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Business Systems Group Holdings plc

Report and Financial Statements
Year ended 31 March 2003



Contents

1	Chairman's statement
2	Operating review: BSG Services
3	Operating review: BSG Solutions
4	Operating review: Design Deploy Operate
6	Financial review
8	Directors' report
11	Corporate governance
14	Directors' remuneration report
17	Statement of directors' responsibilities
18	Independent Auditors' report
19	Consolidated profit and loss account
20	Combined statement of movements in shareholders' funds and statement of movements on reserves
21	Balance sheets
22	Consolidated cash flow statement
23	Notes to the accounts
34	Appendix A
36	Notice of meeting
39	Form of proxy
41	Officers and professional advisers

Chairman's Statement

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

Summary of results

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

Current trading and outlook

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

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

Geoffrey Procter
Chairman

Design, Deploy,
Operate.



Operating Review Services

As we have all witnessed, the last twelve months have seen a great deal of political and economic uncertainty, which has been felt across the entire business community.

As a result, businesses have seen the need to conserve cash by cutting costs and deferring projects which require any large degree of capital investment. It has been noted for example, that traditional IT investment such as desktop upgrades (which have historically occurred within a three year cycle) are being postponed as firms try to ensure that they achieve the maximum return on their original investment.

This general drive to cut back on capital investment and increase returns from existing technologies has seen BSG's fulfilment revenues suffer, with a fall of 8% noted year on year. However, it is precisely these kind of economic conditions which allow the other areas of BSG to prosper as customers reconsider what role technology should play within their business and seek innovative solutions not only to gain increased efficiencies, but also increasingly to leverage technology in a way that enhances their own offering.

BSG Services has therefore derived considerable business helping clients in their drive to seek incremental benefits from existing and new technology, increasing its revenues by 42% in the period; this increase outweighing the fall in revenue from the traditional fulfilment business.

A reflection of this overall trend has been the continuing popularity of BSG's Business Efficiency seminars, which it runs in partnership with HP, Microsoft and Ovum. Through these, BSG helps clients design, deploy and operate a variety of IT infrastructures which are not only scalable but which dovetail into their overall strategy thus allowing the infrastructure to evolve in the same way as the business. In the same vein we continue to partner with our key clients to drive increased efficiency within their businesses. One of our key outsourcing clients, Mapeley, who has recently renewed their outsourcing contract with BSG for a further three years, are working closely with the Group to improve their network and gain significant efficiencies and cost savings from the use of cutting edge technologies. This they believe will not only help their internal operations but will also benefit their own client base.

Mobility has also been a key topic in the industry during the last year with increasing use of mobile and wireless technologies. Again working with HP, BSG has hosted and participated in a series of Mobility seminars, which have focussed clearly on how these new technologies can improve the return that clients derive from this type of capital investment.

Recognising the wider needs of our client base, BSG has continued to develop and evolve its managed hosting offering during 2002/3, increasing its data centre presence and, given the increased security needs of our clients, achieving BS7799 certification for its data centre operations. We continue to maintain partner accreditations with, amongst others, HP, Cisco, Microsoft, Oracle and IBM thus offering our clients, the high quality support which they have grown to expect from BSG.

It is clear, however, in the current market, that clients would like this kind of quality support at lower prices and only when they actually require it. In order to meet this need, the Group has seen the successful launch of its Technical Assurance Programme which allows a client to buy a number of "credits" which can then be "spent" in whatever way the client chooses whenever a need arises. This economical way of purchasing IT support has been welcomed by a number of customers and it is the Group's intention to develop this further in order to offer clients a more flexible support option.

As economic conditions show no sign of improving in the short term, BSG will continue to keep abreast of new technologies and augment its own skill base in order to allow our clients to gain the most from technology and get a real return on their IT investment.

Operating Review Solutions



Design, Deploy,
Operate.

Despite poor market conditions in the areas of software development and consultancy, BSG Solutions doubled its revenues for the period in this sector, with a number of projects contributing to the improved performance.

In our experience, in light of the cautious market, those clients who do continue to invest in this area of technology are either completing relatively small projects or breaking down larger projects into smaller portions in order that they can be certain not only of their return on investment but that increasingly tight budgetary considerations are met before any further phases are completed.

BSG Solutions' unique delivery framework lends itself ideally to this mindset. Our multi-disciplined team generally deliver projects over a series of five distinct phases:- Initiate, Discover, Shape, Build and Evaluate - thus allowing our clients to re-evaluate the deliverables in terms of functionality, direction and budget at numerous points throughout the project lifecycle. All of these phases utilise the strong combination of analytical and development skills which are available within BSG to help the client ensure that any application development forms part of its wider strategy, thus allowing them to gain the maximum benefit from any investment.

In addition to this, all BSG Solutions' clients have the opportunity to benefit from working with BSG's usability specialists. Their skills help clients deliver highly intuitive user-centric applications, designed to improve the end-user experience and hence drive additional business to our clients through the applied use of technology.

The Group continues to work mainly in its chosen industry sectors, namely Financial Services, Publishing and Property. In Financial Services, work with Barclays plc commenced in January, whilst the Group also benefited from working with HSBC on some small pilot projects during the latter part of the year. The development work completed with the e-publishing company, Extenza, earned BSG a place as a finalist in the Global IBM Beacon Awards in the category for the "greatest innovation in ebusiness". We hope to work in partnership with Extenza over the coming year to improve the client offering and develop their proposition in line with their current strategic intent.

Increasingly, the Group is also seeing a requirement from its development clients, to take operational responsibility for the running of applications following completion of the development project. This not only means that BSG Solutions provides application support to the client against pre-defined service levels but also, with BSG's wide range of additional capabilities, it is able to gain contractual income from the hosting and operation of the application giving hardware and network support to the client at similarly pre-defined levels of service.

A JD Edwards (JDE) development practice has been set up within BSG allowing the firm to offer additional specific expertise relating to this technology platform. BSG already has its first JDE client and is looking to expand this capability in the coming year.

As part of its range of offerings, BSG continues to offer IT training to our clients. During the year, the Education team have successfully deployed a range of classroom techniques including bespoke virtual and online training facilities to ensure clients get best value from areas such as training where people traditionally cut back in an economic climate such as that being experienced currently.

BSG Solutions' skill set and methodologies are increasingly appropriate to a wide range of clients who derive additional value from an approach which combines analysis, development and operational capabilities, all of which are vital for business critical applications in an ever-demanding environment.



Operating Review Design, Deploy, Operate

For a number of years now, BSG has been able to deliver the full range of services required throughout the technology life cycle, adding value for its clients wherever it can be involved in the delivery of their technology.

In short, BSG can design, deploy and operate a wide range of IT solutions. From innovative networking solutions, through to online sales tools, IT training solutions, IT support activities and traditional infrastructure supply.

