A copy of this document, which comprises listing particulars relating to Business Systems Group Holdings plc in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in England and Wales as required by section 149 of the Financial Services Act 1986, as amended by section 154A of that Act. An application has been made to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares, issued and to be issued pursuant to the Placing, to be admitted to the Official List and to be traded on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence on 5 July 2000.

The Directors of the Company, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Williams de Broë Plc, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting exclusively for Business Systems Group Holdings plc in relation to the Placing. Williams de Broë Plc is not acting for, and will not be responsible to, any person other than Business Systems Group Holdings plc in relation to the Placing for providing to that person the protections afforded to customers of Williams de Broë Plc or for advising any such person on the contents of this document or any transaction or arrangement referred to herein.

This document does not constitute an offer to sell or subscribe for, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction, and subject to certain exceptions is not for distribution in or into the United States of America, Australia, Canada, Japan or the Republic of Ireland. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, Australia, Canada, Japan, the Republic of Ireland or any other country outside of the United Kingdom where such distribution may lead to a breach of any law or regulatory requirement. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered for sale or subscription or sold or subscribed for within the United States of America, Australia, Canada, Japan, the Republic of Ireland or any other country outside of the United Kingdom where such distribution may lead to a breach of any law or regulatory requirement or to or for the account or benefit of any national, resident or citizen of the United States of America, Australia, Canada, Japan, the Republic of Ireland or any other country outside of the United Kingdom where such distribution may lead to a breach of any law or regulatory requirement.

Prospective investors should be aware that an investment in Business Systems Group Holdings plc involves a high degree of risk. In particular, prospective investors should consider the section entitled "Risk Factors" on pages 25 to 26 of this document.

BUSINESS SYSTEMS GROUP HOLDINGS PLC

(incorporated and registered in England and Wales under number 2923809)

Admission to the Official List and to trading on the London Stock Exchange's market for listed securities and

Placing of 21,466,741 Ordinary Shares at 119p per Ordinary Share

sponsored by Williams de Broë Plc

Share capital immediately following the Placing

Authorised			Issued	
Number	Amount		Number	Amount
104,000,000	£5,200,000	Ordinary Shares	84,182,965	£4,209,148

All of these Ordinary Shares are fully paid save for 3,220,500 which are paid up as to 20p per Ordinary Share as described in paragraph 2(a)(iv) of Part VI of this document.

The Placing Shares will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this document on the ordinary share capital of the Company.

No person is or has been authorised to give any information or to make any representation in connection with the Placing or the Group other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or Williams de Broë Plc or their respective directors. Neither the delivery of this document nor any purchase or subscription made on the basis hereof shall constitute a representation or create any implication that the information contained herein is correct at any time subsequent to the date of this document.

Contents

Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

"Act"	the Companies Act 1985, as amended
"Admission"	admission of the Ordinary Shares, issued and to be issued pursuant to the Placing, to the Official List and to be traded on the London Stock Exchange's market for listed securities becoming effective in accordance with paragraph 7.1 of the Listing Rules
"BSG SA"	Business Systems Group (Africa) (Proprietary) Limited
"BSG"	Business Systems Group Limited, a wholly owned subsidiary of the Company
"Chairman"	the Chairman of the Board from time to time
"Company"	Business Systems Group Holdings plc
"Combined Code"	the Principles of Good Governance and Code of Best Practice prepared by the committee on Corporate Governance, chaired by Sir Ronald Hampel and published in June 1998
"Directors" or "Board"	the board of directors of the Company
"FS Act"	the Financial Services Act 1986
"Group"	the Company and its subsidiary undertakings from time to time
"Listing Rules"	the listing rules of The Financial Services Authority
"London Stock Exchange"	the London Stock Exchange Plc
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 5p each in the capital of the Company
"Partly Paid Shares"	the 3,220,500 Ordinary Shares which were allotted pursuant to the terms of the Company's Executive Share Scheme, paid up as to 20p each, with the balance of the subscription price (if any) being payable upon the determination by the Inland Revenue of the market value of these Ordinary Shares
"Placing"	the placing of the Placing Shares at the Placing Price as described in this document
"Placing Agreement"	the conditional agreement dated 3 July 2000 between the Selling Shareholders, the Directors, the Company and Williams de Broë, details of which are set out in paragraph 4 of Part VI of this document
"Placing Shares"	the 21,466,741 Ordinary Shares the subject of the Placing
"Placing Price"	119p per Placing Share
"Selling Shareholders"	the persons referred to in paragraph 4(b) of Part VI of this document
"Share Schemes"	the Company's two share schemes described in paragraph 8 of Part VI of this document
"Shareholders"	holders of Ordinary Shares
"The Brilliant Agency"	The Brilliant Agency Limited, a wholly owned subsidiary of the Company
"UK Listing Authority"	The Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the FS Act and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part IV of the FS Act, including where the context so permits, any committee, employee, officer or servant to whom any function of the UK Listing Authority may for the time being be delegated
"Webgenerics"	Webgenerics Limited, a wholly owned subsidiary of the Company
"Williams de Broë"	Williams de Broë Plc

Glossary

"ASP"	application services provider, an organisation that hosts clients' software applications on its own servers within its own facilities with clients accessing the applications via the Internet
"Bandwidth"	the difference between the highest and lowest frequency signals that can be transmitted by a communications channel. This determines the maximum information carrying capacity of that channel
"Beta testing"	the final stage of market testing before product launch
"B2B"	business-to-business
"Client" or "Desktop"	PC and/or a non-intelligent terminal connected to LAN or WAN, the Internet or Intranets
"dotSuite"	the range of services available to clients of Webgenerics as an ASP
"e-business"	generic term for all aspects of business transactions carried out electronically
"eCRM"	electronic customer relationship management
"e-transaction"	a transaction carried out over an Internet protocol network
"encryption"	the process of disguising electronic files using algorithms
"Extranet"	the application of Internet technology to external corporate networks
"Firewalls"	a security installation to protect a corporate network from external unauthorised access
"IDC"	International Data Corporation
"Internet"	a global data and communications network comprising interconnected networks using dedicated networks
"Intranet"	the application of Internet technology to internal corporate networks
"ISO 9001"	the standards under the voluntary quality system of the International Standards Organisation on management quality systems introduced in 1987, covering all aspects of an organisation's functions and not specific to any industry
"ISP"	Internet service provider, an organisation that provides access to the Internet
"IT"	information technology
"LAN"	local area network, a communications network that serves users within a confined geographical area
"PC"	personal computer
"PKI"	public key infrastructure, the policies and procedures for establishing a search method for exchanging information within an organisation
"Routers"	a device that forwards data packets from one LAN or WAN to another
"Server"	a machine whose primary purpose is to supply data for the use of other machines
"Search Engine"	software that searches for data based on some criteria
"scaleability"	the ability of a product or service to increase or decrease the level of its activity according to demand

"SME"	small and medium sized enterprises
"SQL"	structured query language, a language used to interrogate and process data in a relational database
"Telco"	telephone company
"TickIT"	the British Standards Institute's implementation of the ISO 9000 series for software development
"Tier One Data Centre"	the highest level of ISP data centre with multiple high speed connections
"WAN"	wide area network, a communications network that covers a wide geographical area
"WAP"	wireless application protocol, a standard for providing cellular phones, pagers and other hand held devices with secure access to e-mail and text based Web pages
"Web"	World Wide Web, the graphic user-friendly section of the Internet: a worldwide network of servers that supports hypertext connections using hypertext mark-up language and hypertext transport protocol
"Y2K"	year 2000

Directors, Secretary and Advisers

Directors:	Geoffrey Charles Procter	*(Non-Executive Chairman)*
	Nicholas John Gerard	*(Group Chief Executive Officer)*
	Mark Atkinson	*(Group Finance Director)*
	Nicholas Bernard Wilding	*(Group Marketing Director)*
	Richard William Peter Brasher	*(Non-Executive Director)*
	Malcolm Jerry Coleman	*(Non-Executive Director)*
	all of whose business address is: BSG House 226-236 City Road London EC1V 2TT	
Company Secretary:	Caroline Frances Bishop	
Registered Office:	BSG House 226-236 City Road London EC1V 2TT	
Sponsor and Stockbroker:	Williams de Broë Plc 6 Broadgate London EC2M 2RP	
Solicitors to the Company:	Paisner & Co Bouverie House 154 Fleet Street London EC4A 2JD	
Solicitors to the Placing:	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL	
Auditors and Reporting Accountants:	Deloitte & Touche Hill House 1 Little New Street London EC4A 3TR	
Principal Bankers:	Barclays Bank Plc 50 Pall Mall London SW1A 1QB	
Registrars:	IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU	

Key Information

Profile

The Group provides full service e-business solutions for the B2B market on both a bespoke and self-build basis. It has two operating subsidiaries:

– BSG – providing "We Can" solutions to its clients enabling them to outsource their complete e-business requirements; and

– Webgenerics – an ASP providing a "You Can" solution through an offering of software and e-business services, which enable clients to create their own e-business solutions.

History

Nick Gerard co-founded BSG in 1987. During the late 1980s and early 1990s BSG's main business was the reselling of PCs, workstations, Servers and associated products and the provision of services such as network installation and technical support activities. In 1996 the Company made the strategic decision to reposition the Group in the market as a provider of client focused e-business solutions. As a result of research and development into emerging technologies and the acquisition of The Brilliant Agency, a design led company in the advertising and marketing industry, BSG developed into a full service provider of e-business solutions. In 1996, and in order to complement its revised business model, a structural and operational reorganisation of the Group was implemented and the Company became the holding company of the Group. In late 1997 the Group refinanced itself through the sale and lease-back of its business premises to ensure that it was on a sound financial footing to achieve its strategic goals. As a result of the operational restructuring, completed in 1997, the employee mix was changed to become more focused on consultancy based skills.

In order to provide full service e-business solutions, BSG focused on providing "We Can" solutions. In 1999, Nick Gerard took the decision to provide "You Can" solutions which offered clients the software and associated services to enable them to create their own e-business solutions. Due to the ownership structure of the Group, Nick Gerard established Webgenerics to implement this part of the strategy. The Company aquired the entire share capital of Webgenerics in June 2000.

Market and Strategic Direction

The Gartner Group has estimated that B2B e-business sales transactions amounted to $145 billion in 1999 and are forecast to surpass $7.29 trillion in 2004. The strongest regional growth in the B2B market can be found in Europe. B2B e-business sales transactions in Europe in 1999 totalled $31.8 billion and are forecast to be more than $2.34 trillion in 2004.

These forecasts indicate that the investment and development of B2B e-business solutions by companies in the next 3 years is set for rapid growth. According to IDC, the entire market opportunity for Internet commercial software applications is forecast to increase to $4.5 billion by 2003. This market is broadly defined as the services needed by businesses to plan, implement and operate their Web based activities.

According to Analysis Publications 2000, as the B2B market grows so will the trend for SMEs to outsource the entire e-business process, enabling companies to reduce costs, free up internal resources and focus on continued development of their core businesses.

The Group's strategic objective is to enhance its position as a leading full service provider of e-business solutions to all levels of the corporate market-place working with companies who are the innovators or first movers in their own fields.

The Directors believe that:-

- the Internet constitutes the biggest change in commerce since the industrial revolution;
- the Group's "We Can" and "You Can" offering is unique to the market and will support the vision of the Group to create a trusted environment for accelerated business evolution; and
- the Group is ideally positioned to take advantage of the significant opportunities that exist in its chosen markets.

The Directors consider that Admission is an important step in the development of the Group that will further raise its profile and provide more flexibility in financing its future growth, which may occur both organically and by acquisition. Additionally, it will assist the Group in attracting, retaining and motivating high quality staff and providing opportunities for employees to participate in the future success of the Group through the Share Schemes.

Summary of Financial Information

The following selected consolidated historical financial data of the Group is extracted from the Accountants' Report included in Part III of this document. It shows the performance of the Group prior to the acquisition of Webgenerics as that company did not form part of the Group until 8 June 2000. For the period from 15 November 1999 to 31 March 2000, Webgenerics generated turnover of £158,876 and an operating loss of £206,301, as extracted from the Accountants' Report in Part IV of this document. This data should be read in conjunction with the whole of this document and investors should not rely solely on the summarised information below.

	12 months ended 30 June 1997 £'000	*12 months ended 30 June 1998 £'000*	*12 months ended 30 June 1999 £'000*	***9 months ended 31 March 2000 £'000***
Turnover	44,408	37,260	32,386	**24,993**
Gross profit	5,718	6,428	6,538	**4,803**
Operating (loss)/profit	(1,367)	245	629	**900**
(Loss)/profit before taxation	(1,620)	1,494	750	**979**

Prospects

During the period to 31 March 2000 the changing mix of turnover has continued to reflect the trend away from Client/Server to Internet based solutions. At the same time and in order to expand further its skills base the Group increased its retraining activity which has had the consequential effect of holding back margins. Since the period end this retraining programme has been completed.

The Group is planning to recruit additional sales, marketing and technology staff during the forthcoming financial period and to undertake a significant marketing campaign. It is believed that the combination of increased resource capability and aggressive marketing will have a positive effect on the Group's future performance.

Placing Statistics

Placing Price	119p
Number of Ordinary Shares in issue following the Placing	84,182,965
Market capitalisation at the Placing Price	£100 million
Number of Ordinary Shares being placed pursuant to the Placing	
– by the Company	12,627,445
– on behalf of the Selling Shareholders	8,839,296
– total	21,466,741
Percentage of enlarged issued ordinary share capital subject to the Placing	25.5 per cent.
Net proceeds of the Placing to be received by the Company	£13.9 million
Earnings per Ordinary Share for the year ended 30 June 1999 ([1])	0.62p
Price earnings multiple per Ordinary Share at the Placing Price ([2])	192 times
Directors' interests following the Placing	48,176,915

Notes:

1. The basis of calculation of the earnings per Ordinary Share is set out in Part III of this document.
2. The price earnings ratio has been calculated by dividing the Placing Price by the earnings per Ordinary Share for the year ended 30 June 1999.

Expected Timetable

Admission and dealings in the Ordinary Shares to commence	5 July 2000
CREST accounts credited, by	5 July 2000
Despatch of definitive share certificates, by	10 July 2000

bsg

Part I

Information on the Group

Profile

The Group provides full service e-business solutions for the B2B market on both a bespoke and self-build basis. Its capabilities include business consultancy, design, application development and implementation, education and support. For over seven years, companies within the Group have delivered innovative and increasingly Internet based solutions to an extensive and growing corporate client base.

The Group addresses the B2B market through a business model that incorporates design led, scaleable, industrial strength solutions. These solutions are offered through varied routes to market which result in multiple revenue streams, minimising reliance on any particular product or service. The Group has two operating subsidiaries:

– BSG – providing "We Can" solutions to its clients enabling them to outsource their complete e-business requirements; and

– Webgenerics – an ASP providing a "You Can" solution through an offering of software and e-business services, which enable clients to create their own e-business solutions.

The Group's strategic objective is to enhance its position as a leading full service provider of e-business solutions to all levels of the corporate market-place working with companies who are the innovators or first movers in their own fields.

Whilst the Directors believe that competition is likely to increase, they believe the Group has a number of strengths which, when combined, create a proposition that is difficult to match in the current fragmented market. The Directors believe the Group's key strengths are:

– a track record of over seven years of delivering solutions for clients;

– the Group's position at the centre of the e-business market;

– an experienced and expert multi-skilled team of consultants, designers, developers, programmers, project managers, trainers and support technicians who work together to ensure solutions combine creativity and boldness with scaleability and resilience;

– organisational flexibility that allows the Group to respond quickly and effectively to meet client demands; and

– strategic supplier and distribution relationships with a number of well established organisations, such as Oracle, Sun, Compaq, Microsoft, UUNET and Colt.

The Directors believe the Group enjoys a distinct advantage over its competitors through its ability to penetrate both the UK corporate "We Can" and global "You Can" full service solution markets.

History

Nick Gerard and Phil Buckingham founded BSG in 1987. During the late 1980s and early 1990s BSG's main business was the reselling of PCs, workstations, Servers and associated products and the provision of services such as network installation and technical support activities. In the mid 1990s these activities ceased to generate high margins as the market became increasingly competitive and commoditised. Therefore in 1996, and in response to this changing environment, the Company made the strategic decision to reposition the Group in the market as a provider of client focused e-business solutions. To implement this strategy, research and development was initiated into emerging technologies which could be used by clients in developing new and varied routes to market. This research was focused around browser based technologies and addressed supply chain management, eCRM solutions, cost of sale reduction, digital design and legacy system integration.

By 1996 the Group had developed an alliance with The Brilliant Agency, a design led company whose key employee has twelve years' experience within the advertising and marketing industry, specialising in route to market consulting, brand and Web site design and development. In 1996 the Group acquired the entire share capital of The Brilliant Agency, thereby completing its in-house full service offering. The mature Web design team within The Brilliant Agency, combined with seven years' experience in industrial strength Client/Server applications, enabled the Group to position itself at the forefront of the emerging digital marketplace. As a result the Group was ideally placed to offer design led, scaleable e-business solutions to its target B2B market.

In 1996, and in order to complement its revised business model, a structural and operational reorganisation of the Group was implemented and the Company became the holding company of the Group. In late 1997 the Group refinanced itself through the sale and lease-back of its business premises to ensure that it was on a sound financial footing to achieve its strategic goals. As a result of the operational restructuring, completed in 1997, the employee mix was changed to become more focused on consultancy based skills.

During 1997 Phil Buckingham passed full control and responsibility for the future development of the Group to Nick Gerard as a first stage in his plan to withdraw from the business. At this point Nick Gerard assumed responsibility for the strategic direction of the Group whilst Phil Buckingham continued to retain his 50 per cent. interest in the Company. In May 2000 Phil Buckingham resigned as a Director and is no longer involved in the operation of the Group.

In order to provide full service e-business solutions, BSG focused on providing "We Can" solutions. In 1999, Nick Gerard took the decision to provide "You Can" solutions which offered clients the software and associated services to enable them to create their own e-business solutions. Due to the ownership structure of the Group, Nick Gerard established Webgenerics to implement this part of the strategy. The Company acquired the entire share capital of Webgenerics in June 2000.

