. Section 1 of the Code is applicable to companies.

A narrative statement on how the Company has applied the Principles and a statement explaining the extent to which the provisions in the Code have been complied with appear below.

NARRATIVE STATEMENT

The Code establishes 14 Principles of Good Governance which are split into the four areas described below.

DIRECTORS

The company is controlled through the Board of Directors which comprises three executive and at least two non-executive directors. All the non-executive directors are considered to be independent non-executive directors. As the Chairman is mainly responsible for the running of the Board, he has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities focus on running the Group's businesses and implementing Group strategy. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets quarterly. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The Board has established a number of standing committees. Each committee operates within defined terms of reference. The principal committees are the Management Committee of each operating subsidiary, which operate as general executive management committees, the Audit Committee, the Remuneration Committee and a Nominations Committee. Trading companies have separate boards of directors. The minutes of their meetings and of the standing committees are circulated to and reviewed by the Board of Directors.

Although the Board believes it is a 'small' Board in the context of the Code and therefore does not need to establish a Nominations Committee, it considers that such a Committee, which makes recommendations to the Board on all new Board appointments, will reassure shareholders as to the suitability of chosen directors. Its members have agreed to meet at least twice a year and will also advise on general Board composition.

Those attending and the frequency of Board and Committee meetings during the year were as follows:

Board Meetings **5**

G Procter (Non-Executive Chairman)
N Gerard (Chief Executive)
M Atkinson/J Wheaton
N Wilding
R Brasher (non-executive)
M Coleman (non-executive)

Nominations Committee **2**

G Procter (chair)
M Coleman
R Brasher
N Gerard
J Wheaton

Audit Committee **2**

G Procter (chair)
M Coleman
R Brasher

Remuneration Committee **2**

G Procter (chair)
M Coleman
R Brasher

DIRECTORS' REMUNERATION

The Remuneration Committee, under the chairmanship of Mr Procter, measures the performance of the executive directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards and awards of share options to the Board for final determination. The remuneration of the non-executive directors is recommended by Mr Gerard and Mr Wheaton and takes account of the time spent on Committee matters. The final determinations are made by the Board as a whole but no director plays a part in any discussion about their own remuneration. The Committee consults the Chairman and the Chief Executive about its proposals and has access to professional advice from inside and outside the Company.

The Report of the Board to the shareholders on Directors' Remuneration is set out on pages 16 and 17 and includes details of directors' incentive payments and the related performance criteria.

RELATIONS WITH SHAREHOLDERS

The Company encourages two way communication with both its institutional and private investors and responds quickly to all queries received. The Chief Executive and the Finance Director attended 14 meetings with analysts and institutional shareholders in the year ended 31 March 2002. All shareholders have at least twenty working days' notice of the Annual General Meeting at which all directors are introduced and are available for questions.

ACCOUNTABILITY AND AUDIT

Financial reporting

Detailed reviews of the performance and financial position of each trading subsidiary are included in the Operating and Financial Review. The Board uses this, together with the Chairman's statement and the Directors' Report on pages 11 to 12, to present a balanced and understandable assessment of the Group's position and prospects. The directors' responsibility for the financial statements is described on page 18.

Audit Committee and auditors

The Audit Committee, comprising the non-executive directors, has specific terms of reference which deal with its authority and duties. It meets at least twice a year with the external auditors attending by invitation. The Committee receives and considers reports relating to the monitoring of the adequacy of the Group's internal controls, the suitability of its accounting policies and financial reporting, the audit arrangements and matters arising from the external auditors' work. The chairman of the Audit Committee makes a report to the Board following each committee meeting.

Going concern basis

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements. This statement also forms part of the Operating and Financial Review.

Internal control

The Company as required by the UK Listing Authority has complied with the Combined Code provisions on internal control having established the procedures necessary to implement the guidance (b) issued in September 1999 (the Turnbull committee report) and by reporting in accordance with that guidance.

Set out below is the Group Statement on internal control in accordance with the guidance provided by the Turnbull Report.

Internal financial control

The Board is responsible for the overall system of internal control for the Company and its subsidiaries and for reviewing the effectiveness of these controls. The system is designed to manage risks that may impede the achievement of the Company's business objectives rather than to eliminate these risks. The internal control system can therefore only provide reasonable assurance, not absolute assurance, against material misstatement or loss.

The key control procedures are described under the following five headings:

Financial information

The Group has a comprehensive system for reporting financial results to the Board. Monthly results are prepared for each division with a comparison against budget. The Management Committee of each subsidiary reviews these and then a summary is presented to the Board for the Group as a whole who determine any appropriate action.

Quality and integrity of personnel

The Group's policies are detailed in the 'Employee Handbook', to which all operating units are required to adhere.