Increasingly we see clients preferring where possible to engage with one technology vendor - a vendor who can act as advisor, technician and operations manager; a vendor who will add value to the client proposition by deploying technology in a way that will deliver additional business benefits.

BSG aims to work in partnership with all its customers and because we can deal with all aspects of the increasingly complex and more technology-driven environment within which we all operate, our clients are able to concentrate on their core strengths and skills needed to drive their business forward. Through our wide range of skills, we can then ensure that technology gives the customer exactly what it requires, be it a solid operational backbone, an extra competitive edge, or indeed a new USP for its own business. By collaborating with our clients, we can offer innovative solutions throughout the technology cycle.

On these pages you will see how we have worked with a number of our clients over the past year to design, deploy and operate their technology solutions. You will see the value that BSG has added at each stage of the cycle and how we continue to work in partnership with our clients to give them the best return for their investment in new technology.



Extenza (www.extenza-eps.com) - Extenza is a division of Royal Swets and Zeitlinger, a global publishing, subscriptions management and information services organisation. Extenza e-Publishing Services provides a platform for the publication of electronic journal based content for publishers.

Design - The Extenza solution needed to provide a select range of distinctive value added online services whilst focusing on the quality of delivery and a compelling user experience. BSG carried out the detailed design, analysis and application development required to create the final solution using the J2EE environment.

Deploy - BSG deployed the Extenza solution by using a combination of IBM technologies including P-Series hardware, Websphere application server, DB2 database and Edge server. The technologies used have ensured the solution is open, scalable and extensible.

Operate - BSG hosts and supports the Extenza solution within its secure data centre environment. A Service Level Agreement ensures agreed service levels are met for every aspect of the Extenza solution.

BSG was recognised for its work with Extenza by being short listed for IBM's global "Greatest Innovation in E-Business Award".

"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



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.

Design - To create a flexible, scalable and more efficient working environment for Mapeley, BSG designed a wireless Local Area Network (WLAN) solution that enabled "hot desking" within the Mapeley offices and a Wide Area Network (WAN) that facilitates file sharing and single sign in across key Mapeley sites and from home.

Deploy - BSG deployed the Mapeley WLAN using a Cisco Wireless solution that included an HP wireless printing environment. The physical transfer of Mapeley's core back-office systems into BSG's datacentre environment, whilst Mapeley carried on their 24x7 business, required the highest levels of project management and technical skills.

Operate - BSG is Mapeley's IT department. An expert helpdesk and technical support team operates the WAN and provides 24x7 technical infrastructure support for Mapeley's UK Head Office (at Euston Tower in London), four regional Headquarters and twenty Customer Services Offices around the country.

"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
IT Director, Mapeley



Marie Curie Cancer Care (www.mariecurie.org.uk) is the largest comprehensive cancer charity in the UK. It has 10 hospices and employs over 2500 nurses across the UK.

Design - MCCC needed to find a cost effective solution for increasing the efficiency of the training it provides to its staff, and to overcome the logistical difficulties of delivering training to such a geographically dispersed workforce. BSG designed the Online Learning Bank and the Virtual Classroom Training Programme to enable MCCC staff to book and participate in IT Training courses from any location.

Deploy - BSG deployed the MCCC Online Learning Bank, using its dotEnabler eBusiness application, which enables MCCC staff to identify the date, location and number of places available on a wide range of courses provided by BSG. It also allows managers to authorise the courses and obtain real time reports that enable them to instantly assess their staff training needs.

Operate - dotEnabler is an application fully managed and hosted by BSG in its secure data centre environment, requiring no additional resource from MCCC's IT staff to operate. BSG's Education department operate the Online Learning Bank and the Virtual Classroom Training Programme; adding course information, updating schedules, providing support for users and enabling users based at different locations to log onto a live instructor led course from any PC connected to the Internet.

"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

Financial Review

Results

Group

The Group recorded increased revenues of £26.5m, up 9% when compared with the previous twelve months. Gross margin for the Group of 20% (2002: 6%) recovered significantly from the previous year. Keys to the improvement were higher utilisation in the consulting business in BSG Limited and the move of Webgenerics Limited into profit in the second half of the year.

Group operating expenses before goodwill, exceptional items and interest fell by £2.4m to £6.1m compared with the previous twelve months of £8.5m. This was due to continued cost cutting across the businesses.

BSG Limited

The market for BSG remained very tight for the entire year. As a result, revenues remained similar to those achieved in the prior year. The company continued to trade at cash breakeven for the year, having been managed back to that point in March 2002. Revenues increased by 1% to £23.9m (2002: £23.6m), however gross profits rose significantly to £4.7m (2002: £1.8m) producing a reduced net loss before interest, taxation and exceptionals of £0.4m (2002: loss £4.4m). All parts of the business delivered improved results compared to the prior year. Market demand in the consulting industry has remained very low, however the team won sufficient business to double revenues of that division compared to the prior year. As a result of low demand headcount in the consulting business has remained at the same level since May 2002. Gross margins held firm in the services and product divisions, but underlying demand in the latter has remained weak. Costs have continued to be managed tightly and capital expenditure has been minimised.

Webgenerics Limited

Webgenerics completed development of its family of Internet software tools in October. Since that time its development team has been switched to revenue generating projects for customers. In the five months to the year end this team generated almost £400k for software development activity. As a result of this and the success of the Hosting Services offer, Webgenerics recorded revenues of £2.6m (2002: £0.8m) for the year and reduced pre-tax losses to £0.1m (2002: loss £2.4m). In the second half of the year Webgenerics made a small profit and generated free cash inflow for the full year.

Exceptional Costs

The Group has refurbished two floors at its premises in central London. These floors are currently for let and are being marketed. However the market for such property in London is extremely depressed and will probably take some time to recover. As a result it is unlikely that tenants will be found for this space in the near future. Consequently, the Group has taken a charge of £1.0m to cover the cost of the unused space.

In light of the continued depressed state of the IT market, the management performed an impairment review of all remaining 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 against the remaining goodwill attributable to Webgenerics Limited. This balance of £1.2m represented the unamortised goodwill allocated to products that had been developed over the last 3 years. In the light of the Group's experience selling these products over the last year, there is no reasonable prospect of material cash inflows from these products in the current market.

BSG Holdings plc has a loan outstanding to the Group's Employee Benefit Trust (EBT). The market price of the Group's shares is now significantly below the cost to the EBT. As a result the Group is providing £0.4m against the carrying value of own shares to bring the investment to market value.

Taxation

The Group's statutory rate of taxation is 30% (2002:30%). The Group has not incurred any taxation in the year due to the losses incurred and losses available for relief.

Dividends

The Group has not paid an interim dividend (2002: nil) and does not propose to pay a final dividend (2002: nil).

Financial Review

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 flotation.

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

The Group maintained the cash breakeven level reached in March 2002 at a trading level. However refurbishing the two floors for let in the Group's premises and an increase in working capital, both at the start of the year, consumed cash. The net result was a cash outflow in the first half of the year of £1.1m, but a net inflow of £0.3m in the second half as the trading performance was better reflected in the cashflows of the Group.