In March 2000 the Group recruited Mark Atkinson and Nick Wilding and appointed them as Finance Director and Marketing Director, respectively, in May 2000 to strengthen the Board structure and ensure that the Company's strategic plan is implemented effectively.

BSG – "We Can" solutions

Historically, BSG was engaged in all aspects of systems integration but, following the strategic decision taken in 1996, its primary focus is now in delivering "We Can" e-business solutions to the UK corporate market where the relationship with the client is direct, personal and based on an understanding of the client's market challenges. BSG translates a client's ideas into detailed, industrial strength solutions. As part of its service it:

- formulates both the client's strategy and the front end design for its Web presence;
- integrates existing legacy business systems;
- provides transactional capabilities; and
- supports the outsourcing of business critical applications.

The Group has an integrated, full-service range of in-house skills and capabilities, which enable the translation of clients' e-business ideas into solutions. In order to deliver its full service offering BSG has the following in-house core competencies:

- **Consulting and Creativity**

  BSG has a team of professional business consultants who have wide ranging experience in developing and enhancing a client's e-business strategy. The Directors believe that it is this experience that is key to developing an effective blend of brand, process and design in the solution which will determine the level of a client's success in its markets.

  Historically, the consulting and creativity team had focused on providing design, programming and implementation of bespoke software packages, primarily for clients in specialised industries. Since 1996 it has provided a full range of strategic consultancy services including business strategy and process analysis, brand creation and design, market positioning, project management, architecture design, application development and education. In the team there is a strong combination of experts in the fields of B2B, Internet, component and Client/Server based development who are able to deliver a full service to clients.

  Companies are becoming increasingly knowledgeable, sophisticated and demanding, requiring complex bespoke e-business solutions which enable collaborative working with their suppliers and customers. The consulting and creativity team has the experience of developing solutions for market innovators using the latest software tools, best practice and rigorous project management processes. Business strategies and practices and available technologies are constantly changing and BSG's knowledge and experience is continually enhanced by this process.

To ensure that a client's staff have the appropriate skills to maximise the business potential of the e-business solution, BSG's education team not only provides training on the application provided but also educates the client's staff in the wider e-business approach. The aim is to transform thinking and hence the overall culture within such traditional bricks and mortar businesses. BSG's client commitment thereby extends beyond consulting on front end strategy and design to include the development of a trained, expert client team to achieve the strategy once the solution has been delivered.

- IT Services

  e-business solutions must be resilient and available 24 hours a day, 7 days a week, 365 days a year. BSG's client commitment supports this demand by monitoring all client applications regardless of whether they are in the client's premises or in BSG's partners' Tier-One Data Centre. Many years' experience in software and infrastructure services has allowed BSG to develop an approach to applications management that, the Directors believe, delivers measurable results that meet or exceed client expectations.

  The IT services team aims to identify and rectify problems before the customer is aware that they have occurred so as to minimise the business impact. Pro-active, automatic resolution techniques are employed to maximise the effectiveness of this service.

  The Directors believe that, as a result of its detailed understanding of its clients' businesses and applications, BSG is ideally positioned to provide them with outsourced technical and user support. BSG also provides statistics, linked to the solution, to provide its clients with clear demographics on who, when and where their user traffic is coming from. This allows BSG, working with each client, to continually modify and personalise the client's Web site message, navigation and marketing.

  As business is subject to constant change, it is essential that BSG has the flexibility to respond effectively. Therefore the service delivery model is tailored to an individual client's requirements and is flexible enough to meet the changing needs of the client's business. BSG supports this process by using ISO 9001 and TickIT, working with its clients to improve the effectiveness of their applications and to enhance performance.

- IT Infrastructure

  BSG supplies IT infrastructure on which a client's e-business solution can be built. The infrastructure supplied is both scaleable, to meet the demands of the market, and uses technologies compatible with the client's existing infrastructure. It delivers what the Directors believe to be best of breed, leading edge technologies supplied in a proven configuration and integrated into the client's environment by experts. It can also provide a complete range of infrastructure products including PCs, Servers, Routers, Firewalls and software from vendor partners.

  The IT infrastructure team ensures that the client's logical environments are fully secured, minimising the risk of penetration of both new and legacy components by unauthorised users.

  BSG is also able to undertake comprehensive stress testing by creating thousands of concurrent e-transactions to ensure that there is no weak link in the e-business chain.

  The final element of BSG's full service offering includes the complete outsourcing of a client's IT infrastructure, from strategic planning to user support and from high-level design to break fix engineering. The IT infrastructure team also possesses the business and technical knowledge to retain system integrity throughout client expansion, reorganisation or geographical relocation.

BSG does not own any of the software that forms part of its e-business solutions and does not, therefore, undertake research and development in the normal sense. However, it maintains its skills base by a combination of staff training in new technologies and through contracted development work undertaken on behalf of clients.

BSG's revenue is increasingly derived on a fee basis for supplying a complete e-business solution, with annual revenues generated from ongoing service contracts.

BSG has managed projects for over 400 clients during the last 12 months. Over 50 of these clients each contributed in excess of £100,000 to revenues. The Group's long term clients include Nissan, Reuters, Gillette, Legal and General, The Financial Services Authority, London Electricity, Cazenove & Co, ELF Oil and Post Office Counters Limited.

BSG has arrangements with BSG SA whereby it allows BSG SA to use the name BSG and its methods of operation exclusively in South Africa. The Company has agreed the principal terms of an agreement whereby it will acquire a 5 per cent. equity stake in BSG SA for a nominal consideration. Details of this agreement are contained in paragraph 10(h) of Part VI of this document.

Webgenerics – "You Can" solutions

The ASP marketplace is widely recognised as a growth area for Telcos and ISPs. To date the offerings have, in the Directors' experience, been based on standard office software and legacy products that were not designed to be delivered across the Internet. Service providers are actively looking for applications and services that have been designed specifically for the ASP model. To meet these requirements Webgenerics has developed a range of solutions and services that have been written specifically for the ASP model.

Webgenerics has distilled and leveraged the expertise and experience that BSG has acquired in delivering and supporting e-business related solutions for a range of corporate clients to develop its ASP product offerings. The services offered provide non-stop browser based applications, which are configured to encourage best practice and which place the control of a client's e-business presence back in its own hands.

ISPs and Telcos have traditionally provided space and Bandwidth against what the Directors believe is a background of demand from clients and potential clients for more comprehensive and lower entry point e-business solutions. ISPs and Telcos are not equipped to meet this demand and are forming partnerships with third party e-business full service solution providers to address this value added market. These partnerships involve either rebranding the third party's products or reselling the third party's applications themselves. Webgeneric's products and services are targeted directly at this need and offer the opportunity for ISPs and Telcos to satisfy the demands made of them. Opportunities arise where clients and potential clients of ISPs and Telcos:

- demand that they do not simply provide Bandwidth but manage their applications fully with little or no technical support from the client;
- require hosting and other services that fall below the ISP's or Telco's minimum offer; and/or
- require the ISP or Telco to supply and manage the e-business application itself.

To satisfy this demand Webgenerics is currently offering, or has in Beta testing, the following products:

dotHosted (launched January 2000, existing customers include FirstTuesday.com)

ISPs and Telcos operate datacentres that are generally optimised to provide co-location services structured to address the requirements of companies of a certain size, and the Directors believe that this therefore prevents the ISPs and Telcos from accessing companies whose requirements either fall below this level or demand managed services beyond the provision of Bandwidth.

dotHosted is a packaged service that gives ISPs and Telcos the opportunity to add value to their customers and to derive additional revenues by delivering professional services beyond basic Web hosting. These services include performance and security testing, monitoring, reporting, administration, back-up and application support. These are provided in a branded service that can be taken to market with minimal implementation costs for the ISPs and Telcos.

dotEnabler (launched June 2000, existing customers include Kidznet.co.uk and Vintage-Inns.co.uk)

Customers who wish to take control of their e-business Web sites can use this true ASP application as an effective online alternative to Web design agencies and boxed software solutions. The service offers the elements required to build a fully transactional Web site and does not limit customers to a number of Web pages or catalogue items as may be the case with other self-build offerings. As an ASP application, all that is required to use the service is a Web browser allowing the customer to gain access to e-business tools through a simple and intuitive user interface. Resilience and scaleability are at the core of the application allowing customers and service providers to grow their e-business without changing hardware and software as they develop. The Directors believe that the benefits to ISPs and Telcos include:

– customer lock-in
– zero cost of ownership
– unlimited scaleability
– integrated billing and administration
– integrated fault and usage monitoring
– a fully brandable solution
– a vehicle to bundle existing services (eg Bandwidth, rack space, credit gateways, 'call me' buttons)

and to customers include:

– a completely integrated e-business package (not a catalogue bolt-on for existing Web sites) with a single editor
– multiple site themes (look and feel) with an advanced option to produce own customised theme
– multiple page templates and pre-populated page layouts that speed up site build and encourage consistency
– an integrated news server to easily add news updates and news items
– a fully integrated Search Engine
– an integrated marketing engine that registers Web site with portals and public Search Engines
– a powerful SQL Server driven catalogue with unlimited categories and items
– a built-in credit card payment system
– an ability to securely distribute digital content via the Web site (through dotEncrypt-Lite, a tailored version of dotEncrypt)
– a complete Web site "information Server", including usage statistics
– a secure, resilient and managed service

dotEngage (launched February 2000, existing customers include Legal & General)

Many large organisations rely on smaller businesses to provide their route to market and in the traditional world it is easy for such companies to control how their corporate branding, products and services are portrayed. The Internet allows companies to utilise the Web sites of smaller businesses as a route to market but the controls over these are considerably lower than those within the traditional routes. dotEngage is a service that builds on the strength of dotEnabler and allows large organisations both to bulk licence and to create a branded dotEnabler theme that can then be provided to smaller companies to enable control of their route to market to be maintained. In addition, dotEngage provides a portal that sits above all of the dotEnabler Web sites and consolidates all of the offerings from these multiple Web sites. A company can then market a countrywide selection of items from their broad range of affiliated SMEs. Through this service, companies can implement an effective e-business portal which drives customers to their smaller business partners. This service lends itself to vertical markets and franchises such as car sales and has already been implemented in the estate agency market.

dotEncrypt (in Beta testing with MP3 Limited and Talkingbooks.org, planned launch Summer 2000)

It is widely recognised that the Internet provides the ideal platform for companies wishing to distribute goods or information (eg software, music, books, reports and video) in a digital format. It is also widely recognised that if the content is put on the Internet in an unprotected (unencrypted) manner it can quickly be copied and distributed illegally, closing possible revenue streams or compromising company information. Companies wishing to distribute digital goods or information can use this ASP application as an effective online alternative to traditional security technologies that can be expensive and difficult to use. Through a standard Web browser, companies can visit the dotEncrypt site and securely wrap their goods and information within seconds. Intuitive menu-driven Web pages allow companies to build-in business rules that can dictate price, payment details, "time to live", trusted viewers or players or even list the recipients that can open the content. The company is presented with a fully encrypted package containing all the business rules plus any embedded viewer/player, which can be placed on a Web site or other digital media. Unlike traditional security technologies such as secure networks and PKI, where the goods or services are opened and saved in an unencrypted format (which does not therefore prevent piracy), the dotEncrypted packages are never unencrypted, even after purchase and can only be viewed by trusted viewers/players. In line with the ASP model, resilience and scaleability are built into the service allowing rapid growth as volumes increase.

Due to the nature of Webgenerics' products, the target market is global. Webgenerics' route to market is indirect, operating through a number of strategic partnerships with organisations who wish to offer value added services to their existing large B2B client base.

The Webgenerics business model is based on the rapid establishment of the dotSuite as a branded offering in alliance with ISPs and Telcos. In order to achieve its objectives Webgenerics has set itself some key milestones. Webgenerics currently has relationships with a number of ISPs and Telcos, with a combined UK customer base of over 70,000 users. These relationships represent the route to market for the dotSuite. The number of relationships that will be developed will depend on the customer base of each ISP or Telco. On the basis of relationships already formed, Webgenerics aims to establish a further six formal relationships by 31 March 2001 to create a strong user base for its products and services of 190 users for dotHosted, 240 users for dotEncrypt and 4,000 users for dotEnabler.

In order to penetrate its chosen markets successfully, Webgenerics has adopted an aggressive pricing model with an initial charge followed by a monthly rental charge for the use of the software in the true sense of the ASP model.

Webgenerics invests heavily in research and development through its sales and marketing, technical and software development teams. Currently a large percentage of total staff time is spent on research and development activities which include the continual development of the dotSuite and the evaluation of new hardware and software products as well as new or innovative e-business products, services or ideas. The results of such research are disseminated throughout Webgenerics by regular staff meetings and evaluation reports and used to enhance existing products, to maintain service offerings ahead of the market and to develop new or complementary products to extend the range of offerings.

The Market

The Internet has been transformed in less than a decade from a limited research tool to a rapidly growing global interactive network allowing millions of users worldwide to share information, communicate and conduct business. It provides cost effective communication between businesses across the world and lowers the barriers which formerly existed to effective sharing of data and processes. In parallel with the growth of the Internet, corporate Intranets and Extranets have become important components of business systems to facilitate collaborative working. Prior to the advent of the Internet, electronic data interchange was limited to one-to-one interactions and, due to costs, was restricted to large organisations. B2B e-business takes electronic data interchange to the next level by allowing companies to establish electronic links with all of their suppliers and customers using the more open and flexible environment of a Web based platform.

According to the Gartner Group, B2B e-business sales transactions amounted to $145 billion in 1999 and are forecast to surpass $7.29 trillion in 2004. The strongest regional growth in the B2B market can be found in Europe. B2B e-business sales transactions in Europe in 1999 totalled $31.8 billion and are forecast to be more than $2.34 trillion in 2004.

These forecasts indicate that the investment and development of B2B e-business solutions by companies in the next 3 years is set for rapid growth. According to IDC, the entire market opportunity for Internet commercial software applications is forecast to increase to $4.5 billion by 2003. This market is broadly defined as the services needed by businesses to plan, implement and operate their Web based activities.

According to Analysis Publications 2000, as the B2B market grows so will the trend for SMEs to outsource the entire e-business process, enabling companies to reduce costs, free up internal resources and focus on continued development of their core businesses. The Directors believe that such growth will transform traditional procurement, supply chain and marketing practices and that the adoption of e-business will be a major factor in increasing companies' profits over the next few years.

Alternative means of accessing the Internet are also developing. As an example of this, Datamonitor forecasts that the European mobile phone market will have more than 270 million users by 2005, with third generation mobile phones being widely available from 2002. The Group is at the forefront of these new technologies, having already produced WAP applications for one of its major clients, and will continue to develop the creative skills required to apply new technologies to business needs.

Competition

The market for e-business solutions and services is still in its embryonic stage and is subject to continuous change and technological progress. The Directors believe it is therefore highly fragmented, with no clear competitive structure.

There are many players in different parts of the Group's market such as e-business consultancies, design companies and system integrators. The Directors believe that companies within these segments generally do not offer a fully integrated e-business solution resourced by in-house teams which has resulted in many of them attempting to build partnerships to enable them to offer a full service e-business solution – this creates complicated organisations and responsiveness issues.

The Directors believe there are a small number of companies that could be broadly compared with BSG. These include Nettec plc, Breakaway Solutions Inc, Framtidsfabriken AB and Quidnunc Group plc.

Webgenerics' marketplace differs from that of BSG and here the Directors believe that competition exists on a product by product basis. The competition is considered by the Directors to be:

– dotEnabler: Virginbiznet (a trading division of virgin net limited), Sage Group plc and freecom.net plc;

– dotEncrypt: Magex Limited;

– dotHosted: loudcloud inc., Digex Inc.; and

– dotEngage: Day Interactive UK Limited.

Strategic Direction

The Directors believe the Internet constitutes the biggest change in commerce since the industrial revolution and that it will create radically new business models that will have the potential to broaden opportunities as companies target customers and seek to strengthen customer loyalty. Clients require a choice of how best to develop solutions that most effectively meet their market needs. The Directors believe the Group's "We Can" and "You Can" offering is unique to the market and will support the vision of the Group to create a trusted environment for accelerated business evolution. To support this vision the Group has developed strategic goals to:

– achieve challenging new business growth targets. Growth will be delivered through innovative brand positioning and extensive marketing communications underpinned by the Group's experienced consultative sales force;

– maximise client retention through its ability to deliver a full service solution;

– maintain and enhance its existing highly skilled and experienced team of people. The Group aims to maintain the highest standards by recruiting and training people to ensure it is at the leading edge of market skills and technical developments; and

– continue to enhance the Group's reputation with its strategic partners as the preferred e-business solutions provider by building relationships with clients who are the early adopters in their own markets.

Sales and Marketing

The two operating subsidiaries utilise different routes to market with BSG primarily achieving sales through direct channels while Webgenerics uses indirect sales channels such as partner arrangements with ISPs and Telcos.

In order to achieve its strategic goals the Group has a cohesive and focused sales and marketing plan. It is committed to developing long-term, mutually beneficial relationships with clients. The sales and marketing effort is aimed at the clients' board level e-business owners and decision-makers who have the commitment and influence to champion innovative or first mover e-business initiatives.

Over time the number of individual relationships that the Group manages with its clients has expanded. Traditionally the relationship might only have been with the IT director or manager but increasingly the Group is managing multi-layered relationships from the main board to marketing and customer service teams. The Directors believe that this heightens the profile of the Group, thus enabling it to offer consultancy and support in other areas where clients are demanding guidance and speedy solution delivery.

- Marketing

  One of the principal aims of the marketing strategy is to establish firmly the BSG and Webgenerics brands using the Group's track record with existing clients. This will involve an innovative advertising campaign utilising client case studies, reference sites and associated marketing tactics. These tactics will include public relations, on-going Web site development, promotional events, targeted seminars and associated events, direct mail, strategic partner joint marketing and public relations campaigns. A growing number of case studies will be based upon work undertaken on behalf of market innovators and first movers who are high profile and who represent marketable opportunities. The marketing strategy is also aimed at establishing brand awareness.