Operating unit controls

Key controls over major business risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major business risks and the extent to which these risks are controlled.

IT systems
The Group has established controls and procedures over the security of data held on computer systems and put in place comprehensive disaster recovery arrangements. These arrangements are tested regularly and reviewed by the Group's Management Committees.

Controls over central functions
A number of the Group's key functions, including treasury and taxation, are dealt with centrally and are required to report to the Board on a quarterly basis. These central functions are also subject to self-assessment and visits by the Group's external auditors.

There is and has been an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company and its subsidiaries.

The Group's management operates a risk management process which identifies the key risks facing each business and reports to the Audit Committee on how those risks are being managed. This is based on each department and major project producing a risk register which identifies their key risks, the probability of those risks occurring, their impact if they do occur and the actions being taken to manage those risks to the desired level. This information is passed up on a filter basis culminating in the production of business unit risk registers and, finally, a Group risk register. This identifies the key risks facing the Group across all the businesses under a number of generic risk areas.

The Board includes on its agenda matters relating to significant risks that may impede meeting business objectives. In addition, internal control and business risk issues have been regularly reviewed by the management committees of both subsidiary companies and the Audit Committee as set out above.

The Board with advice from the Audit Committee has completed its annual review of the system of internal control in accordance with the Turnbull Report for the period from 1 April 2001 to the date of this report and is satisfied that it is in accordance with that guidance. The assessment included consideration of the effectiveness of the Board's ongoing process for identifying, evaluating, and managing the risks of the business.

COMPLIANCE STATEMENT

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. The Company has complied throughout the period with the provisions set out in Section 1 of the Code.

Report of the board to the shareholders on Directors' Remuneration

REMUNERATION COMMITTEE

The Committee consists solely of non-executive directors: Messrs Procter, Coleman and Brasher. None of the committee has any personal financial interests (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee consults the Chief Executive about its proposals and has access to professional advice from inside and outside the Company. The Committee makes recommendations to the Board. No director plays a part in any discussion about his own remuneration.

REMUNERATION POLICY

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Company's position and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Committee. The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association.

There are four main elements of the remuneration package for executive directors and senior management:

(a) basic annual salary and benefits;

(b) annual bonus payments;

(c) incentives under the Company employee share schemes; and

(d) pension arrangements.

Executive directors are entitled to accept appointments outside the Company.

BASIC SALARY

An executive director's basic salary is determined by the Remuneration Committee at the beginning of each calendar year and when an individual changes position or responsibility. In deciding appropriate levels the Committee considers the Group as a whole and relies on objective research which gives up-to-date information on a comparator group. Basic salaries were reviewed in March 2002. No salary increases were awarded. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

AWARDS UNDER THE EMPLOYEE SHARE SCHEMES

The Board, acting on the recommendations of the Remuneration Committee, proposes to issue new shares under the existing Staff Share Scheme or under any such new scheme as may be approved by the shareholders. The Remuneration Committee will have responsibility for supervising the grant of awards under its terms. Only Nick Wilding and James Wheaton have been awarded shares under the Employee Share Scheme.

Nick Wilding's existing awards were granted under the terms of the 2000 Executive Scheme which was open to certain senior employees. Under that scheme awards were allocated to qualifying employees by reference to seniority, length of service and basic salary. Under the 2000 scheme, the ability of the Executive to sell, and hence profit from, his share allocation is dependent upon the increase in earnings per share for the Company exceeding the increase in the Retail Price Index by 10% over a period of three years from the date the award was granted. Should the performance criteria not be met, the shares will convert into deferred ordinary shares which effectively have no value. In addition, the Executive is required to hold the shares for a minimum of three years. At the end of this period, any profit gained from the sale of shares will be capped at a level equal to twice the listing price plus the subscription price. If the Executive ceases to be employed by, or act as an officer, of the Group during the three year period, the Ordinary Shares must be offered for sale to the ESOP at a price equal to the price payable on acquisition.

James Wheaton's existing awards were granted under the terms of the 2000 Staff Share Scheme (described in note 6(b) of the accounts), the Executive Scheme no longer being applicable. There are no performance conditions attaching to these shares which will vest in 2005.

The Committee has minuted a decision that, given the circumstances, the members in Annual General Meeting need not be invited to approve other aspects of the remuneration policy set out in this report. The Chairman of the Committee will, however, be available to answer questions on any aspect of the remuneration policy at the Annual General Meeting.

DIRECTORS' PENSION ARRANGEMENTS

Executive directors are members of the Group pension scheme which is a non-contributory defined contribution scheme to which the Group contributes 5% of a director's basic salary. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The pension costs of directors are charged in the profit and loss account in the period in which they are made. There have been no changes in the terms of directors' pension entitlements during the year. There are no unfunded pension promises or similar arrangements for directors.