Although the market remains uncertain, the Group generated cash in the second half of the year and has sufficient cash resources for all its immediate and medium term requirements.

As at 31 March 2003 the Group's cash balances stood at £7.6m, having risen from £7.3m at the interim.

James Wheaton

Finance Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The Group is an integrated information technology practice offering business solutions, products and services throughout the entire technology lifecycle.

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 to 7.

DIVIDENDS

The Board does not recommend a final dividend nor was a dividend paid at the half year (2002: nil).

RESEARCH AND DEVELOPMENT

The Group completed its programme of research and development in the areas of ASP software and ebusiness services in October 2002. The costs of this activity during the year amounted to £266k (2002: £603k).

DIRECTORS AND THEIR INTERESTS

The directors of the Company are shown inside the back cover of this report. N Gerard, R Brasher, N Wilding, J Wheaton and G Procter served as directors throughout the year. M Coleman served as a non-executive director until 14 June 2002, when he retired from office, and was not replaced. N Wilding resigned on 28 March 2003 and was not replaced. G Procter resigned on 19 June 2003 with effect from 30 June 2003. He will be replaced as Chairman by R Keenan on 1 July 2003. 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. Mr Keenan will be a member of the audit and remuneration committees. In accordance with the Company's Articles of Association, Mr Gerard retires by rotation and, being eligible, offers himself for re-election at the AGM. Details of directors' service contracts with the Company are given in the Directors' Remuneration Report.

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

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

At 19 June 2003, 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	46,670,309	55.44
P Buckingham	8,373,241	9.95

DONATIONS

The Group made charitable donations of £800 during the year (2002: £710). It made no political donations (2002: 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. Shareholder approval for a new, more tax-efficient, Enterprise Management Incentive Plan to replace the existing arrangements is being sought at the forthcoming Annual General Meeting.

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 2003 were 27 (2002: 33) 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.

Directors' Report

AUDITORS

On 1 August 2003, Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. However, at present they remain the company's auditors and have signed the accounts in that capacity. The company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003. Accordingly, although the accounts have been signed in the name of Deloitte & Touche, a resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

Below is an explanation of the background to Resolutions 2, 6, 7, 8, 9 and 10 set out in the Notice of Annual General Meeting on pages 36-38.

Resolution 2 refers to the Directors' Remuneration Report. Under the new Directors' Remuneration Report Regulations 2002, listed companies are required to submit their Directors' Remuneration Report for shareholder approval at each annual general meeting.

The directors consider that executive remuneration plays an important role in supporting the Company's performance and therefore, in compliance with the new regulations, members are invited to approve the Directors' Remuneration Report.

The Directors' Remuneration Report is set out on pages 14 to 16.

The Notice of the Meeting includes five items of special business.

- Resolution 6 is an ordinary resolution which seeks to renew the directors' authority to allot unissued share capital up to an aggregate nominal amount of £990,852 (representing all of the unissued and 24% of the issued ordinary share capital of the Company at the date of this report).
- Resolution 7 is an ordinary resolution seeking to approve a new Enterprise Management Incentive Plan for the Company. As detailed in note 6(b) of the March 2002 Annual Report and Accounts, a restructuring of the existing Executive and Staff Share Schemes (adopted at the time of the Company's flotation in 2000) was anticipated given the concerns relating to a potential tax liability for those employees who had left the scheme at that date. For this reason,

in addition to the fact that both schemes have ceased to provide any incentive to those executives and employees who participate in them, all participants have recently surrendered their awards.

The Board considers that whilst both these factors were outside the control of management and staff, it remains crucial to the future prosperity of the Company that all are properly incentivised and motivated going forward on a realistic basis. For this reason, it is proposed to replace the Executive and Staff Schemes with an Enterprise Management Incentive Plan under which options will be granted to all executives (with the exception of N Gerard) and employees. A summary of the proposed new Plan is contained in Appendix A.

- Resolution 8 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 amount of £210,457 (representing 5% of the issued ordinary share capital of the Company at the date of this report).
- Resolution 9 is a special resolution seeking to amend the articles of association to remove all reference to the former share schemes which will cease to exist for the reasons outlined above.
- Resolution 10 - The Political Parties, Elections and Referendums Act 2000 which came into force in 2001 provides that a company must not make any donation to any registered party or to any other EU political organisation or incur any EU political expenditure unless the donation or expenditure is approved by resolution of its shareholders. Political donations and expenditure are widely defined. Although the Company has no present intention of making such donations or incurring such expenditure, to avoid breaching the legislation inadvertently, resolution 10 seeks the approval of shareholders to do so in an amount not exceeding £10,000. The authority will expire on the conclusion of the next annual general meeting of the Company.

The directors consider that it is in the best interests of the Company that they should have the flexibility conferred by the authorities referred to in Resolutions 6 and 8 to make small issues of shares for cash as suitable opportunities arise, although save in relation to shares being issued under the Company's share option schemes, they have no present intention of exercising these authorities. Both of these authorities comply with the guidelines set by the various Investor Protection Committees and will expire at the conclusion of the next annual general meeting of the Company.

Directors' Report

Details of Directors

Nick Gerard (age 44), 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 Ltd.

Richard Brasher (age 42), Non Executive Director

Richard graduated in 1983 with a degree in Food Technology and joined Unilever Plc. Following periods in Finance and Marketing at Unilever, he joined Rank Hovis Mc Dougall plc in 1985 before moving to Tesco Stores Group plc in 1987. Richard became a Director of Fresh Food Buying in 1990 where he was responsible for convenience foods and Metro stores strategy. During 1995-6 he moved into retail operations before being appointed UK Marketing Director in 1996. Following his appointment in 2001, he is currently Commercial Director responsible for Tesco's Non-Food business. 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 39), 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 the London Business School. He joined the Group and was appointed to the Board in September 2001.

Roger Keenan (age 38), Non Executive Chairman

A graduate of Queen's University Belfast, where he gained a degree in Electrical and Electronic Engineering, Roger founded Eyretel Limited in 1991 at the age of 26. In April 2000, Eyretel (a systems supplier for complex CTI enabled recording systems) completed an IPO to obtain a full listing on the London Stock Exchange. Having built Eyretel into a £50m business with an established network of offices and partners around the world, Eyretel was sold to Witness Systems Inc in 2003. During his time at Eyretel, it was first in the Virgin FastTrack 100 with Roger's personal contribution recognized in 1999 by way of Ernst & Young's 'UK Technology & Communications Entrepreneur of the Year Award' and the Worldcom 'UK Young Business Achiever' award.

Roger also serves as a trustee for a charity, Community Network, which uses conferencing technology to improve social interaction for under-served sections of the community. In addition, Roger sits on the board of Amacis, a technology start up based in Belfast, as a non-executive Director. He was appointed to the Board with effect from 1 July 2003 and will be a member of the audit and remuneration committees.