  The BSG and Webgenerics brands will be designed to promote the Group's full service philosophy. This will ensure that the market perception of the Group is one of an innovative rather than a 'me too' provider.

- Sales

  The Group's expert sales team, experienced in closing complex sales propositions, is focused on maximising profitability by targeted sales efforts. The Directors believe that sales are enhanced by offering solutions with measurable business benefits within time to market deadlines. The sales effort is focused on developing strategic roadmaps with clients to ensure that the Group provides a visionary and committed approach to e-business.

Relationships

The Group collaborates with leading organisations to provide its clients with appropriate e-business solutions. It forms relationships with those companies who offer products, services and resources which complement, extend and enrich the full service solutions it provides. Examples of these collaborations include:

- Compaq

  BSG is a Compaq system service provider in the UK. It is also a Compaq authorised reseller, supplying the complete range of Compaq products.

- ISP Relationships

  Relationships have been formed with the following ISPs in order to provide the Group's clients with resilient competitive Bandwidth:

  - Colt
  - Globix
  - Highway One
  - UUNET

- Kana (incorporating Silknet)

  BSG has an agreement with Kana, which develops and delivers eCRM solutions for electronic business, to act as a reseller and integrator.

- Lotus

  BSG is an advanced Lotus Business Partner and acts as a Lotus Authorised Education Centre.

- Microsoft

  BSG has enjoyed a formal relationship with Microsoft for over six years. As a Microsoft Certified Solution Provider Partner and Certified Technical Education Centre it is ideally placed to advise and develop appropriate knowledge-based solutions using Microsoft's Digital Network Architecture and BizTalk principles.

- Novell

  BSG is an accredited Novell Business Expert. It has a number of permanent certified network engineers enabling it to advise on all aspects of deploying Novell software from network architecture and design to licensing and fulfilment.

- Oracle

  BSG is an Oracle certified solutions provider and has been an Oracle partner for five years. BSG is one of only six companies in the UK that works directly with the Oracle e-business team and has what the Directors believe to be a strong and flourishing relationship. The strength of this relationship allows clients to benefit from best of breed solutions.

- Sun

  BSG is a Sun Authorised Reseller supplying the complete range of Sun products.

Intellectual Property

Webgenerics is able to generate revenue by exploiting its software including the provision of software solutions to third parties whilst retaining Webgenerics' ownership of copyright in the dotSuite.

The Group imposes obligations of confidence on its employees under its standard terms and conditions of employment.

The Group has various branded product and service lines and is applying to register various trade marks, including The Brilliant Agency, Webgenerics, dotHosted, dotEnabler, dotEncrypt and dotEngage.

Accreditations

The Group's commitment to quality is backed by nationally and internationally recognised professional accreditations which are continuously maintained and strictly adhered to. The following quality assurance systems are used to ensure the high standards employed in all aspects of the business:

- ISO 9001 Quality Assurance

  This is an international certification that a company conforms to certain standards. This model applies to organisations that produce, install and service products. The International Standards Organisation expects organisations to develop a quality assurance system that includes:

  – an established policy on quality;
  – a quality procedure manual;
  – an officer designated for ensuring and maintaining quality standards;
  – regular quality reviews, with audits performed both in house and by an external independent body;
  – a list of approved suppliers; and
  – all written procedures to be simply, unambiguously and clearly stated.

- TickIT Applications Development Approved Practice.

  Companies with TickIT accreditation have a proven commitment to providing high-quality software and applications. TickIT's quality system objectives are guided by the framework of ISO 9001.

- Investors in People Accredited Practice

  Investors in People is a national standard which provides a framework for the training and development of people to achieve business goals. The standard aims to improve business performance and competitiveness through communication and development, so that people within the business are motivated and able to take up the challenges facing the business. It is awarded to companies who have established a culture of continuous improvement.

Directors, Senior Management and Employees

Directors of the Company

Geoffrey Procter (age 52), Non-Executive Chairman

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

Nick Gerard (age 41), Group Chief Executive

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 whilst it is in its early stages of development.

Mark Atkinson (age 50), Group Finance Director

Mark started his career, after graduating with a BSc (Hons) degree in Chemistry from East Anglia University, at Deloitte Haskins & Sells where he qualified as a Chartered Accountant in 1974 and later became a Senior Audit Manager. In 1984 he moved to Credit Suisse First Boston Limited where he was initially Director, Internal Audit and later Director for Group Accounting, responsible for designing and implementing a pan-European group accounting system. In 1990 he moved to Tokai Bank Europe plc where he was General Manager of Operations. He helped develop the company to a point where Tokai Bank Europe plc was able to demerge its derivatives operation into a separate company, Tokai Capital Markets Limited, of which he became the Finance Director. In 1997 he moved to Greenwich Nat West where he was a Director in the Asset Securitisation group. In March 2000 he joined the Group and was appointed as Finance Director in May 2000.

Nick Wilding (age 40), Group Marketing Director

Nick graduated in 1982 with a BA (Hons) in Geography from Reading University. He joined the Automobile Association in 1986 and became Head of the London Operations Centre, managing the implementation of a new command and control system. While the Developments Manager at the Automobile Association he launched new vehicle breakdown products and services and pioneered a new business managing motorway breakdowns in partnership with UK Police Forces. In 1994 Nick moved to EULER Trade Indemnity, part of EULER SA, one of the world's largest credit insurance groups, where he was responsible for strategy and product development including all e-business developments and for changing the traditional underwriting culture to a client driven culture. He joined the Group in March 2000 and was appointed to the Board as Marketing Director in May 2000. Nick is a member of the Chartered Institute of Marketing.

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Richard Brasher (age 39), Non-Executive Director

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

Malcolm Coleman (age 61), Non-Executive Director

Malcolm was educated at Whittinghame College and City of London School and qualified as a Chartered Accountant in 1961, being admitted as a Fellow in 1968. He is a Member of the Faculties of Information Technology and Finance & Management. He is the Senior Partner in Jeffreys Henry, Chartered Accountants and was instrumental in the establishment and development of Jeffreys Henry International, a worldwide association of independent firms of accountants, tax and management consultants with over 100 offices in 40 different countries. Previously he was the Chairman of the Banking & Venture Capital Sub-Committee of the American Chamber of Commerce UK, a member of the Advisory Board of Wilkerson Group (now part of IBM), the Chairman of the International Executive Committee of Jeffreys Henry International and a Council Member and Chairman of the Trade Development Sub-Committee of Canada UK Chamber of Commerce. Malcolm joined the Group and was appointed to the Board in June 2000.

Senior Management and Employees

Alan Miles (age 40), Chief Operating Officer, BSG

Alan has worked in a number of technology organisations including Misys plc, where he spent 7 years as the Systems Development Manager and Divisional Sales and Marketing Manager. In 1994 he became the Customer Service Division National Manager for Geac Computers (UK) Limited responsible for service provision to the Geac customer base and its MIS and development systems. In 1995 Alan became Head of Systems Development for Alternative Business Solutions Limited being responsible for all aspects of the company's corporate software services.

Alan joined the Group in 1996, initially as Head of Consulting, where he recruited and developed its new business management team. In 1998 he moved to become Technical Services Director and restructured the delivery teams to offer business driven, rather than technology driven, solutions to clients. In January 2000 Alan became Chief Operating Officer for BSG.

Nick Poole (age 37), Director of Sales, BSG

Nick joined the Group in 1996 having worked in senior sales, account management and technical roles at Admiral Computing Limited, Computer Business Consultants Limited and Contingency Planning Limited. He leads the BSG sales team, selling high value strategic e-business projects, and is focused on securing long term, profitable client relationships.

Paul Baldwin (age 38), Head of IT Services, BSG

Paul joined the Group in 1994 after holding management and technical positions in British Olivetti and Simmons Magee plc. He heads the BSG technical support team and is responsible for ensuring BSG is continually able to design, integrate, manage and support technical solutions that meet client service level agreements and partner accreditation standards.

Ian Moulster (age 35), Head of Consulting, BSG

Ian joined the Group in 1996 after holding team leader and consultancy roles with Fraser Williams and Black & Decker European IT. He leads the BSG technical services team, providing strategic direction and consultancy services to the key digital business divisions of BSG including e-business development, business transformation and analysis, project management and education.

Justin O'Keeffe (age 31), Head of Operations, BSG

Justin joined the Group in 1994 having worked in Central Government at the Department of Environment and Ministry of Agriculture, Fisheries and Food. He is responsible for all areas of purchasing, warehousing, despatch and configuration ensuring that BSG is always able to supply and commission all client technical specifications.

John Papanastasiou (age 29), Development Manager, Webgenerics

John joined Webgenerics in November 1999 and is responsible for all Web application development. After graduating from King's College, London with a 1st in Mathematics and Computer Science, John joined Eyretel plc where he designed and implemented a networked multimedia distribution application, which had its largest single installation on 1,400 desks in a single trading floor. John has extensive hands-on experience of computer networking, operating systems, and multimedia applications.

Senior Employee

Nick Harper (aged 33), Technical Architect, Webgenerics

Nick joined the Group in 1999 after holding strategic development and marketing positions at SDX Services Limited, Eyretel Limited, Mycom Media Limited, Seimens GPT and RPL Telecommunications Plc and being a director of Mycom Services Limited, Mycom Group Limited and Video Development Limited. He currently facilitates the translation of technical developments into business propositions and solutions, ensuring that the Webgenerics products and services fit with clients and market demand and as such Nick has been intimately involved in the development of the Webgenerics product range. Nick is the subject of a DTI Company Directors Disqualification Order as further detailed in paragraph 16(h) on page 76 of this document. As a result Nick is prevented without the leave of court from being a director or taking part in the formation, management or promotion of Webgenerics or any company until 23 September 2004. He is not involved in the management of Webgenerics.

Corporate Governance

The Company will endeavour to comply as far as is practicable with the Combined Code. The Board includes three non-executive Directors, including the Chairman.

The Company will hold at least four Board meetings throughout the year at which reports relating to the Company's operations, together with finance reports, will be considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The audit committee comprises Malcolm Coleman, Richard Brasher and Geoffrey Procter who is chairman. It will meet at least twice a year and is responsible for, amongst other things, ensuring that the financial performance of the Company is properly reported and monitored, focusing particularly on compliance with legal requirements, accounting standards and the requirements of The Financial Services Authority and the London Stock Exchange. The audit committee will also meet the auditors at least once a year and will review the reports from the auditors relating to accounts and internal control systems.

The remuneration committee comprises Malcolm Coleman, Richard Brasher and Geoffrey Procter who is chairman. This committee reviews the performance of executive Directors and, within agreed terms of reference, sets the scale and structure of their remuneration including pension rights, the Company's policy on compensation of Executive Directors and the basis of their service agreements with due regard to the interests of Shareholders. It also determines the allocation of shares under the Share Schemes to employees. It is a rule of the remuneration committee that no Director shall participate in discussions or decisions concerning his own remuneration.

The nomination committee is chaired by Geoffrey Procter and its other members are Nick Gerard, Mark Atkinson, Richard Brasher and Malcolm Coleman. The nomination committee has responsibility for making recommendations to the Board on all new Board appointments.

The Combined Code requires that the remuneration committee consists exclusively of Non-Executive Directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their judgement, that the audit committee comprises at least three Non-Executive

Directors, the majority of whom are so independent, and that the majority of the members of the nomination committee are Non-Executive Directors. Although Malcolm Coleman has an option to acquire Ordinary Shares, the Company does not consider that this interest, which aligns him with the interests of shareholders generally, adversely affects his independence as a Non-Executive Director. Further details of this option are set out in paragraph 2(f) of Part VI of this document.

Summary of Financial Information

The following selected consolidated historical financial data of the Group is extracted from the Accountants' Report included in Part III of this document. It shows the performance of the Group prior to the acquisition of Webgenerics as that company did not form part of the Group until 8 June 2000. For the period from 15 November 1999 to 31 March 2000, Webgenerics generated turnover of £158,876 and an operating loss of £206,301, as extracted from the Accountants' Report in Part IV of this document. This data should be read in conjunction with the whole of this document and investors should not rely solely on the summarised information below.

	12 months ended 30 June 1997 £'000	*12 months ended 30 June 1998 £'000*	*12 months ended 30 June 1999 £'000*	***9 months ended 31 March 2000 £'000***
Turnover	44,408	37,260	32,386	**24,993**
Gross profit	5,718	6,428	6,538	**4,803**
Operating (loss)/profit	(1,367)	245	629	**900**
Net interest (payable)/receivable	(253)	(24)	121	**79**
(Loss)/profit before taxation	(1,620)	1,494	750	**979**
Taxation credit/(charge)	361	(532)	(305)	**(293)**
(Loss)/profit after taxation	(1,259)	962	445	**686**

BSG's turnover has reduced over the last two years and nine months as it moved from being a systems integration provider to providing full service e-business solutions. Turnover has now levelled out on an annualised basis but the mix of turnover is still changing. As BSG has refocused, the mix of sales has changed over the period as the proportion of infrastructure sales reduced and the level of service related turnover increased. As the level of turnover has reduced, the quality of the turnover has increased, resulting in increased gross margins from 12.9 per cent. in 1997, 17.3 per cent. in 1998, 20.2 per cent. in 1999 and 19.2 per cent. in the 9 month period to 31 March 2000.

Dividend Policy

It is envisaged that interim dividends will be paid by the Company in March and final dividends in October of each year. The Directors intend to adopt a progressive dividend policy, while maintaining an appropriate level of dividend cover.

Employees and Share Schemes

As at 31 March 2000 the Group had 221 employees, including the Executive Directors. All of the Group's employees were located at its headquarters in London.

The Directors believe that the Group's employees are fundamental to its continued success. It therefore aims to ensure that it continues to attract, retain and enhance the skills of its employees by:

– continuing to develop the existing training rebate scheme whereby all Group employees have access to a minimum number of professional training days per annum;

– continuing to increase the number of in-house accredited vendor consultants and the operating system and hardware services skills base;

– retaining existing employees who are of the very highest professional standards;

– recruiting talented professionals with appropriate personal and industry experience;

– continuing to commit to the Investors in People scheme for all its employees; and

– being seen as innovative within its markets thereby attracting similarly minded employees.

The Directors consider that the Group's high quality workforce should be suitably rewarded. Accordingly, in order to incentivise its staff, the Company has established the following Share Schemes for the benefit of its employees.

Share Schemes

The Company has adopted two employee share schemes and has also established The Business Systems Group Holdings plc Share Ownership Plan 2000 ("the ESOP"). Details of the terms of the ESOP are contained in paragraph 8 of Part VI of this document.

The Company has established the ESOP, as a trust for the benefit of the employees and former employees of the Group together with certain dependants. The principal objective of the ESOP is to support the operation of the Share Schemes. The trustees of the ESOP have been granted significant powers and may exercise these powers in their own discretion. The Company has no control over how the trustees choose to exercise their powers or achieve this objective although the Company may make recommendations to the trustees and may replace the trustees. The ESOP will be available for use in conjunction with any employee share scheme adopted by the Company after Admission.

In the future, the Board intends to continue to utilise employee share schemes, to seek shareholder approval to amend the Share Schemes and to establish new schemes, which in all cases comply with best practice.

The Executive Scheme

The Executive Scheme is governed by its rules and the terms of the Company's articles of association ("the Articles"). The Board or the trustees of the ESOP may invite an employee of the Group who shall hold managerial responsibilities ("a Senior Executive") to apply for Ordinary Shares. The Board will set the number and price of Ordinary Shares, terms of payment and whether and to what extent the Ordinary Shares will be subject to any performance conditions or a cap (a quantifiable sum which has the effect of limiting a return on any sale of the Ordinary Shares). The Senior Executive will be required to agree that he will not sell, transfer or deal with the Ordinary Shares for three years The trustees of the ESOP will hold the Ordinary Shares as bare trustee for the Senior Executive.

Pursuant to the Articles, if the Senior Executive ceases to be employed by or act as an officer of the Group within three years of the issue of Ordinary Shares to him, the Ordinary Shares must be offered for sale to the ESOP at the subscription price. If performance conditions are specified and not achieved then the Ordinary Shares convert into deferred ordinary shares of 5p each ("Deferred Shares"). These shares will carry no right to vote and no entitlement to a dividend. If after three years the Ordinary Shares have not converted into Deferred Shares, and the Senior Executive wishes to offer the Ordinary Shares for sale they must be offered for sale to the ESOP for a sum equal to the lesser of market value or the previously mentioned cap.

The Staff Scheme

The Staff Scheme is governed by its rules and the terms of the Articles. The Board or the trustees of the ESOP may invite selected employees of the Group to acquire Ordinary Shares. The Board will set the number and price of the Ordinary Shares terms of payment and whether and to what extent the Ordinary Shares will be subject to any performance conditions. The employee will be required to agree that he will not sell transfer or deal in such Ordinary Shares for three years. The trustees of the ESOP will hold the Ordinary Shares as bare trustee for the employee.

Pursuant to the Articles, if the employee ceases to be employed by or act as an officer of the Group within three years of the issue of the Ordinary Shares to him, the Ordinary Shares must be offered for sale to the ESOP at the subscription price. If performance conditions are specified and not achieved then the Ordinary Shares become Deferred Shares. If the performance conditions require satisfaction of periodic targets and only a proportion of those periodic targets have not been satisfied then only that proportion of Ordinary Shares will convert to Deferred Shares. If after three years the Ordinary Shares have not converted to Deferred Shares, and the employee wishes to offer the Ordinary Shares for sale they must be offered for sale to the trustees of the ESOP for a sum equal to market value.

Further details of the Share Schemes are contained in paragraph 8 of Part VI of this document.

The Company has two non-discretionary bonus schemes, a loyalty bonus scheme for consulting, technical and delivery staff, and a profit share scheme for consulting staff. In addition, the Company has a discretionary bonus scheme, for principal consultants.

The Company intends to develop a long term incentive plan for its employees.

Details of and Reasons for the Placing

The Directors consider that Admission is an important step in the development of the Group that will further raise its profile and provide more flexibility in financing its future growth, which may occur both organically and by acquisition. Additionally, it will assist the Group in attracting, retaining and motivating high quality staff and providing opportunities for employees to participate in the future success of the Group through the Share Schemes.