DIRECTORS' CONTRACTS

All executive directors have service contracts terminable on six months' notice in writing. In respect of the executive directors, the Company has a contractual obligation to pay the relevant executive his salary and other benefits in lieu of the unexpired portion of his entitlement to notice upon termination. No other payments are made for compensation for loss of office. Messrs Wheaton, Brasher and Gerard are due to retire by rotation and offer themselves for re-election.

NON-EXECUTIVE DIRECTORS

All non-executive directors have service contracts which expired on 8 June 2002. The Board has renewed these contracts for a further fixed term of one year, except that of M Coleman. All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set out in the Articles of Association and based upon independent surveys of fees paid to non-executive directors of similar companies. The fee paid to the Chairman in the year was £30,000. The fee paid to Mr Brasher was £20,000. No remuneration was paid to Mr Coleman. Non-executive directors are not eligible to join the Company's pension scheme.

DETAILS OF DIRECTORS' REMUNERATION AND SHARE OPTIONS

This report should be read in conjunction with note 6 to the accounts which also constitutes part of this report giving full details of the amounts in the remuneration package of each director and details of each director's share awards.

By order of the Board

C Bishop
Secretary

Statement of Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control and for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

C Bishop
Secretary

Independent Auditors' report to the Members of Business Systems Group Holdings plc

We have audited the financial statements of Business Systems Group Holdings plc for the year ended 31 March 2002 which comprised the profit and loss account, the statement of movements in shareholders funds and statement of movements on reserves, the balance sheets, the cash flow statement and the related notes 1 - 25. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with the applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the Annual Report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche Chartered Accountants and Registered Auditors

Hill House
1 Little New Street
London
EC4A 3TR
14 June 2002

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the repsonsiblity of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated profit and loss account
Year ended
31 March 2002

	Note	Year ended 31 March 2002 Before exceptional items £'000	Year ended 31 March 2002 Exceptional items (note 4) £'000	Year ended 31 March 2002 Total £'000	Year ended 31 March 2001 Total £'000
TURNOVER	3				
Continuing operations		24,030	-	24,030	37,707
Acquisition		194	-	194	-
Total turnover		24,224	-	24,224	37,707
Cost of sales		(22,691)	-	(22,691)	(30,897)
GROSS PROFIT		1,533	-	1,533	6,810
Administrative expenses		(8,688)	(4,159)	(12,847)	(8,022)
Other operating income		278	-	278	288
OPERATING LOSS	5				
Continuing operations		(6,173)	(4,159)	(10,332)	(924)
Acquisition		(704)	-	(704)	-
Group operating loss		(6,877)	(4,159)	(11,036)	(924)
Other interest receivable and similar income	7	526	-	526	776
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,351)	(4,159)	(10,510)	(148)
Tax on loss on ordinary activities	8			-	(125)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION				(10,510)	(273)
Equity dividends	10			-	(167)
Retained loss for the year				(10,510)	(440)
Loss per share	11			(12.84)p	(0.37)p

There are no recognised gains and 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.

Combined statement of movements in shareholders funds and statement of movements on reserves

Year ended 31 March 2002

THE GROUP	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2001	4,209	13,940	2,540	20,689
Retained loss for the year	-	-	(10,510)	(10,510)
Balance at 31 March 2002	4,209	13,940	(7,970)	10,179

THE COMPANY	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2001	4,209	13,940	2,014	20,163
Retained loss for the year	-	-	(2,478)	(2,478)
Balance at 31 March 2002	4,209	13,940	(464)	17,685

Balance Sheets

31 March 2002

	Note	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
FIXED ASSETS					
Intangible assets	12	1,347	3,626	-	-
Tangible assets	13	1,669	1,347	115	-
Investments	14	-	-	1,651	4,613
Investments in own shares		595	595	595	595
		3,611	5,568	2,361	5,208
CURRENT ASSETS					
Stocks	15	137	217	-	-
Debtors	16	4,780	7,240	7,997	829
Cash at bank and in hand		8,411	14,928	7,494	14,538
		13,328	22,385	15,491	15,367
CREDITORS: amounts falling due within one year	17	(6,760)	(7,264)	(167)	(412)
NET CURRENT ASSETS		6,568	15,121	15,324	14,955
TOTAL ASSETS LESS CURRENT LIABILITIES	3	10,179	20,689	17,685	20,163
CAPITAL AND RESERVES					
Called up share capital	19	4,209	4,209	4,209	4,209
Share premium account		13,940	13,940	13,940	13,940
Profit and loss account		(7,970)	2,540	(464)	2,014
EQUITY SHAREHOLDERS' FUNDS		10,179	20,689	17,685	20,163