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

C Bishop
Secretary

19 June 2003

Corporate Governance

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority and for which the Board is accountable to shareholders.

NARRATIVE STATEMENT

The Company has applied the Principles of Good Governance set out in Section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the principles have been applied is set out below and, in connection with directors' remuneration in the Directors' Remuneration Report.

DIRECTORS

The Company is controlled through the Board of directors which comprises two executive and two non-executive directors. Both 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 Operating Committees of the Group's two main divisions which operate as general executive management committees, the Audit Committee, the Remuneration Committee and a Nomination Committee. The 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 Nomination 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)	
J Wheaton	
N Wilding (resigned 28 March 2003)	
R Brasher (non-executive)	
Nomination Committee	2
G Procter (chair)	
R Brasher	
N Gerard	
J Wheaton	
Audit Committee	2
G Procter (chair)	
R Brasher	
Remuneration Committee	2
G Procter (chair)	
R Brasher	

DIRECTORS' REMUNERATION

The Remuneration Committee, under the chairmanship of the Group's Chairman 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 Directors' Remuneration Report is set out on pages 14-16 and includes details of directors' incentive payments and the related performance criteria.

Corporate Governance

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 eight meetings with analysts and institutional shareholders in the year ended 31 March 2003. 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 8 and 10, 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 17.

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 Financial Services 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.

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 Operating Committees review 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.

Corporate Governance

IT systems

The Group has established controls and procedures over the security of data held on computer systems and has put in place disaster recovery arrangements. These arrangements are tested and reviewed by the Group's Operating 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 2002 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 I of the Code, with the exception of D3.1; the audit committee consisted of two members from 14 June 2002 despite the Combined Code requirement for this committee to comprise three members. The Board has discussed the need for additional non-executive members but given that the Board is a "small" Board in the context of the code, it was decided that two members would suffice.

Directors' Remuneration Report

INTRODUCTION

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

REMUNERATION COMMITTEE

The Committee consists solely of the two non-executive directors. 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 2003. Mr Wheaton was awarded an increase in salary of £25k with effect from 1 April 2003. No other salary increases were awarded. The split between salary and pension contributions for Mr Gerard was amended for the year allowing Mr Gerard to contribute more to his pension scheme. There was no change to his overall remuneration package. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

ANNUAL BONUS PAYMENTS

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters the Committee refers to the objective research on comparator groups of companies as noted above. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is total shareholder return. There were no incentive payments for the year ended 31 March 2003 given the trading performance of the Group.

AWARDS UNDER THE EMPLOYEE SHARE SCHEMES

Given the anticipated restructuring of the Company's share schemes, as at 19 June 2003 no shares are held by any of the directors under the Employee Share Schemes.

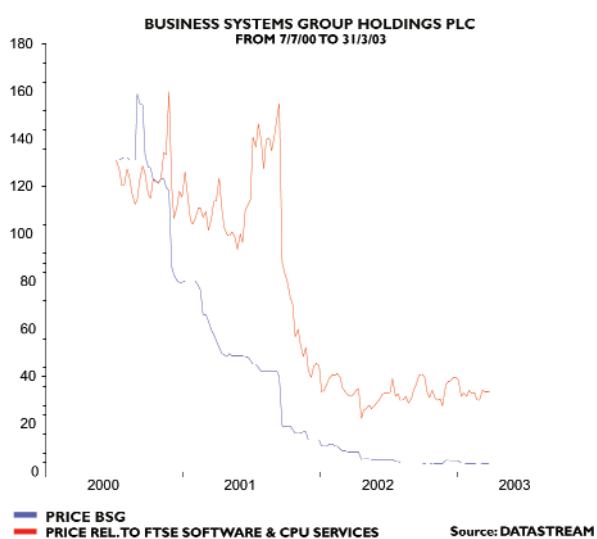
Directors' Remuneration Report

DIRECTORS' PENSION ARRANGEMENTS

Executive directors are eligible to become 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. It was agreed that for the year ended 31 March 2003 a greater percentage of Mr Gerard's salary could be paid into his pension scheme although there was no increase in the overall remuneration package paid to him. There are no unfunded pension promises or similar arrangements for directors.

PERFORMANCE GRAPH

BSG shares are quoted in the FTSE's Software and Computer Services sector. As a result the performance of the Group's shares are shown in the graph below in comparison to the sector's index. The Board consider this comparison as the best way to assess shareholder return performance. This comparison is taken from the date of BSG's initial listing on 7 July 2000.



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. Mr Gerard is due to retire by rotation and offers himself for re-election.

NON-EXECUTIVE DIRECTORS

All non-executive directors have service contracts for a fixed one year term. The Board has taken a recent decision to renew Mr Brasher's contract for a further term of one year until 8 June 2004. Mr Procter's contract will terminate on 30 June 2003. Mr Keenan's contract will be for a fixed term of one year from 1 July 2003. In accordance with the Company's Articles of Association, Mr Keenan will retire at the AGM and, being eligible offer himself for re-election. All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set out in 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. Mr Keenan will not receive a salary but will be granted a number of options under the new employee share scheme. Non-executive directors are not eligible to join the Company's pension scheme.

Directors' Remuneration Report

AUDITED INFORMATION

AGGREGATE DIRECTORS' REMUNERATION

	2003 £'000	2002 £'000
Emoluments	377	406
Money purchase pension schemes	23	10
	400	416

DIRECTORS' EMOLUMENTS

	Fees 2003 £'000	Basic Salaries 2003 £'000	Benefits in Kind 2003 £'000	Total 2003 £'000	Total 2002 £'000
Executive Directors					
N Gerard	-	147	1	148	161
M Atkinson (resigned)	-	-	-	-	59
N Wilding (resigned)	-	74	3	77	77
J Wheaton	-	100	2	102	59
Non Executive Directors					
G Procter (resigned)	30	-	-	30	30
R Brasher	20	-	-	20	20
M Coleman (resigned)	-	-	-	-	-
	50	321	6	377	406

DIRECTORS' PENSION ENTITLEMENTS

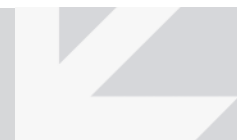
During the year, three (2002: three) directors were members of money purchase schemes. Contributions paid by the Company in respect of such directors were as follows:

	Total 2003 £'000	Total 2002 £'000
Executive Directors		
N Gerard	14	-
M Atkinson (resigned)	-	3
N Wilding (resigned)	4	4
J Wheaton	5	3
	23	10

APPROVAL

This report was approved by the Board of directors on 19 June 2003 and signed on its behalf.
By order of the Board

C Bishop
Secretary
19 June 2003



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; and
- state whether applicable accounting standards have been followed;

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 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 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the combined statement of movements in shareholders' funds and statement of movements on reserves and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been 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 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 Listing Rules of the Financial Services 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 including the unaudited part of the directors' remuneration report 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 and the part of the directors' remuneration report described as having been audited. 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 and the part of the directors' remuneration report described as having been audited 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 and the part of the directors' remuneration report described as having been audited.