Under the Placing, 12,627,445 new Ordinary Shares are being issued by the Company at the Placing Price to raise approximately £13.9 million, net of expenses. Existing Shareholders are selling 8,839,296 existing Ordinary Shares, valued at £10.5 million, at the Placing Price. The Placing has been fully underwritten by Williams de Broë.

Following the Placing, the interests of the Directors and Phil Buckingham will amount in aggregate to 66.2 per cent. of the issued ordinary share capital of the Company. Under the terms of the Placing Agreement the Directors, Nick Harper and Phil Buckingham, have agreed, *inter alia*, not to dispose of any of their Ordinary Shares for one year and to be bound by further restrictions on disposals of their Ordinary Shares for a year thereafter in order to maintain an orderly market.

Further details of the Placing are set out in paragrah 4 of Part VI of this document.

Use of Proceeds

The net proceeds of the Placing are expected to be £13.9 million after deduction of underwriting commission and expenses estimated at £1.1 million.

The Group is planning to use part of these proceeds to invest approximately £11 million in infrastructure to support its Web based solutions and approximately £6 million to mount a significant marketing campaign over the next three years. It is expected that a significant proportion of these costs will be financed from internally generated funds particularly in years two and three. The balance of the proceeds will be used to finance the ongoing development of the Group's Web based offerings, organically and by the acquisition of products or companies, to recruit additional personnel and to train both new and existing staff in new technologies as these develop.

Current Trading and Prospects

The Group's results to 31 March 2000 reflect its continued transformation to a full service provider of e-business solutions. Annualised turnover over the last two periods has remained stable, however, the changing mix has continued to reflect the trend away from Client/Server to Internet based solutions. To expand further its skill base, the Group increased its retraining activity during the nine months to March 2000 which has had the consequential effect of holding back margins. Since the period end this retraining programme has been completed.

The Group is planning to recruit additional sales, marketing and technology staff during the forthcoming financial period and to undertake a significant marketing campaign. It is believed that the combination of increased resource capability and aggressive marketing will have a positive effect on the Group's future performance.

Investment in infrastructure is planned to satisfy customer demand for Web based solutions in line with anticipated increases in customer numbers.

Part II

Risk Factors

In addition to the usual risks associated with an investment in software solutions businesses, the Directors consider that the factors and risks described below are the most significant and should be carefully considered, together with all other information contained in this document, prior to investing in the Company. It should be noted that this list is not exhaustive and that other risk factors may apply.

- Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.
- The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or other securities related to the provision of e-business solutions or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Group and/or its competitors.
- Rapid and often unexpected changes in technology and alterations to business models are a feature of the Internet and related software sectors. It is anticipated that further changes will occur. The Internet and related software sectors are, therefore, subject to considerable volatility. In addition, the Internet is a new business arena where there are few established or, as yet, profitable companies. The combined effect of this volatility and immaturity in parts of the markets within which the Group will be operating will substantially increase the risks associated with the Group's business.
- The market price of the Ordinary Shares may not reflect the underlying value of the Group.
- The loss of any key management of the Group may have an adverse effect on the future of its business.
- The Group's value may be substantially dependent upon the continuing growth and acceptance of the Internet as a platform for conducting business.
- The market for e-business related products and services is highly competitive and is characterised by rapid technology developments, evolving industry standards and customer demands, as well as frequent new product innovations and enhancements, all of which mean that the Group must remain at the leading edge of developments and there can be no guarantee that its business will generate the expected future revenues and profits.
- Certain of the laws and regulations governing Internet-related companies remain undeveloped and, with increasing use of the Internet as a platform for conducting business, it is possible that the adoption of new laws or regulations may adversely affect the performance of the Group.
- The success of the Group's strategy depends on companies substantially increasing their use of e-business for conducting commerce. Whilst it is forecast that this will occur, there can be no guarantee that it will do so. Although the Group aims to be a leading player in full service provision B2B e-business solutions, competition may impact adversely on the Group's ability to achieve its objectives.
- The technologies associated with many e-business solutions are immature, under constant development and standards are still evolving. It may be that over time, and with increasing volume growth, some components of these technologies may prove unable to scale beyond currently unexplored limits. In practice, it has proved impossible to determine when or if such problems will occur.
- The ability of the Group to implement its strategy in a rapidly evolving market requires effective planning and management control systems. The Group's growth plans are expected to place a significant strain on the Group's managerial, operational, financial and human resources. Therefore the Group's future growth, if any, will depend on its ability to expand and improve operational, financial and management information and control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.
- The Group's future growth is dependent on its ability to recruit, motivate and retain appropriately qualified personnel. There can be no assurance that the Group will be able to attract, motivate and retain such personnel, given the high degree of competition for such expertise throughout the software and Internet industries. As a result, growth could be limited due to a lack of capacity to provide the Group's services.

- The Group is undergoing a change in strategic focus from a systems implementation business to a provider of B2B e-business solutions. As part of this refocusing the Directors consider that the Webgenerics offering, which has a limited trading history, is important to the future development of the Group. The Group also retains a number of clients from within its historic market place. There is a risk that this change in strategic focus will not be achieved to the full extent envisaged by the Directors.
- Webgenerics operates through indirect sales channels utilising partners such as ISPs and Telcos. To date, four ISPs offer dotHosted on an unbranded basis with none as yet offering this service on a branded basis. The development of the Group's relationships with such organisations will be key to the success of the Webgenerics offering.
- Prior to the end of 1999, there was general concern that many installed computer systems and software products would be unable to distinguish between 20th century dates and 21st century dates because such systems were developed using two digits rather than four digits to determine the applicable year.

  Since 31 December 1999, industry has moved from the pre-Y2K phase to the post-Y2K phase. In the post-Y2K phase, confidence in computer systems is stronger, and implementations of products are now occurring. The Y2K risk has much reduced since 31 December 1999 and is now generally viewed as being of moderate to low risk which will reduce linearly with time. The Group has not experienced any material Y2K problems to date, either internally within the Group or with customers or other third parties with whose products the Group's products and software may be integrated.

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult an investment adviser authorised under the FS Act.

Part III

Accountants' Report on Business Systems Group Holdings plc

Deloitte & Touche

The Directors
Business Systems Group Holdings plc
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226-236 City Road
London EC1V 2TT

Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR

The Directors
Williams de Broë Plc
6 Broadgate
London EC2M 2RP

4 July 2000

Dear Sirs

Business Systems Group Holdings plc ("the Company" or "BSGH") and its subsidiaries as at 31 March 2000 (together "the Group")

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 4 July 2000 relating to the admission of the Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities ("the Listing Particulars").

Basis of preparation

The financial information set out in this report is based on the audited consolidated financial statements of the Group for the three years and nine months ended 31 March 2000 and has been prepared after making such adjustments as we considered necessary.

The Group previously had a statutory financial year end of 30 June. The Group has elected to change its financial reporting period end to 31 March. Audited financial statements have been prepared for the nine months ended 31 March 2000.

The Company changed its name from Planned Facilities Limited to Business Systems Group Holdings Limited on 24 May 2000, and was re-registered as a public limited company on 9 June 2000.

Responsibility

Such financial statements are the responsibility of the directors of BSGH who approved their issue, and are required to be prepared in accordance with applicable United Kingdom law and accounting standards.

The directors of BSGH are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the United Kingdom Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that which was previously obtained by us relating to the audit of the Group's financial statements underlying the financial information for the nine months ended 31 March 2000 and that recorded by the previous auditors, Jeffreys Henry, relating to the audit of the Group's financial statements underlying the financial information for the three years ended 30 June 1999. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits and losses, cash flows and recognised gains and losses for the periods then ended.

bsq

Consolidated Profit and Loss Account

	Note	*Year ended 30 June* 1997 £'000	1998 £'000	1999 £'000	***9 months ended 31 March 2000 £'000***
Turnover: continuing operations	2	44,408	37,260	32,386	**24,993**
Cost of sales		(38,690)	(30,832)	(25,848)	**(20,190)**
Gross profit		5,718	6,428	6,538	**4,803**
Net operating expenses	4	(7,085)	(6,183)	(5,909)	**(3,903)**
Operating (loss)/profit:					
Continuing operations	5	(1,367)	245	629	**900**
Profit on sale of fixed assets		–	1,273	–	**–**
Interest receivable and similar income	6	5	86	132	**80**
Interest payable and similar charges	7	(258)	(110)	(11)	**(1)**
(Loss)/profit on Ordinary Activities before Taxation		(1,620)	1,494	750	**979**
Tax credit/(charge) on (loss)/profit on ordinary activities	8	361	(532)	(305)	**(293)**
(Loss)/profit on Ordinary Activities After Taxation		(1,259)	962	445	**686**
Equity dividends	9	–	(300)	(130)	**–**
Retained (loss)/profit for the financial period		(1,259)	662	315	**686**
Basic and fully diluted (loss)/earnings per ordinary share	10	(1.75)p	1.34p	0.62p	**0.96p**

There are no recognised gains and losses other than those passing through the profit and loss account shown above. Accordingly, a statement of total recognised gains and losses has not been presented.

Consolidated Balance Sheets

	Note	1997 £'000	As at 30 June 1998 £'000	1999 £'000	As at 31 March 2000 £'000
Fixed Assets					
Intangible assets	14	8	6	4	**–**
Tangible assets	15	4,695	1,553	1,382	**1,571**
		4,703	1,559	1,386	**1,571**
Current Assets					
Stock	16	514	848	402	**426**
Debtors	17	6,274	4,703	5,580	**6,120**
Cash at bank and in hand		24	2,464	1,615	**2,427**
		6,812	8,015	7,597	**8,973**
Creditors: amounts falling due within one year	18	(8,275)	(7,535)	(6,664)	**(7,539)**
Net Current (Liabilities)/Assets		(1,463)	480	933	**1,434**
Total Assets less Current Liabilities		3,240	2,039	2,319	**3,005**
Creditors: amounts falling due after more than one year	19	(1,843)	(35)	–	**–**
Provisions for Liabilities and Charges	21	(55)	–	–	**–**
Net Assets		1,342	2,004	2,319	**3,005**
Capital and Reserves					
Called up share capital	22	25	25	25	**25**
Profit and loss account	23	1,317	1,979	2,294	**2,980**
Equity shareholders' funds	24	1,342	2,004	2,319	**3,005**

Consolidated Cash Flow Statements

	Note	1997 £'000	Year ended 30 June 1998 £'000	1999 £'000	9 months ended 31 March 2000 £'000
Net cash (outflow)/inflow from operating activities	(A)	(1,370)	2,193	(216)	**1,658**
Returns on investments and servicing of finance					
Interest received		5	86	132	**80**
Interest paid		(252)	(107)	(5)	**(1)**
Interest element of finance lease rentals		(6)	(3)	(6)	**–**
		(253)	(24)	121	**79**
Taxation		(11)	(102)	(432)	**(367)**
Capital expenditure and financial investment					
Payments to acquire tangible assets		(422)	(212)	(250)	**(422)**
Receipts from sale of tangible assets		127	3,893	16	**–**
		(295)	3,681	(234)	**(422)**
Equity dividends paid		–	(300)	(30)	**(100)**
Net cash (outflow)/inflow before financing		(1,929)	5,448	(791)	**848**
Financing		(768)	(1,975)	(58)	**(36)**
(Decrease)/increase in cash	(B)	(2,697)	3,473	(849)	**812**

Notes to the Consolidated Cash Flow Statements

(A) Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	Year ended 30 June 1997 £'000	1998 £'000	1999 £'000	**9 months ended 31 March 2000 £'000**
Operating (loss)/profit	(1,367)	245	629	**900**
Depreciation of tangible assets	949	742	402	**231**
Amortisation of intangible assets	2	2	2	**4**
(Profit)/loss on disposal of tangible assets	(69)	4	3	**2**
Decrease/(increase) in stocks	1,176	(334)	446	**(24)**
(Increase)/decrease in debtors	679	1,559	(869)	**(548)**
Decrease in creditors within one year	(2,365)	(25)	(829)	**1,093**
Decrease in warranty provision	(375)	–	–	**–**
Net cash (outflow)/inflow from operating activities	(1,370)	2,193	(216)	**1,658**

(B) Analysis of changes in net funds

	At 1 July 1996 £'000	Cash flow £'000	Non cash movements £'000	At 30 June 1997 £'000	Cash flow £'000	Non cash movements £'000	At 30 June 1998 £'000
Cash at bank and in hand	1,688	(1,664)	–	24	2,440	–	2,464
Bank overdrafts	–	(1,033)	–	(1,033)	1,033	–	–
	1,688	(2,697)	–	(1,009)	3,473	–	2,464
Finance leases	(49)	64	(159)	(144)	63	(13)	(94)
Debt due within one year	(253)	98	–	(155)	155	–	–
Debt due after more than one year	(2,363)	606	–	(1,757)	1,757	–	–
Net funds	(977)	(1,929)	(159)	(3,065)	5,448	(13)	2,370

	At 30 June 1998 £'000	Cash flow £'000	At 30 June 1999 £'000	Cash flow £'000	At 31 March 2000 £'000
Cash at bank and in hand	2,464	(849)	1,615	812	2,427
Bank overdrafts	–	–	–	–	–
	2,464	(849)	1,615	812	2,427
Finance leases	(94)	58	(36)	36	–
Debt due within one year	–	–	–	–	–
Debt due after more than one year	–	–	–	–	–
Net funds	2,370	(791)	1,579	848	2,427

(C) Reconciliation of net cash flow to movement in net (debt)/funds

	Year ended 30 June 1997 £'000	Year ended 30 June 1998 £'000	Year ended 30 June 1999 £'000	9 months ended 31 March 2000 £'000
(Decrease)/increase in net cash in the period	(2,697)	3,473	(849)	**812**
Cash outflow from decrease in debt	768	1,975	58	**36**
Change in net (debt)/funds resulting from cashflows	(1,929)	5,448	(791)	**848**
New finance leases	(159)	(13)	–	**–**
Movement in net (debt)/funds in the period	(2,088)	5,435	(791)	**848**
Opening net (debt)/funds	(977)	(3,065)	2,370	**1,579**
Closing net (debt)/funds	(3,065)	2,370	1,579	**2,427**

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

The financial information is prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are set out below.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated profit and loss accounts and balance sheets include the financial statements of the Company and all its subsidiary undertakings made up to 31 March 2000. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-Group sales and profits are eliminated fully on consolidation.

(c) Turnover

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

(d) Intangible and tangible fixed assets and depreciation

Intangible and tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	33⅓% straight line
Fixtures, fittings and equipment	25% straight line
Motor vehicles	25% straight line
Trademarks	20% straight line

(e) Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included as creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(f) Stock

Stock is valued at the lower of cost and net realisable value.

(g) Pensions

Pension contributions represent payments to defined contribution schemes, the assets of which are held separately from those of the Group.

(h) Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

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2. Turnover

The total turnover, profit/(loss) before tax and net assets for each period have been derived from the Group's principal activity, the provision of a range of integrated managed computer services to the corporate environment, wholly undertaken in the United Kingdom.

3. Acquisitions

On 1 September 1996, the Company acquired 100 per cent. of the issued share capital of The Brilliant Agency Limited, for cash consideration of £2. This acquisition has been accounted for under the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was £27,002. This has been written off directly to reserves.

The (losses)/profits after taxation of The Brilliant Agency Limited were as follows:

	(Loss)/ Profit after tax £'000
Results prior to acquisition:	
1 July 1996 to the date of acquisition	(17)
Preceding financial year ended 30 June 1996	(77)

On acquisition, The Brilliant Agency Limited held creditors with a book value of £27,000, to which no fair value adjustments were made.

4. Analysis of Net Operating Expenses

	Year ended 30 June 1997 £'000	*1998 £'000*	*1999 £'000*	***9 months ended 31 March 2000 £'000***
Administrative expenses	(7,216)	(6,362)	(6,145)	**(4,173)**
Other operating income	131	179	236	**270**
Net operating expenses	(7,085)	(6,183)	(5,909)	**(3,903)**

5. Operating (Loss)/Profit

	Year ended 30 June 1997 £'000	*1998 £'000*	*1999 £'000*	***9 months ended 31 March 2000 £'000***
Operating (loss)/profit is stated after charging:				
Amortisation of intangible assets	2	2	2	**4**
Depreciation of tangible assets – owned assets	935	695	355	**197**
– leased assets	14	47	47	**34**
Operating lease rentals – other operating leases	16	353	517	**375**
Auditors' remuneration – audit fees	47	42	54	**33**
– other services	–	–	11	**–**
and after crediting:				
Rents receivable	131	179	236	**270**

6. Interest Receivable and Similar Income

	Year ended 30 June 1997 £'000	1998 £'000	1999 £'000	9 months ended 31 March 2000 £'000
Bank interest	5	86	132	**80**

7. Interest Payable and Similar Charges

	Year ended 30 June 1997 £'000	1998 £'000	1999 £'000	9 months ended 31 March 2000 £'000
On bank loans and overdrafts	252	106	5	**1**
Lease finance charges	6	3	6	**–**
On overdue tax	–	1	–	**–**
	258	110	11	**1**

8. Tax (Credit)/Charge on (Loss)/Profit on Ordinary Activities

	Year ended 30 June 1997 £'000	1998 £'000	1999 £'000	9 months ended 31 March 2000 £'000
UK corporation tax at 30% (1999: 30%, 1998: 31%, 1997: 33%)	(351)	587	315	**302**
Deferred taxation	(10)	(55)	–	**–**
Adjustments to prior period's tax provision	–	–	(10)	**(9)**
	(361)	532	305	**293**

9. Dividends

	Year ended 30 June 1997 £'000	1998 £'000	1999 £'000	9 months ended 31 March 2000 £'000
Ordinary interim paid	–	300	30	**–**
Ordinary final proposed	–	–	100	**–**
	–	300	130	**–**

Dividends per ordinary share for the nine months ended 31 March 2000 amounted to £nil (1999: 0.18p; 1998: 0.42p; 1997: £nil), calculated on the basis of the number of Ordinary Shares in issue immediately prior to Admission, being 71,555,520.