These financial statements were approved by the Board of Directors on 14 June 2002.
Signed on behalf of the Board of Directors

N Gerard
Director

Consolidated cash flow statement
Year ended
31 March 2002

	Note	Year ended 31 March 2002 £'000	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2001 £'000
Net cash outflow from operating activities	20		(4,810)		(1,928)
Returns on investments and servicing of finance					
Interest received		548		708	
Net cash inflow from returns on investments and servicing of finance			548		708
Taxation			(153)		(198)
Capital expenditure					
Payments to acquire tangible assets	13	(1,107)		(1,029)	
Receipts from sales of tangible fixed assets		30		1,111	
Net cash (outflow)/inflow for capital expenditure			(1,077)		82
Acquisitions					
Capital costs of acquisitions	2	(941)		(18)	
Cash acquired with subsidiary undertaking		-		4	
Net cash outflow for acquisitions			(941)		(14)
Equity dividends paid			(84)		(83)
Net cash outflow before management of liquid resources and financing	21		(6,517)		(1,433)
Financing					
Shares issued net of expenses		-		13,934	
Net cash inflow from financing			-		13,934
(Decrease)/increase in cash in the year	22		(6,517)		12,501

Notes to the accounts

Year ended
31 March 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention
The financial statements are prepared under the historical cost convention. The company has adopted a new financial reporting standard FRS19 (deferred tax) for the first time in 2002. The related accounting policy is set out below under deferred taxation.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Acquisitions and disposals
On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

The profit or loss on the disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged to the profit and loss account.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

Goodwill and Intangible Fixed Assets
For acquisitions of a business, including an interest in an associated undertaking purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 10 years. The directors regard 10 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period

Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets. Capitalised purchased goodwill relating to associates is included within the carrying value of the associate.

Tangible Fixed Assets
Depreciation is not provided on freehold land. On other assets it is provided to write off the cost or revalued amounts less estimated residual value (based on prices prevailing at the date of acquisition or revaluation) in equal annual instalments over the estimated useful economic lives of the assets. The estimated useful economic lives are as follows:

Short leasehold property	Period of lease
Leased assets	The shorter of the term of the lease and the useful economic life of the asset
Plant and machinery	3 years
Fixtures, fittings and equipment	4 years
Motor vehicles	4 years

Investments
Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks
Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises the purchase cost of materials. Net realisable value is based on estimated selling prices less all relevant marketing, selling and distribution costs.

Deferred Taxation
Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign Exchange
Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases
Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Pensions
Pension contributions represent payments to defined contribution schemes, the assets of which are held separately from those of the Group. Payments made are charged to the profit and loss account in the period to which they relate.

Research and Development
Research and development expenditure is charged to the profit and loss account as incurred.

Financial Instruments
Derivative instruments are not used by the Group. The Group does not enter into speculative derivative contracts.

Notes to the accounts
Year ended
31 March 2002

2. ACQUISITIONS AND GOODWILL

On 8 June 2001 Business Systems Group Limited acquired the Experience Design business of Atomic Tangerine Inc. The acquisition has been accounted for using the acquisition method of accounting. The consideration of £941,000 was met entirely by cash. Under the agreement, additional deferred consideration of up to £5,750,000 could have been payable. However, the performance criteria have not been met and no deferred consideration is payable.

The results of the acquisition for periods prior to the date of acquisition are not available to the Group.

The following table summarises the major categories of assets and liabilities acquired, the fair value of which was equivalent to the book value

	£'000
Creditors and provisions	68
Consideration Cash	941
Goodwill	1,009

The profit and loss account for the year ended 31 March 2002 includes the following amounts relating to the acquisition:

Turnover £194,000, cost of sales £898,000, gross loss £704,000 and operating loss of £704,000.

3. ANALYSES OF TURNOVER, OPERATING (LOSS)/ PROFIT AND NET ASSETS

Analyses by class of business of: turnover, operating (loss)/profit and net assets are stated below.

	Turnover 2002 **£'000**	Turnover 2001 **£'000**	Operating Loss 2002 **£'000**	Operating (Loss)/Profit 2001 **£'000**	Net Assets/ (Liabilities) 2002 **£'000**	Net Assets/ (Liabilities) 2001 **£'000**
Class of business						
Full service provision of ebusiness solutions	23,573	37,133	(8,541)	589	14,510	22,609
ASP software and ebusiness services	651	574	(2,495)	(1,513)	(4,331)	(1,920)
	24,224	37,707	(11,036)	(924)	10,179	20,689

The activities of the Group are wholly undertaken in the United Kingdom

Notes to the accounts

Year ended
31 March 2002

4. EXCEPTIONAL ITEMS

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Listing and reorganisation expenses - Legal and professional fees	-	219
Restructuring	1,037	-
Impairment of intangible fixed assets	3,122	-

These costs have been included within administrative expenses.