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 2003 and of the loss of the group for the year then ended; and the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

19 June 2003

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 responsibility 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 2003

	Note	Year ended 31 March 2003 Before exceptional items £'000	Year ended 31 March 2003 Exceptional items (note 3) £'000	Year ended 31 March 2003 Total £'000	Year ended 31 March 2002 Total £'000
TURNOVER					
Cost of sales	1,2	26,475 (21,074)	-	26,475 (21,074)	24,224 (22,691)
GROSS PROFIT		5,401	-	5,401	1,533
Administrative expenses		(6,257)	(2,566)	(8,823)	(12,847)
Other operating income		170	-	170	278
OPERATING LOSS	3,4	(686)	(2,566)	(3,252)	(11,036)
Other interest receivable and similar income	7	303	-	303	526
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(383)	(2,566)	(2,949)	(10,510)
Tax credit on loss on ordinary activities	8			160	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR				(2,789)	(10,510)
Basic and fully diluted loss per share	10			(3.44)p	(12.84)p

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

All results are derived from continuing operations.

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

Year ended 31 March 2003

	Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
THE GROUP				
Balance at 1 April 2002	4,209	13,940	(7,970)	10,179
Retained loss for the year	-	-	(2,789)	(2,789)
Balance at 31 March 2003	4,209	13,940	(10,759)	7,390
THE COMPANY				
Balance at 1 April 2002	4,209	13,940	(464)	17,685
Retained loss for the year	-	-	(9,393)	(9,393)
Balance at 31 March 2003	4,209	13,940	(9,857)	8,292

Balance Sheets

31 March 2003



	Note	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
FIXED ASSETS					
Intangible assets	11	-	1,347	-	-
Tangible assets	12	1,552	1,669	65	115
Investments	13	-	-	1,651	1,651
Investments in own shares	13	211	595	211	595
		1,763	3,611	1,927	2,361
CURRENT ASSETS					
Stocks	14	91	137	-	-
Debtors	15	4,381	4,780	98	7,997
Cash at bank and in hand		7,627	8,411	6,387	7,494
		12,099	13,328	6,485	15,491
CREDITORS: amounts falling due within one year	16	(5,472)	(6,760)	(120)	(167)
NET CURRENT ASSETS		6,627	6,568	6,365	15,324
TOTAL ASSETS LESS CURRENT LIABILITIES		8,390	10,179	8,292	17,685
PROVISION FOR LIABILITIES AND CHARGES	17	(1,000)	-	-	-
NET ASSETS		7,390	10,179	8,292	17,685
CAPITAL AND RESERVES					
Called up share capital	18	4,209	4,209	4,209	4,209
Share premium account		13,940	13,940	13,940	13,940
Profit and loss account		(10,759)	(7,970)	(9,857)	(464)
EQUITY SHAREHOLDERS' FUNDS		7,390	10,179	8,292	17,685

These financial statements were approved by the Board of Directors on 19 June 2003.

Signed on behalf of the Board of Directors

N Gerard
Director

Consolidated cash flow statement

Year ended 31 March 2003

	Note	Year ended 31 March 2003 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000	Year ended 31 March 2002 £'000
Net cash outflow from operating activities	19		(446)		(4,810)
Returns on investments and servicing of finance					
Interest received		351		548	
Net cash inflow from returns on investments and servicing of finance			351		548
Taxation			(4)		(153)
Capital expenditure					
Payments to acquire tangible fixed assets	12	(706)		(1,107)	
Receipts from sales of tangible fixed assets		21		30	
Net cash outflow for capital expenditure			(685)		(1,077)
Acquisitions					
Capital costs of acquisitions		-		(941)	
Net cash outflow for acquisitions			-		(941)
Equity dividends paid			-		(84)
Decrease in cash in the year	20,21		(784)		(6,517)

Notes to the accounts

Year ended 31 March 2003

I. 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.

Basis of consolidation

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

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

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.

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:

	Period of Lease The shorter of the term of the lease and the useful economic life of the asset
Short leasehold property Leased assets	
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.

Notes to the accounts

Year ended 31 March 2003

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.

2. ANALYSES OF TURNOVER, OPERATING LOSS AND NET ASSETS

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

3. EXCEPTIONAL ITEMS

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Restructuring	-	1,037
Impairment of intangible fixed assets	1,182	3,122
Diminution of value of investment in own shares	384	-
Provision for unoccupied property	1,000	
	2,566	4,159

These costs have been included within administrative expenses.

The prior year restructuring charge related entirely to the cost of redundancies made during the year.

In the prior year, intangible assets of £3,122,000 were written off following an impairment review of the goodwill arising from the acquisitions of Webgenerics Ltd and the Experience Design team of Atomic Tangerine Inc. In the year ended 31 March 2003, the remaining intangible assets totalling £1,182,000 were written off. The write off was the result of an impairment review of the products that Webgenerics Ltd completed in the year. In the current market the projected cash flows from these products are not material and were not expected to cover the amortisation expense.

The Group has a loan to an Employee Benefit Trust (EBT), which used the proceeds to purchase shares for use in employee share schemes. Following the closure of the existing schemes, the carrying value of own shares has been written down to the market value of the shares held by the EBT at the year end. This resulted in a charge of £384,000.

The Group has two floors of its London premises for let and is actively marketing the space. However in light of the very depressed market for London commercial space a provision of £1,000,000 has been made.

Notes to the accounts

Year ended 31 March 2003

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
4. OPERATING LOSS		
Operating loss is after charging/(crediting):		
Amortisation of intangible fixed assets	165	166
Depreciation of tangible fixed assets:		
Owned	781	739
Leased	-	3
Operating lease rentals in respect of land and buildings	961	930
Auditors' remuneration		
Group audit fees	45	45
Company audit fees	15	15
Other services	4	12
Loss on disposal of fixed assets	21	9
Rents receivable	(170)	(278)
Research and development	266	603

5. STAFF COSTS

The average monthly number of employees (including non-executive directors) was:

	Year ended 31 March 2003 No.	Year ended 31 March 2002 No.
--	---------------------------------------	---------------------------------------

Number of employees

The average number of persons employed by the Group in the year was:

Sales and administration	170	223
Staff costs incurred during the year in respect of these employees were:		
	£'000	£'000
Wages and salaries	7,230	8,951
Social security costs	765	968
Other pension costs	238	298
	8,233	10,217

During the year, the Company operated two share schemes for the benefit of employees in the Group under which shares were awarded annually to employees. It was noted in the Annual Report for the year ended 31 March 2002 that the Company was seeking to restructure these schemes and was considering a number of alternatives. Approval will be sought from shareholders at the forthcoming Annual General Meeting for closure of the former schemes and the setting up of a new incentive scheme in their place.