10. (Loss)/Earnings per Ordinary Share

Basic

(Loss)/Earnings per Ordinary Share have been calculated by dividing the (loss)/profit after taxation for each year by 71,555,520, being the number of Ordinary Shares which will be in issue immediately prior to Admission.

Diluted

The Company has no potential equity shares as defined within Financial Reporting Standard 14 (FRS "14") and therefore diluted earnings per share does not differ from basic earnings per share.

11. Directors' Emoluments

	Year ended 30 June 1997			
	Salary £'000	*Pension contri-butions £'000*	*Benefits in kind £'000*	*Total £'000*
P J Buckingham	144	45	62	251
N J Gerard	144	27	34	205
	288	72	96	456

	Year ended 30 June 1998			
	Salary £'000	*Pension contri-butions £'000*	*Benefits in kind £'000*	*Total £'000*
P J Buckingham	97	70	67	234
N J Gerard	98	72	34	204
S Gerard	32	–	–	32
N Buckingham	32	–	–	32
	259	142	101	502

	Year ended 30 June 1999			
	Salary £'000	*Pension contri-butions £'000*	*Benefits in kind £'000*	*Total £'000*
P J Buckingham	80	60	64	204
N J Gerard	81	62	28	171
S Gerard	43	15	4	62
N Buckingham	43	15	–	58
	247	152	96	495

	Period ended 31 March 2000			
	Salary £'000	*Pension contri-butions £'000*	*Benefits in kind £'000*	*Total £'000*
P J Buckingham	60	4	47	111
N J Gerard	61	6	9	76
S Gerard	32	–	9	41
N Buckingham	32	–	–	32
	185	10	65	260

12. Transactions with Directors

The following directors had interest free loans from the Company during the period to 31 March 2000. The movement on these loans are as follows:

	P J Buckingham £'000	*N J Gerard £'000*	*Total £'000*
Balance at 1 July 1996	70	70	140
Movements in the year	24	16	40
Balance at 30 June 1997	94	86	180
Movements in the year	(86)	(86)	(172)
Balance at 30 June 1998	8	–	8
Movements in the year	–	–	–
Balance at 30 June 1999	8	–	8
Movements in the period	–	–	–
Balance at 31 March 2000	8	–	8

The maximum balance outstanding on these loans in each financial period was as follows:

	P J Buckingham £'000	*N J Gerard £'000*	*Total £'000*
Year ended 30 June 1997	94	86	180
Year ended 30 June 1998	147	139	286
Year ended 30 June 1999	8	–	8
Period ended 31 March 2000	8	–	8

Included within cash at bank at 31 March 2000 is £28,000 in a bank account in the name of two of the directors. This has been repaid since the period end.

13. Employees

Number of employees

The average weekly number of employees (including directors) during each period was:

	Year ended 30 June			***9 months ended 31 March***
	1997 Number	*1998 Number*	*1999 Number*	***2000 Number***
Sales and administration	272	222	230	**223**
Employment costs	*£'000*	*£'000*	*£'000*	***£'000***
Wages and salaries	7,747	7,203	7,792	**6,078**
Social security costs	800	707	797	**648**
Other pension costs	250	275	294	**132**
	8,797	8,185	8,883	**6,858**

14. Intangible Fixed Assets

	Trademark £'000
Cost	
At 1 July 1997	10
At 30 June 1998	10
At 30 June 1999	10
At 31 March 2000	10
Amortisation	
At 1 July 1997	2
Charge for year	2
At 30 June 1998	4
Charge for year	2
At 30 June 1999	6
Charge for period	4
At 31 March 2000	10
Net book value	
At 30 June 1998	6
At 30 June 1999	4
At 31 March 2000	–

15. Tangible Fixed Assets

	Plant and machinery £'000	*Fixtures, fittings and equipment £'000*	*Land & buildings £'000*	*Motor vehicles £'000*	*Total £'000*
Cost or valuation					
At 1 July 1997	1,749	1,838	2,998	334	6,921
Additions	123	89	–	14	224
Disposals	(572)	(1,093)	(2,076)	(61)	(3,802)
At 30 June 1998	1,300	834	922	287	3,343
Additions	151	72	–	27	250
Disposals	(209)	–	–	(24)	(233)
At 30 June 1999	1,242	906	922	290	3,360
Additions	162	148	112	–	422
Disposals	(7)	–	–	–	(7)
At 31 March 2000	1,397	1,054	1,034	290	3,775
Depreciation					
At 1 July 1997	1,082	880	109	155	2,226
Charge for the year	468	194	19	61	742
Disposals	(537)	(460)	(128)	(53)	(1,178)
At 30 June 1998	1,013	614	–	163	1,790
Charge for the year	195	158	–	49	402
Disposals	(190)	–	–	(24)	(214)
At 30 June 1999	1,018	772	–	188	1,978
Charge for the period	117	75	–	39	231
Disposals	(5)	–	–	–	(5)
At 31 March 2000	1,130	847	–	227	2,204
Net book value					
At 31 March 2000	267	207	1,034	63	1,571
At 30 June 1999	224	134	922	102	1,382
At 30 June 1998	287	220	922	124	1,553

The net book value of the Group's motor vehicles includes £43,000 (1999: £77,000, 1998: £124,000) in respect of assets held under finance leases and hire purchase contracts.

16. Stocks

	30 June 1998 £'000	30 June 1999 £'000	**31 March 2000 £'000**
Finished goods and goods for resale	848	402	**426**

17. Debtors

	30 June 1998 £'000	30 June 1999 £'000	**31 March 2000 £'000**
Trade debtors	4,292	5,019	**5,137**
ACT recoverable	–	8	**–**
Other debtors	31	15	**851**
Prepayments and accrued income	380	538	**132**
	4,703	5,580	**6,120**

18. Creditors: Amounts falling due within one year

	30 June 1998 £'000	30 June 1999 £'000	**31 March 2000 £'000**
Net obligations under finance lease and hire purchase contracts	59	36	**–**
Trade creditors	4,126	3,333	**4,218**
Corporation tax	472	353	**271**
Other taxes and social security costs	525	617	**720**
Other creditors	244	33	**54**
Accruals and deferred income	2,109	2,192	**2,276**
Proposed dividend	–	100	**–**
	7,535	6,664	**7,539**

19. Creditors: Amounts falling due after more than one year

	30 June 1998 £'000	30 June 1999 £'000	**31 March 2000 £'000**
Net obligations under finance leases and hire purchase agreements	35	–	**–**
	35	–	**–**
Net obligations under finance leases and hire purchase contracts			
Repayable within one year	59	36	**–**
Repayable between two and five years	35	–	**–**
	94	36	**–**
Included in liabilities falling due within one year	(59)	(36)	**–**
	35	–	**–**

20. Provisions for Liabilities and Charges

	Deferred taxation £'000
Balance at 1 July 1997	55
Profit and loss account	(55)
Balance at 30 June 1998	–
Balance at 30 June 1999	–
Balance at 31 March 2000	–

21. Deferred Tax

The amounts of deferred taxation provided in the accounts are as follows:

	Provided			
	30 June 1997 £'000	*30 June 1998 £'000*	*30 June 1999 £'000*	***31 March 2000 £'000***
Capital allowances in excess of depreciation	–	–	–	–
Other timing differences	55	–	–	–
	55	–	–	–

The Group had no unprovided deferred tax liabilities throughout the three years and nine months ended 31 March 2000.

bsq

22. Share Capital

	30 June 1998 £	*30 June 1999 £*	***31 March 2000 £***
Authorised			
100,000 ordinary shares of £1 each	100,000	100,000	**100,000**
50 "N" ordinary shares of £1 each	50	50	**50**
50 "P" ordinary shares of £1 each	50	50	**50**
	100,100	100,100	**100,100**
Allotted, called up and fully paid			
25,002 ordinary shares of £1 each	25,002	25,002	**25,002**
50 "N" ordinary shares of £1 each	50	50	**50**
50 "P" ordinary shares of £1 each	50	50	**50**
	25,102	25,102	**25,102**

The "N" and "P" class ordinary shares rank *pari passu* with the ordinary shares, with the following additional rights, restrictions and privileges:

- on the winding up of the Company, the holders of the "N" shares shall have distributed to them *pro rata* to their shareholding of N Shares in the Company the shares held by the Company in Nickco Limited
- on the winding up of the Company, the holders of the "P" shares shall have distributed to them *pro rata* to their shareholding of P Shares in the Company the shares held by the Company in Philco Limited

23. Profit and Loss Reserve

	£'000
Balance at 30 June 1997	1,317
Retained profit for the year	662
Balance at 30 June 1998	1,979
Retained profit for the year	315
Balance at 30 June 1999	2,294
Retained profit for the period	686
Balance at 31 March 2000	**2,980**

24. Movements in Equity Shareholders' Funds

	30 June 1998 £'000	*30 June 1999 £'000*	***31 March 2000 £'000***
Profit for the financial period	962	445	**686**
Dividends	(300)	(130)	**–**
Net addition to shareholders' funds	662	315	**686**
Opening shareholders' funds	1,342	2,004	**2,319**
Closing shareholders' funds	2,004	2,319	**3,005**

bsg

25. Financial Commitments

The Group had annual commitments under non-cancellable operating leases as follows:

Land and buildings

	30 June 1998 £'000	*30 June 1999 £'000*	***31 March 2000 £'000***
Expiry date:			
Between two and five years	500	500	500

Other assets

	30 June 1998 £'000	*30 June 1999 £'000*	***31 March 2000 £'000***
Expiry date:			
Between two and five years	–	–	10
Over five years	17	10	–
	17	10	10

26. Control

At 31 March 2000 the Company was controlled by its directors, P. J. Buckingham and N. J. Gerard, who each owned 50 per cent. of the issued share capital of the Company.

27. Related Party Transactions

N.J.Gerard, a shareholder and director of the Company, is also a director and shareholder of Webgenerics Limited. During the nine months ended 31 March 2000, Webgenerics Limited borrowed £503,939 from the Group (30 June 1999 : £nil, 30 June 1998: £nil, 30 June 1997 : £nil). This amount remained outstanding at 31 March 2000 and is included within other debtors.

28. Additional Information on Subsidiaries

Subsidiary undertakings	*Country of incorporation*	*Activity*	*Portion of ordinary shares held %*
Business Systems Group Holdings Limited	Great Britain	Intermediate holding company	100
Business Systems Group Software Development Limited	Great Britain	Dormant company	100
Business Systems Group Limited	Great Britain	Provision of integrated managed computer services	100
Advanced Video Products Limited	Great Britain	Dormant company	100
The Brilliant Agency Limited	Great Britain	Provision of services to advertising and IT companies	100
Philco Limited	Great Britain	Dormant company	100
Nickco Limited	Great Britain	Dormant company	100

All subsidiary undertakings are registered in England and Wales.

29. Post Balance Sheet Events

The following events have taken place post 31 March 2000:

- On 23 May 2000 Nick Gerard and Mrs S A Gerard acquired the entire issued share capital of Nickco Limited, a wholly owned subsidiary of the Company, for a consideration of £1. Upon completion of the acquisition, the sum of £531,225 due from Nickco Limited to the Company was repaid.

- On 23 May 2000 Phil Buckingham and Mrs N Buckingham acquired the property asset owned by Philco Limited, a wholly owned subsidiary of the Company, for a consideration of £510,901. Upon completion of the acquisition, the sum of £510,901 due from Philco Limited to the Company was repaid.

- On 24 May 2000 the Company changed its name from Planned Facilities Limited to Business Systems Group Holdings Limited and the company formerly called Business Systems Group Holdings Limited changed its name to Flembocase Limited.

- On 8 June 2000, the Company issued 32,385 ordinary shares of £1 each in the capital of the Company at £111.00 per share in exchange for the entire issued share capital of Webgenerics Limited.

- Pursuant to a resolution of the Board passed on 9 June 2000 as ratified by a resolution of the Board passed on 30 June 2000:

  - 2,456 ordinary shares of £1 each in the capital of the Company were allotted fully paid up to Kleinwort Benson (Guernsey) Trustees Limited as trustees of the Business Systems Group Holdings plc Share Ownership Plan 2000 ("the ESOP") at £111 per ordinary share; and

  - 2,825 ordinary shares of £1 each in the capital of the Company were allotted to certain senior executives of the Group pursuant to the terms of the Executive Share Scheme. These shares were allotted nil paid. Pursuant to the subdivision and bonus issue referred to below, these 2,825 shares now represent 3,220,500 Ordinary Shares which have now been partly paid up as to 20p each. The balance of the subscription price (if any) will fall to be paid up by the holders of these partly paid shares upon the determination by the Inland Revenue of the market value of the shares. The legal title to these Ordinary Shares is registered in the name of the trustees of the ESOP in accordance with the terms of the Executive Share Scheme.

- The Company re-registered as a public limited company on 9 June 2000.

- On 9 June 2000:

  - each of the P shares and the N shares of £1 was converted into one ordinary share of £1 in the capital of the Company;

  - each of the ordinary shares of the Company, whether issued or unissued, was subdivided into 20 Ordinary Shares; and

  - £3,515,008 of the share premium account of the Company was capitalised, and used to make a bonus issue to shareholders in the proportion of 56 new Ordinary Shares for every Ordinary Share then held.

Yours faithfully

Deloitte & Touche
Chartered Accountants

Accountants' Report on Webgenerics Limited

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The Directors
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London EC2M 2RP

Deloitte & Touche

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EC4A 3TR

4 July 2000

Dear Sirs

Webgenerics Limited ("Webgenerics")

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 4 July 2000 relating to the admission of the Ordinary Shares of Business Systems Group Holdings plc to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities ("the Listing Particulars").

Basis of preparation

The financial information set out in this report is based on the audited financial statements of Webgenerics for the period from 15 November 1999 to 31 March 2000 to which no adjustments were considered necessary.

Webgenerics was incorporated on 15 November 1999 as Overdusk Limited. Webgenerics changed its name from Overdusk Limited to Webgenerics Limited on 15 February 2000. On 8 June 2000, 100 per cent. of the issued share capital of Webgenerics was acquired by Business Systems Group Holdings plc.

Responsibility

Such financial statements are the responsibility of the directors of Webgenerics who approved their issue, and are required to be prepared in accordance with applicable United Kingdom law and accounting standards.

The directors of Business Systems Group Holdings plc are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the United Kingdom Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of Webgenerics' financial statements underlying the financial information for the period ended 31 March 2000. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of Webgenerics as at the date stated and of its losses, cash flows and recognised gains and losses for the period then ended.

Profit and Loss Account

	Note	*Period from 15 November 1999 to 31 March 2000* £
Turnover: continuing operations	2	**158,876**
Cost of sales		**(180,192)**
Gross Loss		**(21,316)**
Administrative expenses		**(184,985)**
Operating Loss: continuing operations	3	**(206,301)**
Loss on Ordinary Activities before Taxation		**(206,301)**
Tax on loss on ordinary activities	4	–
Retained Loss for the Financial Period		**(206,301)**

There are no recognised gains and losses other than those passing through the profit and loss account shown above. Accordingly, a statement of total recognised gains and losses has not been presented.

Company Balance Sheet

	Note	*As at 31 March 2000 £*
Fixed Assets		
Tangible assets	7	312,445
		312,445
Current Assets		
Debtors	8	84,752
Cash at bank and in hand		816
		85,568
Creditors: amounts falling due within one year	9	(604,313)
Net Current Liabilities		(518,745)
Net Liabilities		(206,300)
Capital and Reserves		
Called up share capital	10	1
Profit and loss account	11	(206,301)
Equity shareholder's deficit	11	(206,300)

Cash Flow Statement

	Note	*Period from 15 November 1999 to 31 March 2000* £
Net cash outflow from operating activities	(A)	(164,904)
Capital expenditure and financial investment		
Payments to acquire tangible assets		(338,220)
		(338,220)
Net cash outflow before financing		(503,124)
Financing		
Loan from related party		503,940
Increase in cash	(B)	816

Notes to the Company Cash Flow Statement

(A) Reconciliation of operating loss to net cash inflow from operating activities

	Period from 15 November 1999 to 31 March 2000 *£*
Operating loss	**(206,301)**
Depreciation of tangible assets	**25,775**
Increase in debtors	**(84,751)**
Increase in creditors within one year	**100,373**
Net cash outflow from operating activities	**(164,904)**

(B) Analysis of changes in net debt

	15 November 1999 *£*	*Cash Flow* *£*	*Non-cash movements* *£*	*At 31 March 2000* *£*
Cash at bank and in hand	–	816	–	**816**
Debt due within one year	–	–	(503,940)	**(503,940)**
Net debt	–	816	(503,940)	**(503,124)**

(C) Reconciliation of net cash flow to movement in net debt

	Period from 15 November 1999 31 March 2000 *£*
Increase in net cash in the period	**816**
Cash inflow from increase in net debt	**(503,940)**
Movement in net debt in the period	**816**
Opening net funds	**–**
Closing net debt	**816**

Notes to the Financial Informaton

1. Accounting Policies

The financial information is prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, are set out below.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Turnover

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

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery 33⅓% straight line

(d) Deferred Taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

(e) Going Concern

Webgenerics has net liabilities of £206,300 as at 31 March 2000. Its parent company, Business Systems Group Holdings plc, has confirmed its intention to support Webgenerics for a period of at least 12 months from the date of signature of this report, should the need arise.

2. Turnover

The total turnover of Webgenerics for the period has been derived from its principal activity, the provision of self build e-business solutions, wholly undertaken in the United Kingdom.

3. Operating loss

	Period from 15 November 1999 to 31 March 2000
	£
Operating loss is stated after charging:	
Depreciation of tangible assets – owned assets	**25,775**
Auditors' remuneration – audit fees	**3,500**

4. Tax on Loss on Ordinary Activities

There is no tax charge due to losses in the period. Unrelieved losses of £191,942 are carried forward and are available to reduce the tax liability in respect of future periods.

5. Directors' Emoluments

Webgenerics' sole director, N J Gerard, received no emoluments in respect of services during the period.