Restructuring costs of £1,037,000 were incurred in the year. These related entirely to the costs of redundancies made during the year in reducing the cost base of the Group.

Intangible assets totalling £3,122,000 were written off in the year. The write off was the result of an impairment review of the assets on the books relating to the acquisitions of Webgenerics Ltd and the Experience Design business of Atomic Tangerine Inc:

- £2,113,000 was written off the goodwill of Webgenerics Ltd. This represented the goodwill allocated to products and services that are no longer being actively sold or developed. The remaining goodwill represents that allocated to products and services that are either profitable or continue to be actively developed.

- £1,009,000 was written off the goodwill of the Experience Design business of Atomic Tangerine Inc. This represents all the goodwill arising on this acquisition. The revenues from this business have failed to cover the running costs during the financial year and no business currently contracted is directly attributable to the intangible assets acquired.

5. OPERATING LOSS

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Operating loss is after charging/(crediting):		
Amortisation of intangible fixed assets	166	330
Depreciation of tangible fixed assets:		
Owned	739	481
Leased	3	26
Operating lease rentals in respect of land and buildings	930	500
Auditors' remuneration		
Group audit fees	45	45
Company audit fees	15	15
Other services	12	78
Loss/(profit) on disposal of fixed assets	9	(36)
Rents receivable	(278)	(288)

6. DIRECTORS AND EMPLOYEES

6(a) DIRECTORS' REMUNERATION

	Fees 2002 £'000	Basic Salaries 2002 £'000	Pension Contributions 2002 £'000	Benefits in Kind 2002 £'000	Total 2002 £'000	Total 2001 £'000
Executive Directors						
N Gerard	-	160	-	1	161	150
M Atkinson (resigned)	-	58	3	1	62	120
N Wilding	-	75	4	2	81	80
J Wheaton	-	58	3	1	62	-
Non Executive Directors						
G Procter	30	-	-	-	30	24
R Brasher	20	-	-	-	20	16
M Coleman	-	-	-	-	-	-
	50	351	10	5	416	390

The directors' beneficial interests in the ordinary shares of the Company at 31 March 2002 and at 1 April 2001 were:

		2002 Number	2001 Number
N Gerard	- Ordinary Shares*	48,322,643	48,322,643
M Atkinson	- Ordinary Shares	-	358,329
N Wilding	- Ordinary Shares	265,016	265,016
J Wheaton	- Ordinary Shares	200,000	-

*Of the total holding:

- 35,000,000 shares are registered in the joint names of M Coleman and N Gerard as trustees of the N Gerard Life Interest Trust of 3 July 2000, the principal beneficiary of which is N Gerard.

- 1,652,334 are held on trust for N Harper.

Those shares held by N Wilding were issued under the 2000 Executive Share Scheme. The rules of this scheme provide that if the Senior Executive ceases to be employed by, or act as an officer, of the Group during a three year period commencing on the date that the Ordinary Shares were issued, the Ordinary Shares must be offered for sale to the ESOP at a price equal to the price payable on acquisition. The rules further provide that if after the end of the three year period the Senior Executive wishes to sell the Ordinary Shares then he must first offer such Ordinary Shares for sale to the ESOP. If the ESOP elects to accept such offer then the price per Ordinary Share will be the lesser of market value and the Cap (in this instance set at twice the listing price of the shares plus the subscription price).

The invitation to acquire shares is subject to performance conditions being achieved. These conditions require that the increase in the Company's earnings per share exceeds the Retail Price Index by 10% over a period of three years from the date the award was granted. If such conditions have not been satisfied by the end of the three year period, then all of the Ordinary Shares shall convert into deferred shares of 5p each. Deferred Shares carry no rights to vote nor to receive a dividend and on a return of capital the holder is only entitled to the subscription price paid on such Deferred Shares.

This scheme is no longer in operation and all future awards of shares will be made under the Group Staff Share Scheme.

Those shares held by J Wheaton were issued under the 2000 Staff Share Scheme details of which can be found in note 6(b). There are no performance conditions attached.