As at 31 March 2003, 2,922,355 shares were held by staff members (2002: 3,269,715). Subsequently, all shares have been surrendered to the Employee Benefit Trust. The Trust continues to act as bare trustee for the staff and it is anticipated that the shares will be reallocated under the new scheme for which shareholder approval is being sought. The Trust owns 6,020,340 shares at a nominal value of £301,017 being equivalent to 7.1% of the issued share capital of the Company.

Notes to the accounts

Year ended 31 March 2003

6. DIRECTORS' REMUNERATION, INTERESTS AND TRANSACTIONS

Details of directors' remuneration for the year are provided in the audited part of the Directors' Remuneration Report on pages 14 to 16.

DIRECTORS' INTERESTS

The Directors' beneficial interests in the ordinary shares of the Company at 31 March 2003 and at 1 April 2002 were:

	2003 Number	2002 Number
N Gerard - Ordinary Shares*	46,670,309	48,322,643
N Wilding - Ordinary Shares	-	265,016
JWheaton - 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 previously held on trust for N Harper were transferred back to N Harper as beneficial owner on 28 March 2003

The shares held by Mr Wilding reverted to the Employee Benefit Trust (EBT) when Mr Wilding resigned as a director. Following the anticipated restructuring of the current schemes, Mr Wheaton surrendered his shares back to the EBT but is expected to participate in the new share scheme for which the Company seeks approval in the forthcoming Annual General Meeting

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Bank interest	297	526
Other interest	6	-
	303	526

Notes to the accounts

Year ended 31 March 2003

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
United Kingdom corporation tax credit based on the loss for the year	160	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax credit 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 2003 £'000	Year ended 31 March 2002 £'000
Loss on ordinary activities before tax	(2,949)	(10,510)
Tax credit on loss on ordinary activities at standard rate	885	3,153
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	(134)	(1,216)
Movement on deferred tax not recognised	-	(2,141)
Write down of goodwill	(404)	-
Consolidation adjustments	-	204
Prior period adjustment	160	-
Tax credit	160	-

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.

9. LOSS 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 £9,393,000 (2002: loss £2,478,000).

Notes to the accounts

Year ended 31 March 2003

10. 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 2003 £'000	Year ended 31 March 2002 £'000
Weighted average number of ordinary shares ('000)	81,144	81,847
Basic and fully diluted loss per share	(3.44)p	(12.84)p

11. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost:	
At 1 April 2002 and 31 March 2003	4,965
Amortisation:	
At 1 April 2002	3,618
Charge for the year	165
Exceptional impairment (Note 3)	1,182
At 31 March 2003	4,965
Net book value:	
At 31 March 2003	-
At 31 March 2002	1,347

Notes to the accounts

Year ended 31 March 2003

12. TANGIBLE FIXED ASSETS

Group	Plant and machinery £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 April 2002	2,796	1,945	46	4,787
Additions	293	413	-	706
Disposals	(160)	-	-	(160)
At 31 March 2003	2,929	2,358	46	5,333
Depreciation:				
At 1 April 2002	1,960	1,138	20	3,118
On disposals	(118)	-	-	(118)
Charge for the year	572	200	9	781
At 31 March 2003	2,414	1,338	29	3,781
Net book value				
At 31 March 2003	515	1,020	17	1,552
At 31 March 2002	836	807	26	1,669

Company	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost:			
At 1 April 2002	65	67	132
Additions	6	-	6
Disposals	(45)	-	(45)
At 31 March 2003	26	67	93
Depreciation:			
At 1 April 2002	14	3	17
On disposals	(20)	-	(20)
Charge for the year	23	8	31
At 31 March 2003	17	11	28
Net book value			
At 31 March 2003	9	56	65
At 31 March 2002	51	64	115

Notes to the accounts

Year ended 31 March 2003

13. FIXED ASSET INVESTMENTS

	Group and Company investments in own shares £'000	Company shares in subsidiary undertakings £'000
Cost:		
At 1 April 2002 and 31 March 2003	595	4,613
Diminution:		
At 1 April 2002	-	2,962
Exceptional charge in the year (Note 3)	384	-
At 31 March 2003	384	2,962
Net book value		
At 31 March 2003	211	1,651
At 31 March 2002	595	1,651

The Company's subsidiaries are as follows:

Business Systems Group Limited
Webgenerics Limited

Both engage in the Group's principal activity, namely the provision of integrated technology solutions, products and services.

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

14. STOCKS

Group	2003 £'000	2002 £'000
Finished goods and goods for resale	91	137

15. DEBTORS

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Trade debtors	4,059	4,228	6	6
Amounts owed by group undertakings	-	-	-	7,921
Other debtors	93	-	73	18
Prepayments and accrued income	229	552	19	52
	4,381	4,780	98	7,997

Notes to the accounts

Year ended 31 March 2003

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank overdraft	-	-	-	47
Trade creditors	2,802	3,796	26	31
Corporation tax	-	71	-	-
Other taxation and social security	726	654	63	73
Other creditors	5	30	1	1
Accruals and deferred income	1,939	2,209	30	15
	5,472	6,760	120	167

17. PROVISION FOR LIABILITIES AND CHARGES

	Unoccupied property £'000
Balance at 1 April 2002	-
Profit and loss account charge (Note 3)	1,000
Balance at 31 March 2003	1,000

The Group has two floors of its London premises for let and is actively marketing the space. However in light of the very depressed market for London commercial space a provision of £1,000,000 has been made.

18. CALLED UP SHARE CAPITAL

	2003 Number	2003 £'000	2002 Number	2002 £'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 2003

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

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

20. ANALYSIS OF NET FUNDS

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

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

	2003 £'000	2002 £'000
Decrease in cash in the year	(784)	(6,517)
Movement in net funds in the year	(784)	(6,517)
Opening net funds	8,411	14,928
Closing net funds	7,627	8,411

Notes to the accounts

Year ended 31 March 2003

22. FINANCIAL COMMITMENTS

At 31 March 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 31 March 2003 £'000	Land and buildings 31 March 2002 £'000
Expiry date: After five years	1,021	930

23. 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.

Appendix A

SUMMARY OF THE PROPOSED BSG ENTERPRISE MANAGEMENT INCENTIVE PLAN

The Business Systems Group Holdings plc Enterprise Management Incentive Plan is in two parts - qualifying EMI options over shares with a market value at the date of grant of £100,000 per individual are granted under Part A. Any excess options are non-EMI options and granted under Part B. Unless specifically stated otherwise, the provisions of Parts A and B are the same.

Administration

The Plan will be administered and the grant of options supervised by the Board. To the extent that options are granted to directors and executives, the grant will be supervised by the Remuneration Committee of the Board.