6. Employees

Number of employees

The average weekly number of employees (including directors) during the period was:

	Period from 15 November 1999 to 31 March 2000 Number
Sales and administration	**8**

Employment costs	**£**
Wages and salaries	**233,999**
Social security costs	**29,283**
	263,282

7. Tangible Fixed Assets

	Plant and machinery £	*Total £*
Cost		
At 15 November 1999	–	–
Additions	338,220	**338,220**
At 31 March 2000	338,220	**338,220**
Depreciation		
At 15 November 1999	–	**–**
Charge for the period	25,775	**25,775**
At 31 March 2000	25,775	**25,775**
Net book value		
At 31 March 2000	312,445	**312,445**

8. Debtors

	31 March 2000 £
Trade debtors	45,857
Other debtors	38,421
Called up share capital not paid	1
Prepayments and accrued income	473
	84,752

9. Creditors: Amounts Falling Due within one year

	31 March 2000 £
Trade creditors	52,889
Other taxes and social security costs	16,852
Other creditors	504,926
Accruals and deferred income	29,646
	604,313

10. Share Capital

	31 March 2000 £
Authorised	
1,000 ordinary shares of £1 each	1,000
Allotted, called up but not paid	
1 ordinary share of £1	1

During the period 1 ordinary share of nominal value £1 was allotted but not paid for.

11. Movements in Equity Shareholder's Deficit

	31 March 2000 £
Loss for the financial period	(206,301)
Issue of share capital	1
Opening shareholder's funds	–
Closing shareholder's deficit	(206,300)

12. Related Party Transactions

During the period, Webgenerics borrowed £503,940 from Business Systems Group Holdings plc and its subsidiaries (30 June 1999: £nil, 30 June 1998: £nil, 30 June 1997: £nil). This amount remained outstanding at 31 March 2000, and is included in other creditors.

13. Control

At 31 March 2000 Webgenerics was controlled by its director, N. J. Gerard, who owned 100 per cent. of Webgenerics' issued share capital at that date.

14. Post Balance Sheet Events

On 8 June 2000, 100 per cent. of Webgenerics' issued share capital was acquired by Business Systems Group Holdings plc for a consideration of 32,385 ordinary shares of £1 each in the capital of that company, issued at a premium of £110.00 per share.

Yours faithfully

Deloitte & Touche
Chartered Accountants

Part V

Unaudited Pro Forma Statement of Combined Net Assets of the Group following the Acquisition, the Disposals and the Placing

The unaudited statement of pro forma net assets set out below has been prepared to illustrate how the acquisition of Webgenerics ("the Acquisition"), the disposal of Nickco Limited and of the 52.69 per cent. interest that Philco Limited (a wholly owned subsidiary of the Company) held in a property (together "the Disposals") and the Placing might have affected the net assets of the Group had they occurred on 31 March 2000. Being for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group at 31 March 2000. It is based on the audited consolidated balance sheet of Business Systems Group Holdings plc at 31 March 2000 set out in the Accountants' Report in Part III of this document, adjusted to illustrate the effect of the Acquisition, the Disposals and the Placing, after making adjustments on the basis set out below.

		As at 31 March 2000				
		Adjustments				
	The Group £'000 (Notes 1,2)	*The Acquisition £'000 (Notes 1,2)*	*The Disposals £'000 (Note 3)*	*The Placing £'000 (Note 4)*	*Consolidation Adjustments £'000 (Note 5)*	*Proforma Group £'000*
Fixed assets						
Intangible assets	–	–	–	–	3,801	3,801
Tangible assets	1,571	312	(1,042)	–	–	841
	1,571	312	(1,042)	–	3,801	4,642
Current assets						
Stock	426	–	–	–	–	426
Debtors	6,120	85	–	–	(504)	5,701
Cash at bank and in hand	2,427	1	1,042	13,906	–	17,376
	8,973	86	1,042	13,906	(504)	23,503
Creditors: amounts falling due within one year	(7,539)	(604)	–	–	504	(7,639)
Net current assets/(liabilities)	1,434	(518)	1,042	13,906	–	15,864
Total assets less current liabilities and net assets/ (liabilities)	3,005	(206)	–	13,906	3,801	20,506

Notes:

1. The consolidated assets and liabilities of the Group and the assets and liabilities of Webgenerics as at 31 March 2000 have been extracted from the accountants' reports set out in Parts III and IV of this document respectively.
2. No account has been taken of trading in Webgenerics and BSG since 31 March 2000, nor of any adjustments necessary to reflect the fair values of the consolidated assets and liabilities of Webgenerics.
3. The assets and liabilities of Nickco Limited and the relevant asset of Philco Limited as at 31 March 2000 have been extracted from the financial records of those companies which form part of the audited consolidated accounts of the Group at that date. Further details of the Disposals are set out in paragraphs 5 and 10 of Part VI of this document.

4. To illustrate the effects of the Placing, cash has been adjusted as follows:

	£'000
Cash received from the Placing	15,000
Estimated cash expenses of the Placing (excl VAT)	(1,094)
	13,906

5. The consolidation adjustments represent the elimination of a loan from the Company to Webgenerics of £504,000, and recognition of goodwill arising on the acquisition of Webgenerics.

6. Goodwill arising on the acquisition of Webgenerics is calculated as follows:

	£'000
Consideration – shares	3,595
Net liabilities of Webgenerics at 31 March 2000	206
Goodwill	3,801

Consideration in the form of shares has been calculated on the basis of 32,385 ordinary shares of £1 each in the capital of Business Systems Group Holdings plc, at a price of £111 per ordinary share.

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EC4A 3TR

4 July 2000

Dear Sirs

Business Systems Group Holdings plc ("the Company") and its subsidiaries at 31 March 2000, (together "the Group")

We report on the unaudited pro forma combined net assets statement ("the pro forma financial information") set out in Part V of the listing particulars dated 4 July 2000 relating to the admission of the Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities ("the Listing Particulars") issued by the Company. The pro forma financial information has been prepared for illustrative purposes only to provide information about how the acquisition of Webgenerics, the disposal of the 52.69 per cent. interest that Philco Limited (a wholly owned subsidiary of the Company) had in a property, the disposal of Nickco Limited and the Placing might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority ("the Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom our reports were addressed by us at the dates of their issue, and that responsibility imposed by Section 152(1)(e) of the Financial Services Act 1986.

Basis of opinion

We conducted our work in accordance with the United Kingdom Statements of Investment Circular Reporting Standards and the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules.

Yours faithfully

Deloitte & Touche

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Part VI

Additional Information

1. Incorporation

(a) The Company was incorporated and registered in England and Wales as a private limited company under the Act on 28 April 1994 with the name PCO 114 Limited (registered number 2923809). It changed its name to Planned Facilities Limited with effect from 21 September 1994. On 24 May 2000 the Company changed its name to Business Systems Group Holdings Limited and was re-registered as a public limited company under the name Business Systems Group Holdings plc on 9 June 2000.

(b) The principal legislation under which the Company operates is the Act and the regulations made thereunder.

(c) The registered office and principal place of business of the Company is at BSG House, 226-236 City Road, London EC1V 2TT.

2. Share capital

(a) During the three years immediately preceding the date of this document, the following changes have occured in the authorised and issued share capital of the Company:

(i) on 11 February 1998, the authorised share capital of the Company was increased from £100,000 to £100,100 by the creation of 50 'N' ordinary shares of £1 each ("N Shares") and 50 'P' ordinary shares of £1 each ("P Shares"), 50 P Shares were allotted to Phil Buckingham and 50 N Shares were allotted to Nick Gerard. On 20 September 1999 the P Shares and the N Shares were fully paid up at par;

(ii) on 8 June 2000, 32,385 ordinary shares of £1 each in the capital of the Company were issued to Nick Gerard at a premium of £110 fully paid up in exchange for the entire issued share capital of Webgenerics. Pursuant to a declaration of trust dated 28 June 2000, the beneficial interest in 1,989,300 Ordinary Shares (after the subdivision and bonus issue referred to in paragraph 2(b) below) was held on trust by Nick Gerard for Nick Harper, in consideration of services provided by Nick Harper to Nick Gerard in establishing Webgenerics;

(iii) on 9 June 2000, as ratified by a resolution of the Board passed on 30 June 2000, 2,456 ordinary shares of £1 each in the capital of the Company were allotted fully paid to Kleinwort Benson (Guernsey) Trustees Limited as trustees of the Company's Share Ownership Plan 2000 at £111 per ordinary share;

(iv) On 9 June 2000, as ratified by a resolution of the Board passed on 30 June 2000, 2,825 ordinary shares of £1 each in the capital of the Company were allotted to certain senior executives of the Group pursuant to the terms of the Executive Share Scheme. These shares were allotted nil paid. Pursuant to the subdivision and bonus issue referred to in paragraph 2(b) below, these 2,825 shares now represent the Partly Paid Shares. The balance of the subscription price (if any) will fall to be paid up by the holders of these Partly Paid Shares upon the determination by the Inland Revenue of the market value of the shares. These Ordinary Shares are registered in the name of Kleinwort Benson (Guernsey) Trustees Limited.

(b) By written resolutions of the Company passed on 9 June 2000 as ratified by resolutions passed on 30 June 2000:

(i) each of the P Shares and the N Shares was converted into one ordinary share of £1 in the capital of the Company;

(ii) each of the ordinary shares of £1 each in the capital of the Company (whether issued or unissued) was subdivided into 20 Ordinary Shares;

(iii) the authorised share capital of the Company was increased from £100,100 to £5,200,000 by the creation of 101,998,000 new Ordinary Shares;

(iv) £3,515,008 of the sum standing to the credit of the share premium account of the Company was capitalised and applied in allotting and paying-up to the holders of Ordinary Shares, immediately following the sub-division referred to in paragraph (ii) becoming effective, 70,300,160 new Ordinary Shares as bonus shares, in the proportion of 56 new Ordinary Shares for every 1 ordinary share then held; and

(v) the Directors were authorised to exercise all the powers of the Company to allot and issue the new Ordinary Shares referred to in paragraph (iv) above pursuant to section 80 of the Act and were empowered to allot equity shares for cash as if section 89(1) of the Act did not apply, such power being limited to the allotment of such Ordinary Shares and to allot the Ordinary Shares referred to in paragraphs 2(a)(iii) and (iv) above.

(c) By written resolutions of the Company passed on 3 July 2000:

(i) the Directors were generally and unconditionally authorised, in accordance with section 80 of the Act, to exercise all the powers of the Company to allot and issue the Placing Shares and relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £990,851, representing the authorised but unissued share capital of the Company after Admission, such authority to expire on the earlier of the conclusion of the annual general meeting of the Company next following Admission and 15 months after the date of the passing of the resolution;

(ii) the Directors were empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment, provided that this power was limited:

(A) to the allotment of the Placing Shares and equity securities in connection with or pursuant to a rights issue or any other offer in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of the holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held or deemed to be held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary, expedient or appropriate to deal with legal or practical problems in respect of overseas shareholders, fractional entitlements or otherwise; and

(B) to the allotment (otherwise than pursuant to sub-paragraph (A) above) of equity securities for cash up to an aggregate nominal amount of £210,457 representing 5 per cent. of the nominal value of the issued ordinary share capital of the Company following Admission

such authority to expire on the earliest of the conclusion of the annual general meeting of the Company next following Admission and 15 months after the date of the passing of the resolution, save that the Company may before such expiry make an offer or agreement which would require equity securities to be allotted in whole or in part after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired;

(d) The following table shows the number of authorised and issued Ordinary Shares as it is at present and as it will be following Admission:

	Authorised		Issued*	
	Number	Amount	Number	Amount
At present	104,000,000	£5,200,000	71,555,520	£3,577,776
Following Admission	104,000,000	£5,200,000	84,182,965	£4,209,148

* All of these Ordinary Shares are fully paid save for 3,220,500 which are paid up as to 20p per Ordinary Share as described in paragraph 2(a)(iv) of this Part VI.

(e) As far as the Company was aware as at 3 July 2000 (the latest practicable date before the publication of this document), the following persons had interests (other than Directors' interests) within the meaning of section 208 of the Act in the issued share capital of the Company which, directly or indirectly, represent or will represent, following the Placing, 3 per cent. or more of the issued ordinary share capital of the Company:

	At present		Following the Placing	
Shareholder	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
P J Buckingham	14,308,140	19.99	8,373,241	9.95
The Business Systems Group Holding plc Employee Ownership Plan 2000	6,020,340	8.41	6,020,340	7.15

Save as disclosed above, the Directors are not aware of any person who, directly or indirectly, is interested in 3 per cent. or more of the Company's issued share capital.

(f) On 3 July 2000, by an agreement between Nick Gerard and Malcolm Coleman, Nick Gerard granted to Malcolm Coleman, an option, conditional upon Admission taking place by 31 July 2000, to acquire from him 178,889 Ordinary Shares at the Placing Price ("the Option"). The Option may not be exercised before the second anniversary of Admission, and thereafter must be exercised within 3 months of Malcolm Coleman being removed or resigning or for whatever reason ceasing to be a Non-Executive Director and to the extent not exercised, the Option will lapse. The Option will also lapse if not exercised prior to the fourth anniversary of Admission. By a side letter dated 3 July 2000, Malcolm Coleman confirmed to Nick Gerard that any consideration received by him as a result of the sale of Ordinary Shares arising on the exercise of the Option was for the benefit of Jeffreys Henry, Chartered Accountants, in consideration of them providing his services to the Company as a Non-Executive Director.

(g) On 3 July 2000, by an agreement between Nick Gerard and Mark Atkinson, Nick Gerard granted to Mark Atkinson, an option, conditional upon Admission taking place by 31 July 2000, to acquire from him 178,778 Ordinary Shares at the Placing Price ("the Option"). The Option may not be exercised before the second anniversary of Admission and will lapse if not exercised prior to the fourth anniversary of Admission.

(h) Save as disclosed in this paragraph 2:-

(i) no share or loan capital of the Company or (so far as is material) any of its subsidiaries has within the three years immediately preceding the date of this document been issued or agreed to be issued, or is now proposed to be issued fully or partly paid, for cash or any other consideration or has been purchased by the Company or any of its subsidiaries;

(ii) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any such capital; and

(iii) no share or loan capital of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option.

(i) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in Section 743 of the Act)) will apply to the authorised but unissued ordinary share capital of the Company, except to the extent disapplied by the resolutions referred to at paragraph 2(c) above.

3. Memorandum and Articles of Association

(a) The principal objects of the Company as set out in clause 4 of its Memorandum of Association are: (i) to carry on business as designers, developers, manufacturers, fitters, testers and repairers of, and wholesale and retail dealers in, electronic and electrical office equipment; and (ii) to carry on the business of a holding, management and investment company.

(b) The Articles of Association of the Company which were adopted by written resolution of the Company passed on 8 June 2000 and which are available for inspection as referred to in paragraph 17 below ("New Articles"), include provisions to the following effect:

(i) Share Capital

(A) *Income*

The Company may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests in the profits of the Company. No dividend shall exceed the amount recommended by the Board.

(B) *Capital*

If the Company is in liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act and every other statute, statutory instrument, regulation or order for the time being in force (the "Statutes"), divide among the members *in specie* the whole or any part of the assets of the Company or vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like sanction shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

(C) *Voting and general meetings*

On a show of hands, every holder of Ordinary Shares who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

(ii) Variation of rights

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may be varied in such manner, if any, as may be provided by those rights or with the written consent of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders. The necessary quorum at such meeting is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of that class. At any adjourned meeting, the necessary quorum shall be one person holding shares of the class or his proxy. Every holder of shares of that class shall on a poll have one vote in respect of every share of the class held by him and the poll may be demanded by any one holder of shares of the class whether present in person or by proxy. The rights attached to any class of shares shall not be deemed to be varied by either the creation or issue of further shares ranking *pari passu* with them (but in no respect in priority thereto) or the purchase by the Company of any of its own shares.

(iii) Alteration of capital

The Company may by ordinary resolution increase its share capital, consolidate its share capital into shares of larger amounts, sub-divide its shares into shares of smaller amounts or cancel any shares not taken or agreed to be taken.

Subject to the provisions of the Statutes and to any rights conferred on the holders of any class of shares, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

(iv) Transferability

All transfers of certificated shares shall be in writing in the usual common form or in any other form permitted by the Statutes or approved by the Board. The instrument of transfer must be signed by or on behalf of the transferor and (except in the case of a fully paid share) by or on behalf of the transferee. A member may transfer an uncertificated share by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the Board. The Board may in its absolute discretion and without giving any reason for its decision refuse to register any transfer of a certificated share which is not fully paid up provided that where any such shares are admitted to the Official List such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis. The Board may also refuse to register any transfer of a certificated share unless it relates to only one class of share, is in favour of no more than four transferees and the instrument of transfer, duly stamped, is deposited at the registered office, or at such other place as the Board may appoint accompanied by the share certificate and such other evidence of the transferor's title as the Board may reasonably require. The Board may refuse to register any transfer of uncertificated shares when permitted by the Uncertificated Securities Regulations 1995 (SI 1995 No. 3272). A holder of at least 0.25 per cent. of a class of shares who has been served with a notice pursuant to Section 212 of the Act and is in default of such notice for a period of 14 days after service shall not be entitled to transfer or agree to transfer those shares or any rights in them except to a *bona fide* unconnected third party.

(v) Dividends

Unclaimed dividends will be forfeited after a period of 12 years after having been declared or having become due for payment and will thereupon cease to remain owing by the Company.

If payment of a dividend or other sums payable in respect of shares sent by the Company to the person entitled to it is returned to the Company or left uncashed on two consecutive occasions, or following one such occasion reasonable enquiries have failed to establish any new address or, with respect to a payment by a funds transfer system, a new account for that person, the Company shall not be obliged to send any dividends or other sums payable in respect of that share to that person until he notifies the Company of an address, or where the payment is to be made by a funds transfer system details of the account to be used for the purpose.

(vi) Purchase of own shares

The Company may, subject to the provisions of the Statutes, purchase its own shares, including any redeemable shares.