Notes to the accounts
Year ended
31 March 2002

6(b) INFORMATION REGARDING EMPLOYEES

	Year ended 31 March 2002	Year ended 31 March 2001
Number of employees	**No.**	**No.**
The average number of persons employed by the Group in the year was:		
Sales and administration	223	231
Staff costs incurred during the year in respect of these employees were:	**£'000**	**£'000**
Wages and salaries	8,951	8,543
Social security costs	968	930
Other pension costs	298	209
	10,217	9,682

The Company operates a share scheme for the benefit of all employees in the Group under which shares are awarded annually to employees. The rules of this scheme provide that if an employee ceases to be employed by, or act as an officer, of the Group during the three year period commencing on the date that the Ordinary Shares were issued, the Ordinary Shares must be offered for sale to the ESOP at a price equal to the price payable on acquisition. The rules further provide that if after the end of the three year period the employee wishes to sell the Ordinary Shares then he must first offer such Ordinary Shares for sale to the ESOP. If the ESOP elects to accept such offer then the price paid per Ordinary Share will be equal to market value. The invitation to acquire shares may be subject to performance conditions being achieved. Such conditions must be objective and relate to the three year period after the Ordinary Shares are acquired. If such conditions have been prescribed and by the end of the three year period they have not been satisfied, then all or a proportion of the Ordinary Shares will convert into deferred shares of 5p each. Deferred Shares carry no rights to vote nor to receive a dividend and on a return of capital the holder is only entitled to the subscription price paid on such Deferred Shares. No performance conditions attach to any of the shares currently held by employees.

During the year a number of employees ceased employment and the Ordinary shares they held under the employee share scheme were sold to the ESOP. There is a concern that this might give rise to a tax liability of £235,000. This has been included within the staff costs set out above. Given the current share price the directors are reviewing the merits of the existing employee share scheme and are considering a number of alternatives. Any new arrangement may also assist in reducing any future tax liability which could arise from the sale of shares to the ESOP by the employees on their ceasing to be employed by the company.

As at 31 March 2002, 3,269,715 shares were held by staff members (2001: 4,003,710).

Notes to the accounts
Year ended
31 March 2002

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Bank interest	526	776

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
United Kingdom corporation tax at 30% (2001 - 30%) based on the loss for the year	-	125

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous financial period varies from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Loss on ordinary activities before tax	(10,510)	(148)
Tax on loss on ordinary activities at standard rate	3,153	44
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	(1,216)	(66)
Movement on deferred tax not recognised	(2,141)	(46)
Consolidation adjustments	204	(57)
Tax charge	-	(125)

The impact of adopting FRS19 on the 2002 results is £nil. No restatement of the tax on loss on ordinary activities for 2001 is required as a result of the adoption of FRS19.

9. PROFIT OF PARENT COMPANY

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year amounted to £2,478,000 (2001: profit £364,000).

10. DIVIDENDS

	Year ended 31 March 2002 £'000	Year ended 31 March 2001 £'000
Ordinary interim paid (0p per share) (2001: 0.1p)	-	83
Ordinary final proposed (0p per share) (2001: 0.1p)	-	84
	-	167

Notes to the accounts
Year ended
31 March 2002

11. LOSS PER ORDINARY SHARE

Basic loss 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 schemes 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.

	Year ended 31 March 2002	Year ended 31 March 2001
Weighted average number of ordinary shares ('000)	81,847	72,953
Basic and fully diluted loss per share	(12.84)p	(0.37)p

12. INTANGIBLE FIXED ASSETS

Group	Goodwill **£'000**
Cost:	
At 1 April 2001	3,956
Additions	1,009
At 31 March 2002	4,965
Amortisation:	
At 1 April 2001	330
Charge for the year	166
Exceptional impairment	3,122
At 31 March 2002	3,618
Net book value:	
At 31 March 2002	1,347
At 31 March 2001	3,626

Notes to the accounts
Year ended
31 March 2002

13. TANGIBLE FIXED ASSETS

Group	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 April 2001	2,367	1,334	99	3,800
Additions	496	611	-	1,107
Disposals	(67)	-	(53)	(120)
At 31 March 2002	2,796	1,945	46	4,787
Depreciation:				
At 1 April 2001	1,432	960	61	2,453
On disposals	(24)	-	(53)	(77)
Charge for the year	552	178	12	742
At 31 March 2002	1,960	1,138	20	3,118
Net book value				
At 31 March 2002	836	807	26	1,669
At 31 March 2001	935	374	38	1,347

The net book value of fixed assets includes nothing (2001 - £3,000) in respect of motor vehicles held under finance leases or hire purchase contracts.

Company	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:			
At 1 April 2001	-	-	-
Additions	65	70	135
Disposals	-	(3)	(3)
At 31 March 2002	65	67	132
Depreciation:			
At 1 April 2001	-	-	-
On disposals	-	1	1
Charge for the year	(3)	(15)	(18)
At 31 March 2002	(3)	(14)	(17)
Net book value			
At 31 March 2002	62	53	115
At 31 March 2001	-	-	-

Notes to the accounts
Year ended
31 March 2002

14. FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings **£'000**
Cost	
At 1 April 2001 and at 31 March 2002	4,613
Diminution:	
At 1 April 2001	-
Charge in the year	2,962
At 31 March 2002	2,962
Net book value:	
At 31 March 2002	1,651
At 31 March 2001	4,613

The Company's subsidiaries and their principal activities are as follows:

Business Systems Group Limited -Provision of full service ebusiness solutions

Webgenerics Limited - Provision of ASP software and ebusiness services

The ordinary share capital and voting rights of all subsidiaries are wholly owned by Business Systems Group Holdings plc. All subsidiaries are incorporated in Great Britain and registered in England and Wales.