Eligibility

The Board may select employees and directors of the Company and of its subsidiaries for the grant of options but directors who work for less than 25 hours per week or, if less, then for less than 75% of their working time, may only be granted options under the non-EMI part of the Plan.

Option exercise price

The option exercise price per share of options granted under the EMI part of the Plan will not be less than the middle market price on the preceding dealing day as derived from the Daily Official List of the London Stock Exchange unless the directors consider that sufficiently exceptional circumstances have arisen to justify the grant of options at a discount.

Performance conditions

The extent to which options granted to directors and executives under the Plan may be exercised will depend on the achievement of a specified performance target determined by the remuneration committee when options are granted. Such performance conditions will comply with the recommendations contained in the Association of British Insurers' Guidelines published in December 2002 and will be linked to earnings per share. Options may also be granted on the basis that they will vest over a period of time.

Grant of options

Options may normally only be granted within 42 days of the adoption of the Plan and thereafter within 42 days after the announcement by the Company of its interim or final results each year. Options may be granted outside these periods if the Board considers that there are sufficiently exceptional circumstances to justify the grant of options at that time. No payment is required for the grant of an option.

Individual limit

In order to comply with the legislative requirements for EMI plans, EMI options may be granted to eligible employees under Part A over shares with a market value at the date of grant of up to a maximum of £100,000. Employees who exercise their options within three years cannot top them up until after the third anniversary of their grant. Other than where the directors consider there are exceptional circumstances which justify it, options may not normally be granted to an individual under Part B in any financial year over shares with a market value in excess of one times his annual remuneration.

Benefits under the Plan are not pensionable.

Plan limits

There is currently a legislative limit of £3m on the market value of shares which may be subject to EMI options.

In line with the latest ABI Guidelines published in December 2002, the number of new shares which may be allocated under the Plan and any other employees' share plan operated by the Company may not exceed 10% of the Company's issued ordinary share capital in any 10 year period. To the extent that options are granted to executives in any 10 year period over new shares in excess of 5% of the Company's issued ordinary share capital, more demanding performance conditions will be attached, requiring top quartile performance where appropriate.

Exercise of options

The applicable legislation does not impose any minimum period before which EMI options may be exercised. However, other than where the directors consider that sufficiently exceptional circumstances have arisen which justify it, in normal circumstances, an option may only be exercised after three years and within ten years (or such shorter period exceeding three years as the directors may determine) from its grant to the extent that it has vested (if vesting conditions have been attached) and, in the case of an option granted subject to the satisfaction of a performance condition, to the extent that the performance condition has been satisfied.

An option will normally lapse if the participant ceases to be an employee of the group. Where, however, a participant ceases to be an employee by reason of injury, disability, redundancy, retirement or a disposal of the company or business in which he works, he will have 40 days in the case of options granted under Part A, and three months from the date of leaving in the case of

Appendix A

options granted under Part B, within which to exercise his option notwithstanding that he has not held the option for three years. The Board may waive any performance condition and has discretion to extend the period for exercise.

If a participant dies, his vested options may be exercised within twelve months after his death. The Board may waive any performance or vesting condition. The Board may allow a participant to exercise his option on cessation of employment in other circumstances.

In the event of a takeover, reconstruction, amalgamation or voluntary winding-up of the Company, options may within the specified period after the relevant event, be exercised, or in certain circumstances exchanged for options over shares in the acquiring company or a company associated with the acquiring company. Performance conditions will be applied on a time apportioned basis where appropriate.

When options granted under Part B are exercised, and options granted under Part A are exercised in circumstances where income tax and national insurance contributions are payable, the Company will account through the PAYE system for the income tax and national insurance contributions (if any) due on the option gain. Employee optionholders will be required to reimburse the Company or authorise the Company to sell sufficient shares to meet this income tax liability and, if so determined by the directors, any liability for employer's national insurance contributions.

Terms of options and issue of shares

Options are neither transferable nor assignable. As soon as practicable after the exercise of an option granted over unissued shares, the appropriate number of shares will be allotted and issued to the participant. The shares allotted will rank *pari passu* with all other issued shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue. Existing shares may also be used to satisfy the exercise of an option. When an option granted under the Unapproved Part is exercised, the directors have discretion to pay the optionholder the cash equivalent (net of tax) rather than issue, or arrange the transfer of, shares.

Variation of capital

In the event of a variation of share capital including a capitalisation issue or rights issue or any consolidation, sub-division or reduction of capital of the Company the number and option price of shares subject to options shall be adjusted in such manner as the auditors of the Company confirm in their opinion is fair and reasonable subject, in the case of the Approved Part, to the prior approval of the Board of Inland Revenue being obtained.

Amendment and termination

The Board may make amendments, but no amendment may be made which would adversely affect any rights already acquired by a participant. No alteration to the advantage of participants may be made to provisions relating to the persons to whom options may be granted, the limits on the total number of shares over which options may be granted, the limits on the number of options which may be granted to any participant, the adjustments to be made in the event of a variation of share capital and the periods or circumstances in which options may be exercised without the prior approval of the Company in general meeting (except for minor alterations to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any member of the Group). No option may be granted more than ten years after the Plan has been adopted.

Notice of meeting

Notice is hereby given that the Annual General Meeting of Business Systems Group Holdings plc ("the Company") for 2003 will be held at BSG House, 226-236 City Road, London EC1V 2TT on 8 August 2003 at 10 a.m. for the following purposes:-

1. To receive the accounts of the Company and the Reports of the Directors and Auditor for the year ended 31 March 2003 (the "Report and Accounts").
2. To approve the Directors' Remuneration Report contained in the Report and Accounts for the year ended 31 March 2003.
3. To re-appoint Nick Gerard who retires by rotation under Regulation 83 of the Articles of Association of the Company and, being eligible offers himself for re-appointment as a Director.
4. To re-appoint Roger Keenan who retires by rotation under Regulation 81 of the Articles of Association of the Company and, being eligible offers himself for re-appointment as a Director.
5. To re-appoint Deloitte & Touche LLP (as detailed in the Directors' report) as auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to agree their remuneration.

To consider and, if thought fit, pass the following resolutions of which resolutions 6, 7 and 10 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

6. 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 amount of £990,852 (representing the whole of the Company's unissued ordinary share capital and approximately 24% of the Company's issued ordinary share capital on 19 June 2003) for a period expiring at the conclusion of the next annual general meeting of the Company 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;
7. that the Business Systems Group Holdings plc Enterprise Management Incentive Plan ("the Plan"), the main features of which are summarised in Appendix A to the Report and Accounts, be approved and adopted and that the Directors be authorised to do all acts and things which they may consider necessary to establish the Plan and carry it into effect including without prejudice to the generality of the foregoing, making such further modifications to the Plan as are necessary to ensure that it complies with the requirements for Enterprise Management Incentive Plans in Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003;
8. that, subject to the passing of resolution 6 above, the Directors be and are hereby generally empowered pursuant to Section 95 of 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 6 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 of equity securities:
 - (i) in proportion as nearly (as may be) to existing holdings of ordinary shares in the capital of the Company 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) 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 19 June 2003.