(vii) Borrowing powers

Subject to the provisions of the Statutes and as provided below, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The aggregate principal amount at any time outstanding in respect of all borrowings by the Group (exclusive of any Group company borrowings which are owed to another Group company) will not without the previous sanction of the Company in general meeting exceed 2 times the amount paid up on the issued or allotted share capital of the Company and the amounts standing to the credit of the reserves of the Group (including share premium account and capital redemption reserve) after adding or deducting any balance standing to the credit or debit of the Group's profit and loss account, all as shown by the then latest audited consolidated balance sheet, but after certain deductions and adjustments, or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

(viii) Directors

(A) *Directors' interests*

Subject to the provisions of the Statutes and subject to the interest being duly declared, a Director, notwithstanding his office:

(1) may be a party to, or otherwise interested in, any contract with the Company either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise;

(2) may be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the Company may be interested;

(3) may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may decide and may be paid such extra remuneration for so doing as the Board may decide; and

(4) is not, by reason of his office, accountable to the Company for any benefit resulting from any such office or from any such contract, or from any interest in any other company, and no such contract is liable to be avoided on the grounds of a Director holding that office or of the fiduciary relationship established by his holding that office.

(B) *Restriction on voting*

A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment or relating to any contract or arrangement or any other proposal whatsoever in which he knows he (together with any interest of any person connected with him within the meaning of Section 346 of the Act) has a material interest. A Director is entitled to vote (and be counted in the quorum) in circumstances where the resolution relates to:

(1) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(2) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(3) any contract, arrangement or any other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or he is or may be interested as a participant in the underwriting or sub-underwriting thereof;

(4) any contract, arrangement or any other proposal in which he is interested by virtue of his interest in shares, debentures or other securities of the Company, or otherwise in or through the Company;

(5) any contract, arrangement or any other proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, provided that he (together with persons connected with him within the meaning of Section 346 of the Act) does not, to his knowledge, hold an interest in shares (as that term is used in Sections 198 to 211 of the Act) representing one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company, or if he can cause one per cent. or more of those voting rights to be exercised at his discretion;

(6) any contract or any other proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and

(7) any proposal concerning the purchase or maintenance of insurance for the benefit of persons including Directors.

(C) *Remuneration*

The remuneration of the Directors (other than a Director who holds an executive office or employment) for their services as Directors shall not exceed in aggregate £100,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine). Any Director who is appointed to an executive office or employment is entitled to receive in addition to or inclusive of any Directors' remuneration such remuneration by way of salary, commission, participation in profits or otherwise as the Board may determine. The Board may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company.

The Directors will be paid out of the funds of the Company all travelling, hotel and other expenses properly incurred in and about the discharge of their duties.

The Board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has at any time been a Director or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any such subsidiary or associated company or the relatives or dependents of any such person. For that purpose, the Board may establish and maintain or participate in, or contribute to, any pension or superannuation fund, scheme or arrangement and pay any insurance premiums.

(D) *Age limit*

There is no age limit for Directors.

(E) *Share qualification*

A Director need not be a member of the Company. A Director who is not a member of the Company is nevertheless entitled to attend and speak at Shareholders' meetings.

(F) *Number of Directors*

Unless otherwise determined by ordinary resolution of the Company, the number of Directors (other than alternate Directors) shall not be less than three. There is no maximum number of Directors.

(G) *Separate resolutions for appointment of each Director*

Every resolution of a general meeting for the appointment of a Director shall relate to one named person and a single resolution for the appointment of two or more persons as Directors shall be void unless a resolution that it shall be so proposed has been first unanimously agreed to by the meeting.

(H) *Retirement by rotation*

At each annual general meeting, any Director who has been appointed by the Board since the previous annual general meeting and any Director selected to retire by rotation shall retire from office. At each annual general meeting, one-third of the Directors or, if their number is not an integral multiple of three, the number nearest to, but not exceeding, one-third shall retire from office but, if there are fewer than three Directors who are subject to retirement by rotation, one shall retire. The Directors to retire by rotation at each annual general meeting shall be those who have, at the date of the notice of the meeting, been longest in office since their last appointment or reappointment or, in the case of those who became or were reappointed Directors on the same day, shall, unless they agree otherwise, be determined by lot. Retiring Directors are eligible for reappointment.

(ix) Untraced Shareholders

The Company may sell shares in the Company by giving a person authorised to conduct business on the London Stock Exchange an instruction to sell those shares at the best price reasonably obtainable, if:

(A) during a period of twelve years immediately preceding the date of publication of the first of any advertisements published pursuant to (c) below ("the relevant period"), at least three dividends have become payable on the shares and have not been claimed and no warrant or cheque in respect of the shares has been cashed; and

(B) during the relevant period the Company has not received any communication from the member or from any person entitled to the shares by transmission; and

(C) after the expiry of the relevant period the Company has published advertisements in both a national newspaper or a newspaper circulating in the area in which the registered address is located, in each case giving notice of its intention to sell the shares; and

(D) for three months following publication of the advertisements (or at any time thereafter, until the exercise of the power to sell the shares) the Company has not received any communication from the member or any person entitled by transmission to the shares.

Upon its receipt of the net proceeds of sale, the Company shall become the debtor of the former holder of, or person entitled by transmission to, the shares for an amount equal to such net proceeds.

(x) The New Articles also reflect the provisions of the Share Schemes further details of which are contained in paragraph 8 of this Part VI.

4. Placing arrangements

(a) Pursuant to the Placing Agreement it has been agreed (conditionally upon, *inter alia*, Admission taking place not later than 8.00 a.m. on 5 July 2000 or such later date as is agreed in writing between the Company and Williams de Broë, but in any event not later than 19 July 2000) that Williams de Broë will make the application for Admission and use its reasonable endeavours to procure purchasers and subscribers for or, failing which itself to purchase and/or subscribe for respectively the Ordinary Shares to be sold by the Selling Shareholders and the other Ordinary Shares comprising the Placing Shares in each case at the Placing Price.

(b) The Selling Shareholders and the number of Ordinary Shares to be sold by each of them is as follows:

Selling Shareholder	No. of Ordinary Shares being sold under the Placing
Nick Gerard	*2,904,397
Phil Buckingham	5,934,899

* Of these shares, 336,966 are being sold on behalf of Nick Harper

(c) Williams de Broë's obligations under the Placing Agreement are conditional upon certain conditions being satisfied as set out in paragraph 4(a) above. Also, in certain circumstances, Williams de Broë may terminate the Placing Agreement if it is of the reasonable opinion that a particular event or circumstance is material or adversely prejudicial in relation to the Placing and that, as a result, it is inappropriate to proceed with the Placing.

(d) The Placing Agreement contains warranties to Williams de Broë from the Company, the Directors and Phil Buckingham, an indemnity from the Company to Williams de Broë, and Nick Gerard and Phil Buckingham have also given an indemnity to the Company and its subsidiaries (in the form of a tax covenant) in relation to certain tax matters. The liability of the Directors and Phil Buckingham under the warranties and tax covenant is subject to financial limits under the Placing Agreement. The liability of the Company is limited to the amount of funds raised under the Placing of the new Ordinary Shares. The Placing Agreement provides for restrictions on disposals of Ordinary Shares by the Directors, Nick Harper and Phil Buckingham referred to on page 24 of this document.

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(e) The Placing Agreement sets out the fees, commission and expenses payable to Williams de Broë by the Company and (in relation to the Ordinary Shares held by them) the Selling Shareholders in connection with the Placing. The Company is liable to pay a corporate finance fee of £125,000, and a commission of 2.5 per cent. of the Placing Price for each of the Placing Shares not being sold by the Selling Shareholders for which Williams de Broë has procured placees, and all costs of and incidental to the application for Admission.

5. Directors' and other interests in the Company

(a) Set out below are the interests (all of which are beneficial, except where stated) of the Directors and their immediate families in the issued share capital of the Company, as at 3 July 2000 (being the last practicable date before the publication of this document) and as they will be immediately following the Placing which either have been notified to the Company pursuant to sections 324 or 328 of the Act or are required to be shown in the register maintained under the provisions of section 325 of the Act or are interests of a connected person of a Director (within the meaning of Section 346 of the Act) which would, if the connected person were a Director, be required to be disclosed pursuant to Sections 324, 328 or 325 of the Act and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director.

	At present		Following Admission	
Director	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Nick Gerard[1]	51,227,040	71.59	48,322,643	57.40
Nick Wilding[4]	265,016	0.37	265,016	0.31
Mark Atkinson[3,4]	358,329	0.50	358,329	0.43
Malcolm Coleman[2]	35,000,000	48.91	35,000,000	41.58
Richard Brasher	None	Nil	None	Nil
Geoffrey Procter	None	Nil	None	Nil

1 1,989,300 of the Ordinary Shares held at present and 1,652,334 of those held following Admission by Nick Gerard are held on trust for Nick Harper. Of these Ordinary Shares, 35,000,000 are registered in the joint names of Nick Gerard and Malcolm Coleman as trustees of the Nick Gerard Life Interest Trust of 3 July 2000, the principal beneficiary of which is Nick Gerard.

2. The 35,000,000 Ordinary Shares are registered in the joint names of Malcolm Coleman and Nick Gerard as trustees of the Nick Gerard Life Interest Trust of 3 July 2000, the principal beneficiary of which is Nick Gerard. Malcolm Coleman has an option over 178,888 Ordinary Shares held by Nick Gerard, details of which are contained in paragraph 2(f) of this Part VI.

3. Mark Atkinson has an option over 178,777 Ordinary Shares held by Nick Gerard, details of which are contained in paragraph 2(g) of this Part VI.

4. The Ordinary Shares were allotted to Mark Atkinson and Nick Wilding upon the terms of the Company's Executive Share Scheme, further details of which are contained in paragraph 8 of this Part VI.

(b) Save as disclosed above as at 3 July 2000 (being the latest practicable date before the publication of this document) no Director nor any person connected (within the meaning of section 346 of the Act) with a Director has or will have immediately following the Placing any interest, beneficial or non-beneficial, in the share capital of the Company or of any of its subsidiaries.

(c) The Company has agreed to loan to the trustees of The Business Systems Group Holdings plc Employee Share Ownership Plan 2000 ("the ESOP") funds which will be loaned to certain senior executives to enable them to pay up in full the Partly Paid Shares. To date, an amount sufficient to pay up the Partly Paid Shares as to 20p each, has been loaned by the Company to the ESOP and by the ESOP to the relevant senior executives upon determination by the Inland Revenue of the market value of these shares an amount equal to the balance (if any) of the subscription price will be loaned by the Company to the trustees of the ESOP and by the ESOP to the senior executives. The loans made by the trustees of the ESOP to the senior executives will be secured by a charge over the relevant senior executive's Ordinary Shares.

The Company has provided a loan to the trustees of the ESOP to enable it to acquire 2,456 Ordinary Shares pursuant to the terms of the Company's Staff Share Scheme.

(d) The Company has in the past made loans to Directors in breach of the provisions of the Act. Details of these loans are shown in the Accountants' Report in Part III of this document at page 38. All such loans have now been repaid to the Company. The Company has also made a loan to Webgenerics in breach of the provisions of the Act. Details of this loan, which remains outstanding, are shown in the Accountants' Report in Part III of this document at page 44.

(e) On 23 May 2000, Nick Gerard and Mrs S A Gerard (both Directors at such date) acquired the entire issued share capital of Nickco Limited (a wholly owned subsidiary of the Company) for a consideration of £1. Upon completion of the acquisition the sum of £531,225 due from Nickco Limited to the Company was repaid. The only asset of Nickco Limited was a beneficial interest of 52.46 per cent. in property in Hertfordshire, the legal title of which is owned by Mr and Mrs Gerard.

(f) On 23 May 2000, Phil Buckingham and Mrs N Buckingham (both Directors at such date) acquired the 52.69 per cent. beneficial interest in property in Hertfordshire owned by Philco Limited for a consideration of £510,901. The legal title of such property is owned by Mr and Mrs Buckingham.

(g) On 30 June 2000 Philip Buckingham acquired a car from the Company at a consideration of £11,000. On 30 June 2000 Nick Gerard acquired two cars from the Company at an aggregate consideration of £27,000.

(h) By a share exchange agreement dated 8 June 2000, as varied by deed of variation dated 9 June 2000, the Company acquired the entire issued share capital of Webgenerics from Nick Gerard. The consideration for the acquisition, was the issue of 32,385 ordinary shares of £1 each in the capital of the Company at a premium of £110.00 per share to Nick Gerard. Pursuant to a declaration of trust dated 28 June 2000, the beneficial interest in 1,989,300 Ordinary Shares (after the subdivision and bonus issue as set out in paragraph 2(b) of this Part VI) was held on trust by Nick Gerard for Nick Harper, in consideration of services provided by Nick Harper to Nick Gerard in establishing Webgenerics.

(i) Save as disclosed in this paragraph 5 there are no loans outstanding granted by any member of the Group to any of the Directors nor are there any guarantees which are provided by any member of the Group for the benefit of the Directors either at, or immediately following the date of this document.

(j) Save as disclosed in this paragraph 5 no Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or which is or was significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

(k) The details of all directorships held by the Directors, apart from directorships of Group companies, at the date of this document or at any time during the five years preceeding the date of this document are as follows:

Director	Current	Former
Nicholas Gerard	None	Abitel Limited Business Systems Group Customer Services Limited
Mark Atkinson	None	Tokai Capital Markets Limited Tokai Trust Europe Limited
Nicholas Wilding	None	None
Richard Brasher	Tesco Stores Limited	Provision Trade Federation Limited
Geoffrey Procter	None	Bangkok Industrial Gases Co., Ltd Beijing Air Products Beifen Gases Industry Co. Ltd. Chun Wang Industrial Gases (H.K.) Limited Chun Wang Industrial Gases Limited Kemgas Limited Korea Industrial Gases Limited Northern Air Products (Tianjin) Co., Ltd PT United Air Products Indonesia San Fu Chemical Co. Ltd. Sitt Tatt Industrial Gases Sdn. Bhd. Southern Air Products (Guangzhou) Ltd

Director	Current	Former
Malcolm Coleman	Alfred Henry Corporate Finance Limited Endcross Limited Jeffreys Henry Management Services Limited JHI Consulting Limited Picsel Communications Limited	JH VAT Services Limited P.B. Golf Club Limited Picsel Technology Limited

No Director has:

(i) any unspent convictions for indictable offences;

(ii) had a bankruptcy order made against him or has undertaken an individual voluntary arrangement;

(iii) been a director of a company which has been placed in receivership or liquidation or administration, has undertaken a company voluntary arrangement or made any composition with its creditors generally or any class of its creditors, whilst he was a director of that company with an executive function at that time or within the 12 months preceding such events;

(iv) made any compulsory liquidation, administration or partnership voluntary arrangement of any partnerships where he was a partner at the time of or within the 12 months preceding such events;

(v) had any receivership of any of his assets or of a partnership of which he was a partner at the time of or within the 12 months preceding such an event: or

(vi) been publicly criticised by statutory or regulatory authorities nor has he ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(l) Upon Admission Nick Gerard will be the registered holder of 48,322,643 Ordinary Shares, representing 57.40 per cent. of the issued share capital of the Company having sold 2,904,397 Ordinary Shares pursuant to the Placing. Of these 1,652,334 are held on trust for Nick Harper. In addition, on 6 June 2000 Nick Gerard was granted power of attorney by Phil Buckingham conditional upon Admission in respect of the voting rights of Phil Buckingham's registered holding of 8,373,241 Ordinary Shares after completion of the Placing. Accordingly, Nick Gerard will be a controlling shareholder, able to exercise or control over 30 per cent. or more of the rights to vote at general meetings of the Company. In so far as it is known to the Company, there are no other persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

At a Board meeting held on 8 June 2000, Nick Gerard restated his commitment to the Company that:

(i) he will exercise his voting rights in a way that will ensure that:

(A) the independence of the Board is maintained so as to enable decisions to be taken independently of him in accordance with the requirements from time to time of The Financial Services Authority and the London Stock Exchange;

(B) any and all transactions, agreements or arrangements between him and the Company (or the enforcement, implementation or amendment thereof) are made on an arm's length basis and on normal commercial terms;

(ii) he will not exercise his voting rights in relation to any transaction, agreement or arrangement between him and any member of the Group (or the enforcement, implementation or amendment thereof) or in relation to any other issue where any conflict of interest, actual or potential, is reasonably likely to exist between any member of the Group and him;

(iii) prior to the consideration of any matter on which any conflict of interest, actual or potential, exists or is reasonably likely to exist between any member of the Group and himself, he will ensure the matter is brought to the attention of the Board.

On 3 July 2000 Nick Gerard entered into a relationship deed with the Company confirming his agreement to the above ("the Relationship Deed"). As a result of the foregoing undertakings and the entry into the Relationship Deed, the Company is of the opinion that (i) the Company is capable of carrying on its business independently of Nick Gerard, and (ii) all transactions and relationships between the Group and Nick Gerard are, and will be, at arm's length and on a normal commercial basis. .

6. Directors' service agreements, letters of appointment and emoluments

(a) The aggregate estimated amount payable (including bonuses, pension contributions and benefits in kind) to Directors by any member of the Group during the current financial year under the arrangements in force at the date of this document is approximately £420,000.

(b) The total aggregate remuneration paid and benefits in kind granted to the Directors by any member of the Group during the 9 months period to 31 March 2000 equalled £76,000.

(c) Details of the service contracts or terms of appointment of the Directors are as follows:

(i) Nick Gerard has a service agreement with the Company dated 8 June 2000, terminable upon 6 months' notice in writing by the Company or Mr Gerard under which he is to act as Group Chief Executive Officer. Mr Gerard's remuneration comprises a basic salary of £160,000 per annum (inclusive of Directors' fees and reviewable annually) plus pension contributions equal to 5 per cent. of gross salary and private medical insurance.

(ii) Mark Atkinson has a service agreement with the Company dated 8 June 2000, terminable upon 6 months' notice in writing by the Company or Mr Atkinson under which he is to act as Group Finance Director. Mr Atkinson's remuneration comprises a basic salary of £120,000 per annum (inclusive of Directors' fees and reviewable annually) plus pension contributions equal to 5 per cent. of gross salary and private medical insurance.