15. STOCKS

Group	2002 **£'000**	2001 **£'000**
Finished goods and goods for resale	137	217

16. DEBTORS

	Group 2002 **£'000**	Group 2001 **£'000**	Company 2002 **£'000**	Company 2001 **£'000**
Trade debtors	4,228	6,788	6	6
Amounts owed by group undertakings	-	-	7,921	740
Other debtors	-	87	18	-
Prepayments and accrued income	552	365	52	83
	4,780	7,240	7,997	829

Notes to the accounts
Year ended
31 March 2002

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Bank overdraft	-	-	47	-
Trade creditors	3,796	4,040	31	18
Amounts owed to group undertakings	-	-	-	162
Corporation tax	71	224	-	86
Other taxation and social security	654	863	73	42
Other creditors	30	33	1	5
Accruals and deferred income	2,209	2,020	15	15
Proposed dividend	-	84	-	84
	6,760	7,264	167	412

18. DEFERRED TAX

Group	Provided 2002 £'000	Provided 2001 £'000	Unprovided 2002 £'000	Unprovided 2001 £'000
Capital allowances in excess of depreciation	5	143	(95)	(91)
Losses	(5)	(143)	(2,595)	(100)
	-	-	(2,690)	(191)

A deferred tax asset has not been recognised in respect of timing differences relating to depreciation in excess of capital allowances claimed and losses carried forward as there is insufficient evidence that the asset will be recovered.

19. CALLED UP SHARE CAPITAL

	2002 Number	2002 £'000	2001 Number	2001 £'000
Authorised:				
Ordinary Shares of 5p each	104,000,000	5,200	104,000,000	5,200
Called up, allotted and fully paid:				
Ordinary Shares of 5p each	84,182,965	4,209	84,182,965	4,209

Notes to the accounts
Year ended
31 March 2002

20. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating loss	(11,036)	(924)
Depreciation of tangible assets	742	507
Amortisation of intangible assets	3,288	330
Loss/(profit) on disposal of tangible assets	9	(36)
Decrease in stocks	80	209
Decrease/(increase) in debtors	2,441	(928)
Decrease in creditors within one year	(334)	(1,086)
Net cash outflow from operating activities	(4,810)	(1,928)

21. ANALYSIS OF NET FUNDS

	At 1 April 2001 £'000	Cash flows £'000	At 31 March 2002 £'000
Cash at bank and in hand	14,928	(6,517)	8,411
Net funds	14,928	(6,517)	8,411

22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £'000	2001 £'000
(Decrease)/increase in cash in the year	(6,517)	12,501
Change in net funds resulting from cash flows	(6,517)	12,501
Movement in net funds in the year	(6,517)	12,501
Opening net funds	14,928	2,427
Closing net funds	8,411	14,928

Notes to the accounts
Year ended
31 March 2002

23. FINANCIAL COMMITMENTS

At 31 March 2002 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 31 March 2002 £'000	Land and buildings 31 March 2001 £'000	Other 31 March 2002 £'000	Other 31 March 2001 £'000
Expiry date:				
Between one and five years	-	500	-	10
Between two and five years	-	-	-	-
After five years	930	-	-	-

24. CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Contracted for but not provided	250	99

25. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemptions granted under paragraph 3 of FRS8 Related Party Disclosures and has not made disclosure of transactions with other group companies.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of BUSINESS SYSTEMS GROUP HOLDINGS PLC ("the Company") for 2002 will be held at BSG House, 226-236 City Road, London EC1V 2TT on 31 July 2002 commencing at 10 a.m. for the following purposes:-

1. To receive the accounts of the Company for the year ended 31 March 2002 and the reports of the Directors and auditors in respect of those accounts.
2. To re-appoint James Wheaton who retires from office under Regulation 81 of the Company's Articles of Association and, being eligible, offers himself for re-appointment as a Director.
3. To re-appoint Richard Brasher who retires from office by rotation under Regulation 83 of the Company's Articles of Association and, being eligible, offers himself for re-appointment as a Director.
4. To re-appoint Deloitte & Touche as auditors of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts and reports are laid before members and to authorise the Directors to fix their remuneration.