This authority shall expire on the conclusion of the next annual general meeting of the Company unless previously renewed 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;

Notice of meeting

9. that the Company's Articles of Association adopted on 30 June 2000, a copy of which will be produced at the meeting and initialled by the Chairman for identification purposes only, be amended as follows:

(a) By the deletion of the following definitions:

"the Cap";
 "Completion"
 "Deferred Ordinary Share";
 "Employee Member"
 "Executive Scheme";
 "Executive Offer Price";
 "Executive Offer Share";
 "Executive Performance Condition";
 "Executive Scheme Share";
 "Market Value of an Offer Share"
 "Staff Offer Price";
 "Staff Offer Share";
 "Staff Performance Condition";
 "Staff Scheme";
 "Staff Scheme Share";
 "the Offer Notice";
 "the Offer Share";
 "Prescribed Period";
 "Termination Offer Price";
 "Trustees"
 "Trust Instrument"
 "Unapproved Scheme";
 "Unapproved Scheme Share";

and all references to such expressions throughout the Articles;

(b) The deletion of Articles 41 to 45 inclusive.

(c) By the consequent renumbering of all subsequent Articles;

10. that the Company be and is hereby authorised to make Donations to EU Political Organisations and to incur EU Political Expenditure in an amount not exceeding £10,000 during the period ending on the conclusion of the next annual general meeting of the Company. For the purposes of this resolution the terms "Donations", "EU Political Organisations" and "EU Political Expenditure" have the meanings set out in section 347A of the Companies Act 1985, as amended by the Political Parties, Elections and Referendums Act 2000.

By Order of the Board

Caroline Bishop
 Secretary

BSG House
 226-236 City Road
 London
 EC1V 2TT
 19 June 2003

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.
- (2) A form of proxy is enclosed. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney must be deposited with the Company's registrars Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the Meeting.
- (3) 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.
- (4) The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 10 am on 6 August 2003 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 10 am on 6 August 2003 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- (5) The following will be available for inspection on business days between 9 am and 5 pm from the date of this Notice until the conclusion of the Annual General Meeting and on 8 August 2003 at the Annual General Meeting from 9.45 am until the conclusion of the Meeting at BSG House, 226-236 City Road, London, EC1V 2TT:-
 - i. the register of interests of the directors and their families in the share capital of the Company;
 - ii. the rules of the proposed Enterprise Management Incentive Plan;
 - iii. copies of all contracts of service under which the directors are employed by the Company or any of its subsidiaries;
 - iv. articles of association of the Company containing the amendments proposed by resolution 9 above.

Form of proxy

BUSINESS SYSTEMS GROUP HOLDINGS PLC ("the Company")
FORM OF PROXY for use in relation to the Annual General Meeting 2003

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 to attend and on a poll vote for me/us on my/our behalf as directed below at the Annual General Meeting of the Company to be held at 10 am on 8 August 2003 at BSG House, 226-236 City Road, London EC1V 2TT and at any adjournment thereof. My/our proxy is to vote as indicated by the marking of an X in the appropriate boxes below (see Note 2):

RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD (See Note 3)	DISCRETIONARY
1. To receive the accounts of the Company for the year ended 31 March 2003 and the Directors' and the Auditors' Reports on them				
2. To approve the Directors' Remuneration Report				
3. To reappoint Nick Gerard as a Director				
4. To reappoint Roger Keenan as a Director (*)				
5. To reappoint Deloitte & Touche LLP as auditor and to authorise the Directors to agree their remuneration				
6. To grant the Directors authority to allot shares				
7. To approve the new EMI Scheme to be put in place by the Company				
8. To disapply the statutory pre-emption rights (**)				
9. To amend the articles of association of the Company (**)				
10. To authorise the Company to make Donations to EU Political Organisations and incur EU Political Expenditure in an amount not exceeding £10,000				

* member of the audit and remuneration committees

** special resolutions

Dated this day of 2003

Signature (s)

Notes

- If a member wishes to appoint as a proxy a person other than the Chairman of the meeting, the name and address of the other person should be inserted in block capitals in the space provided. A proxy need not be a member of the Company but must attend the meeting in person. Any alteration or deletion must be signed or initialled.
- A member should indicate by marking an X in the appropriate box how he wishes his votes to be cast in respect of each of the resolutions set out in the Notice of Meeting. If a member selects 'discretionary' or fails to select any of the given options the proxy may vote as he thinks fit or indeed not vote at all. The proxy may act at his discretion in relation to any other business arising at the meeting (including any resolution to amend a resolution or to adjourn the meeting).
- The 'vote withheld' option above is provided to enable a member to abstain on any particular resolution. It should be noted that a 'vote withheld' is not a vote in law and will not be counted in the calculation of votes 'For' and 'Against' a resolution.
- In the case of a corporation this proxy form should be given under its seal or signed on its behalf by its agent or duly authorised officer. In the case of joint holders the signature of any one of them will suffice, but the names of all joint holders should be shown.
- Use of this proxy form does not preclude a member from attending the meeting and voting in person.
- To be valid, this proxy form must be lodged together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the meeting.
- The following will be available for inspection on business days between 9 am and 5 pm from the date of this Notice until the conclusion of the Annual General Meeting and on 8 August 2003 at the Annual General Meeting from 9.45 am until the conclusion of the Meeting at BSG House, 226-236 City Road, London, EC1V 2TT:-
 - the register of interests of the directors and their families in the share capital of the Company;
 - the rules of the proposed Enterprise Management Incentive Plan;
 - copies of all contracts of service under which the directors are employed by the Company or any of its subsidiaries;
 - articles of association of the Company containing the proposed amendments.

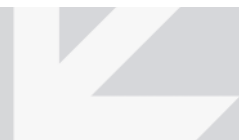
THIRD FOLD AND TUCK

BUSINESS REPLY SERVICE
Licence No. MB 122

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

FIRST FOLD

SECOND FOLD



Officers and professional advisers

DIRECTORS

G Procter (Non-Executive Chairman)
(resigned with effect from 30/06/03)
N Gerard
N Wilding (resigned 28/03/03)
R Brasher (Non-Executive)
M Coleman (Non-Executive) (resigned 14/06/02)
J Wheaton

SECRETARY

C Bishop

REGISTERED OFFICE

BSG House
226-236 City Road
London
EC1V 2TT

BANKERS

Barclays Bank plc
50 Pall Mall
London
SW1A 1QB

SOLICITORS

Berwin Leighton Paisner
Adelaide House
London Bridge
London
EC4R 9HA

AUDITORS

Deloitte & Touche
Chartered Accountants
180 Strand
London
WC2R 1BL

REGISTRARS

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
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www.bsg.co.uk

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