To consider and, if thought fit, pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:-

5. That, the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") and in accordance with Article 5 of the Articles of Association of the Company to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal value of £990,852 (being approximately 24% of the Company's issued ordinary share capital as at 14 June 2002 (which represents the whole of the Company's unissued share capital at that date)) for a period expiring at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the date of passing of this resolution unless previously renewed, varied or revoked, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement as if this power had not expired.

6. That, subject to the passing of resolution 5 above, the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 (“the Act”) to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 5 above and in accordance with Article 6 of the Articles of Association of the Company as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment:-

   (i) of equity securities in connection with a rights issue to or in favour of existing holders of ordinary shares where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them, but the Directors may make such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in connection with any such offer; and

   (ii) of equity securities (other than pursuant to sub-paragraph (i) above) up to an aggregate nominal value of £210,457, being 5% of the Company's issued ordinary share capital on 14 June 2002.

   This authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the date of passing of this resolution (unless previously renewed, varied or revoked), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that this power has expired.

7. That the Articles of Association of the Company be and are hereby altered by the deletion in Article 41.2.3 of the wording from the word "provided" to the word "from" and the insertion in its place of the words" which shall be as soon as reasonably practicable".

By Order of the Board

Caroline Bishop
Secretary

BSG House
226-236 City Road
London
EC1V 2TT
14 June 2002

Notice of Meeting

Notes

(1) A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and, on a poll, to vote on his/her behalf at the meeting. A proxy need not be a member of the Company. To be valid, a form of proxy together with a power of attorney, or other written authority (if any) under which it is signed, or an office copy or a certified copy thereof, must be deposited with the Company's Registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form will not preclude members entitled to attend and vote at the meeting (or at any adjournment of the meeting) from doing so in person if they so wish.

(2) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those persons registered on the register of members of the Company as at 10am on 29 July 2002 shall be entitled to attend or vote at the annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 10am on 29 July 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

BUSINESS SYSTEMS GROUP HOLDINGS PLC
("the Company")

FORM OF PROXY
for use in relation to the Annual General Meeting 2002

I/We ....
(block capitals please)

of ....

being a member/members of the Company hereby appoint the Chairman of the meeting or

.... (see Note 1)

as my/our proxy and to attend and, on a poll, to vote on my/our behalf as indicated below at the Annual General Meeting of the Company commencing at 10 am on 31 July 2002 at BSG House, 226-236 City Road, London EC1V 2TT and at any adjournment thereof:-

RESOLUTIONS	FOR	AGAINST
1. To receive the accounts of the Company for the year ended 31 March 2002 and the Directors' and auditors' reports thereon		
2. To reappoint James Wheaton as a Director		
3. To reappoint Richard Brasher as a Director #		
4. To reappoint Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration		
5. To grant the Directors authority to allot shares		
6. To disapply the statutory pre-emption rights		
7. To alter the Articles of Association		

member of the audit, remuneration and nomination committees

Dated this day of 2002

Signature (s) ………………………………………………

Notes

1. You are entitled to appoint a proxy or proxies of your choice. A proxy need not be a member of the Company. If you wish to appoint such a person, please delete the words "the Chairman of the meeting or", initial the alteration and PRINT the name of the person you wish to appoint in the box provided.

2. Please indicate with an "X" in the box provided how you wish your vote to be cast on a poll in respect of each of the Resolutions set out above otherwise, the proxy will vote or abstain at his/her discretion.

3. To be valid, this form together with a power of attorney, or other written authority (if any) under which it is signed, or an office copy or a certified copy thereof, must be deposited with the Company's Registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting. Completion and return of this form will not preclude members entitled to attend and vote at the meeting (or at any adjournment of the meeting) from doing so in person if they so wish.

4. Where the member is a corporation, this form must be executed under its common seal or under the hand of a duly authorised agent or other officer.

5. In the case of joint holders, only one need sign this form, but the name(s) of the other joint holder(s) should be shown. The vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s). Seniority will be determined by the order in which the names of the holders appear in the Register of Members in respect of the joint holding.

THIRD FOLD AND TUCK

BUSINESS REPLY SERVICE
Licence No. MB 122

CAPITA IRG plc (proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

SECOND FOLD

Officers and professional advisers

DIRECTORS
G Procter (Non-Exectutive Chairman)
N Gerard
M Atkinson (resigned 3/09/01)
N Wilding
R Brasher (Non-Executive)
M Coleman (Non-Executive) (resigned 14/06/02)
J Wheaton (appointed 3/09/01)

SECRETARY
C Bishop

REGISTERED OFFICE
BSG House
226-236 City Road
London EC1V 2TT

BANKERS
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50 Pall Mall
London
SW1A 1QB

SOLICITORS
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AUDITORS
Deloitte & Touche
Chartered Accountants
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