(iii) Nick Wilding has a service agreement with the Company dated 8 June 2000 terminable upon 6 months' notice by the Company or Mr Wilding, under which he is to act as Group Marketing Director. Mr Wilding's remuneration comprises a basic salary of £75,000 per annum (inclusive of Directors' fees and reviewable annually) plus pension contributions equal to 5 per cent. of gross salary and private medical insurance.

(iv) Geoffrey Procter was appointed (conditional upon Admission) as a Non-Executive Director and Chairman under a letter of appointment with the Company dated 8 June 2000. The engagement is for a fixed period of one year. Fees of £30,000 per annum are payable in respect of the services of Mr Procter.

(v) Richard Brasher was appointed (conditional upon Admission) as a Non-Executive Director under a letter of appointment with the Company dated 8 June 2000. The engagement is for a fixed period of one year. Fees of £20,000 per annum are payable in respect of the services of Mr Brasher.

(vi) Malcolm Coleman was appointed (conditional upon Admission) as a Non-Executive Director under a letter of appointment with the Company dated 8 June 2000. The engagement is for a fixed period of one year. No fees are payable in respect of the services of Mr Coleman. Nick Gerard has however, granted an option to Mr Coleman pursuant to which Mr Coleman may acquire Ordinary Shares, further details of which are contained in paragraph 2(f) of this Part VI.

(vii) The remuneration arrangements of former directors of the Company referred to in note 11 to the Accountants' Report in Part III of this document will cease prior to Admission.

(d) None of the service agreements or letters of appointment referred to in paragraph (c) above contains specific provisions for compensation payable on earlier termination of the engagements described therein. The service agreements in respect of Nick Gerard, Mark Atkinson and Nick Wilding, do however contain a provision that the Company shall be entitled to pay to the relevant executive his salary and other benefits in lieu of the unexpired portion of his entitlement to notice upon termination.

7. Principal subsidiary undertakings of the Company

(a) The Company is the ultimate holding company of the Group. The following table shows the principal subsidiary undertakings of the Company, being those which are considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position and/or the profits and losses of the Group. Each of these companies is wholly-owned by the Company is incorporated in England and Wales and has a fully paid share capital.

Name	*Principal activity*	*Issued share capital*
Webgenerics Limited	Provision of self build e-business solutions	1 Ordinary Share of £1
Business Systems Group Limited	Software consultancy and supply of wholesale office machinery and equipment	1,000,000 ordinary shares of £1 each

(b) The registered office of each of the above companies is BSG House, 226-236 City Road, London EC1V 2TT.

8. The Share Schemes

The Company will operate the Share Schemes summarised below.

INTRODUCTION

The Board has approved, adopted and implemented two employee share schemes and has also established an employee share ownership trust. These are summarised below. Details of the allotments of Ordinary Shares which have been made under these two schemes (the Executive Scheme and the Staff Scheme described below) are given in paragraph 2(a) of this Part VI. In the future, the Board intends to continue to utilise employee share schemes and to seek shareholder approval to amend the Share Schemes or to establish new schemes, which in either case comply with best practice. The ESOP will be available for use in conjunction with any employee share scheme adopted by the Company after Admission.

By a trust instrument dated 9 June 2000 the Company appointed Kleinwort Benson (Guernsey) Trustees Limited ("the Trustees") as trustees of The Business Systems Group Holdings plc Employee Share Ownership Plan 2000 ("the ESOP"), a non Inland Revenue approved form of trust for the benefit of the employees and former employees of the Group together with certain members of their respective families.

The trust fund currently consists of an initial sum of £100. The trust has been formed principally for the purpose of supporting the operations of the Executive Scheme and Staff Scheme. If for that purpose the trust requires funds in addition to its own resources, these would generally be provided by the Company. The Company has agreed to make contributions to the trust when necessary in order to fund the purchase of Ordinary Shares.

By the terms of the trust instrument the Trustees have absolute discretion to apply the trust fund for the benefit of the beneficiaries in such manner generally as they think fit. The Trustees have powers to transfer the trust fund to trustees of other settlements for the benefit of the same class of beneficiaries, to lend or appoint any part of it to a beneficiary, and to grant options, transfer shares and pay any taxes. The Trustees have in addition all powers of investment, sale, charging or dealing with the trust fund as if they were beneficial owner, including the power to invest the trust fund in the acquisition of shares in or debentures of the Company. The trust fund cannot be applied for the benefit of any persons who hold an interest in the Company which would entitle them to five per cent. or more of the Company's issued share capital or any class of shares, or five per cent. or more of the Company's assets on a winding up.

Although in exercising their powers the Trustees may consider written recommendations made to them by the Company it has no power to direct the Trustees to comply with those recommendations.

The trust instrument contains normal provisions to exonerate the Trustees from and to indemnify them against liability for loss of the trust fund or any cost, expense or liability for which they become liable, except in cases of wilful misconduct or gross negligence. The Trustees are entitled to remuneration according to their usual terms and conditions and in addition the Trustees when acting in any other professional capacity may be entitled to remuneration for any other service.

The Company has the power to appoint a new trustee or trustees and may remove any existing trustee or trustees. A trustee may in addition resign on thirty days notice. The Company has the power to alter or amend the trust instrument but this alteration or amendment cannot affect any subsisting beneficial interest in the trust fund, cannot prejudice the status of the trust under the Inheritance Tax Act 1984, cannot prejudice the status of the trust as an employees' share scheme within the meaning of the Act and cannot result in the trust being administered in the United Kingdom.

The Trustees have agreed to waive all but 0.01p of any dividend on any share in the Company comprised in the trust fund.

A. EXECUTIVE SCHEME

1. Issuing Ordinary Shares

By the rules of the Executive Scheme, the Board or the trustees of the ESOP ("the Invitor") may invite an employee of the Group who shall hold managerial responsibilities and who shall be designated by the Board as a senior executive (a "Senior Executive") to apply for Ordinary Shares. On making invitations the Invitor will fix the number of Ordinary Shares that each individual may acquire, the price payable and timing of payment, any relevant cap on the amount for which the Senior Executive may sell the Ordinary Shares to the Trustees ("Cap") and any performance conditions applicable to the Senior Executive.

The invitation will be made by a letter of invitation enclosing a proposed agreement which documents will provide *inter alia*, for any Cap and/or performance conditions, for the Ordinary Shares to be acquired by the Senior Executive to be held by the Trustees as bare trustee and for the Senior Executive to agree that he will not direct or require the Trustees to sell, transfer or deal with the Ordinary Shares within three years of the date of the agreement (except where this is with the consent of the Board and the Trustees) or in any way which is inconsistent with the agreement or the Company's Articles of Association ("the Articles").

If the Senior Executive wishes to accept the invitation he must return the signed agreement and any payment due on completion.

2. Cessation of Employment in First Three Years

Pursuant to the Articles, if the Senior Executive ceases to be employed by or act as an officer of the Group during a three year period commencing on the date the Ordinary Shares are issued then the Ordinary Shares must be offered for sale to the ESOP at a price equal to the price payable on acquisition.

3. Offering Ordinary Shares for sale to the ESOP

The Articles further provide that if after the end of the three year period the Senior Executive wishes to sell the Ordinary Shares (or any of them) then he must first offer such Ordinary Shares for sale to the ESOP. If the ESOP elects to accept such offer then the price per Ordinary Share will be the lesser of market value and the Cap (if any has been set out in the agreement under which the Ordinary Shares were acquired).

4. Failure to satisfy Performance Conditions

The Invitor may determine that Ordinary Shares may be acquired by Senior Executives subject to performance conditions being achieved, which conditions must be objective and relate to the three year period after the Ordinary Shares are acquired. Pursuant to the Articles if such conditions have been prescribed and by the end of this three year period they have not been satisfied then all of the Ordinary Shares shall convert into deferred ordinary shares of 5p each ("Deferred Shares"). Deferred Shares carry no rights to vote nor to receive a dividend and on a return of capital the holder is only entitled to the subscription price paid on such Deferred Shares.

B. STAFF SCHEME

1. Issuing the Ordinary Shares

By the rules of the Staff Scheme the Invitor may invite selected employees of the Group to acquire Ordinary Shares. On making invitations the Invitor will fix the number of Ordinary Shares that each individual may acquire, the price payable and timing of payment and any relevant performance condition applicable to the employee.

The invitation will be made by a letter of invitation enclosing a proposed agreement which documents will provide *inter alia* for, any performance condition, the Ordinary Shares to be acquired to be held by the Trustees as bare trustee and the employee to agree that he will not direct or require the Trustees to sell, transfer or deal with the Ordinary Shares within three years of the date of the agreement (except where this is with the consent of the Board and the Trustees) or in any way which is inconsistent with the agreement or the Articles.

If the Employee wishes to accept the invitation he must return the signed agreement and payment for any sum due on completion.

2. Cessation of Employment in First Three Years

By the Articles, if the employee ceases to be employed by or act as an officer of the Group during a three year period commencing on the date the Ordinary Shares are issued then the Ordinary Shares must be offered for sale to the ESOP at a price equal to the price payable on acquisition.

3. Offering Ordinary Shares for sale to the ESOP

The Articles further provide that if after the end of the three year period the employee wishes to sell the Ordinary Shares (or any of them) then he must first offer the Ordinary Shares for sale to the ESOP. If the ESOP elects to accept such offer then the price per Ordinary Share will be equal to market value.

4. Failure to satisfy Performance Conditions

The Invitor may determine that Ordinary Shares may be acquired subject to performance conditions being achieved which conditions must be objective and relate to the three year period after the Ordinary Shares are acquired. Pursuant to the Articles if such conditions have been prescribed and by the end of this three year period they have not been satisfied then all or a proportion of the shares shall convert into Deferred Shares. If the performance conditions require the satisfaction of periodic targets over the three year period and only a proportion of these targets have not been satisfied then only an equivalent proportion of Ordinary Shares shall convert to Deferred Shares

C. FUNDING

The Company has agreed to loan to the Trustees funds which will be loaned to the Senior Executives to enable them to pay up in full the Ordinary Shares allotted to them under the Executive Scheme. To date, an amount sufficient to pay up the Ordinary Shares allotted as to 20p each, has been loaned by the Company to the Trustees and by the Trustees to the relevant Senior Executives. The loans made by the Trustees of the ESOP to the Senior Executives will be secured by a charge over the relevant Senior Executives' Ordinary Shares.

The Company has provided a loan to the Trustees to enable it to acquire 2,456 Ordinary Shares pursuant to the terms of the Staff Scheme.

9. Pensions

The Company operates a defined contribution personal pension scheme with Standard Life to which it contributes 5 per cent. of each employee's salary on a monthly basis.

10. Material contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the Group in the two years immediately preceding the date of this document and are or may be material or contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

(a) the Placing Agreement, a summary of which is set out in paragraph 4 of this Part VI;

(b) an agreement dated 23 May 2000, between Nick Gerard and Mrs S A Gerard and the Company in relation to the acquisition of the entire issued share capital of Nickco Limited (previously a wholly owned subsidiary of the Company) for a consideration of £1 as set out in paragraph 5(e) of this Part VI;

(c) an agreement dated 23 May 2000, between Phil Buckingham and Mrs N Buckingham and Philco Limited, pursuant to which Mr and Mrs Buckingham acquired the 52.69 per cent. beneficial interest in a property in Hertfordshire owned by Philco Limited for a consideration of £510,901 as set out in paragraph 5(f) of this Part VI;

(d) an agreement dated 8 June 2000, as varied by deed of variation dated 9 June 2000, between the Company and Nick Gerard, pursuant to which the Company acquired the entire issued share capital of Webgenerics Limited for a consideration of £3,594,735. The consideration was satisfied by the issue of a total of 32,385 ordinary shares of £1 each in the Company at £111.00 per share to Nick Gerard;

(e) an agreement dated 23 May 2000 between the Company and Flembocase Limited (formerly Business Systems Group Holdings Limited) pursuant to which the Company acquired the entire issued share capital capital of BSG for a consideration of £1,000,000 which consideration was left outstanding on inter company loan account;

(f) the Relationship Deed, a summary of which is set out in paragraph 5(l) of this Part VI;

(g) (i) a trust agreement dated 9 June 2000 between the Company and Kleinwort Benson (Guernsey) Trustees Limited (the "Trustees") whereby the Trustees agreed to act as trustees of the ESOP. The Trustees will receive an upfront fee of £1,000 and a fee of £1,000 per annum in respect of their services. Further details of the terms of the appointment of the Trustees are contained in paragraph 8 of this Part VI;

(ii) a loan agreement dated 3 July 2000 between the Company and the Trustees pursuant to which the Company lent to the Trustees, the sum of £276,616 to enable the Trustees to pay up in full the 2,456 ordinary shares of £1 each allotted to the ESOP with the intention of such shares being sold to employees by the ESOP pursuant to the Company's Staff Share Scheme. As a result of the subdivision and bonus issue referred to in paragraph 2(b) of this Part VI the shares now amount to 2,799,840 Ordinary Shares. The loan is repayable upon demand, however if the ESOP does not have sufficient assets to repay the loan in its entirety, the Company has agreed to waive the liability of the ESOP and the Trustees in respect of the balance thereof. The loan is unsecured; and

(iii) loan agreements dated 3 July 2000 between the Company, the Trustees and each of the senior executives allotted Partly Paid Shares under the Company's Executive Share Scheme, pursuant to which the Company has agreed to loan to the ESOP an amount equal to the subscription price of the Partly Paid Shares allocated to each of the senior executives under the Scheme and the ESOP has agreed to lend to each of the senior executives the amount necessary to pay up in full his Partly Paid Shares. On 3 July 2000 an amount equal to 20p per Partly Paid Share allocated to the senior executives was advanced by the Company to the ESOP and by the ESOP to the relevant senior executive. The agreement provides that if the Inland Revenue determines that the market value of the Partly Paid Shares allotted pursuant to the Executive Share Scheme exceeds 20p, then the Company will advance to the ESOP the amount necessary to pay up in full such Partly Paid Shares, which amount will then be advanced by the ESOP to the relevant executive for use in paying up in full the Partly Paid Shares. The loan is repayable by each senior executive upon, *inter alia,* the sale of his Ordinary Shares, breach of the Articles of Association of the Company or the agreement pursuant to which the Ordinary Shares were allotted. The loans made by the ESOP to the senior executives are secured by a charge over the relevant senior executive's Ordinary Shares.

(h) a draft agreement between the Company and Client Server International Limited ("CSI") pursuant to which the Company agrees to purchase 5 per cent. of the issued share capital of BSG SA for a consideration of £4,500. The agreement contains restrictions on the Company, including, *inter alia,* not to compete in South Africa with the business of BSG SA; and

(i) a supplementary shareholders' agreement whereby the Company agreed to be bound by the provisions of a shareholders' agreement in respect of BSG SA entered into between Hoskens Consolidated International Limited, CSI, Gregory Reis and BSG SA on 10 March 2000 including a restriction on soliciting employees and clients of BSG SA in respect of a competing business in South Africa.

11. Litigation

Neither the Company nor any other member of the Group is or has been involved in, or (so far as the Directors are aware) has pending or threatened by or against it, any legal or arbitration proceedings which may have, or have had in the 12 months immediately preceding the date of this document, a significant effect on the financial position of the Group.

12. Principal establishment

The only principal establishment owned or occupied by the Group is as follows:

Property	Owner	Approximate area (sq ft)	Tenure	Net book value £000	Principal use
BSG House, 226–236 City Road, London EC1V 2TT	Business Systems Group Limited	80,000	Leasehold term expiry 3 November 2002 Rent £500,000 p.a.	0	Offices

No other land or buildings are owned or leased by the Group.

13. Working capital

The Directors are of the opinion that taking into account the net proceeds of the Placing, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

14. Admission and CREST

Application has been made to The Financial Services Authority and the London Stock Exchange for the Ordinary Shares to be admitted to the Official List and to be traded on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence at 8.00 am on 5 July 2000.

CREST, which was introduced in July 1996, is a paperless settlement procedure enabling securities to be evidenced in uncertificated form and held electronically. Accordingly, settlement of transactions in Ordinary Shares may take place within the CREST system if Shareholders so wish.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares as part of the Placing may elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a "system-member" (as defined in the Uncertificated Securities Regulations 1995) in relation to CREST. It is intended that placees who are system-members will pay for their Placing Shares through the CREST payment system. Further information is set out in the placing letters being issued in connection with the Placing.

15. Taxation

(a) *UK Taxation*

The statements below are intended only as a general guide to current UK tax law and practice for Shareholders who are the beneficial owners of their Ordinary Shares and who hold them as investments.

Except where indicated otherwise, they apply only to Shareholders who are resident or ordinarily resident in the UK for tax purposes. **Any person who is in any doubt as to his tax position or who may be subject to tax in any jurisdiction outside the UK should consult an appropriate professional adviser.**

(i) Capital gains

A disposal of Ordinary Shares by a Shareholder resident or ordinarily resident for tax purposes in the UK or a non resident Shareholder who carries on a trade, profession or vocation in the UK through a branch or agency and has used, held or acquired those Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency may, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purpose of UK taxation of chargeable gains. A Shareholder who is an individual and who has on or after 17 March 1998 ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of Ordinary Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief).

For a Shareholder not within the charge to corporation tax, such as an individual, trustee or a personal representative, taper relief which reduces a chargeable gain depending on the length of time for which an asset is held may be available to reduce the amount of chargeable gain realised on a subsequent disposal. For certain persons (and subject to the enactment in their present form of proposals announced in the Budget in March 2000) the Ordinary Shares may qualify as business assets which may increase the amount of any taper relief.

For a Shareholder within the charge to corporation tax, taper relief is not available but an indexation allowance on the cost apportioned to the Ordinary Shares should be available to reduce the amount of chargeable gain realised on a subsequent disposal.

(ii) Dividends

(a) The Company will not be required to withhold tax at source from dividends.

(b) Individual Shareholders resident in the UK will generally be entitled to a tax credit in respect of any dividend paid by the Company which they can offset against their total income tax liability. The amount of the tax credit for dividends paid is one-ninth of the amount of the net cash dividend. The amount of the net cash dividend received by such an individual holder and the associated tax credit are both included in computing the holder's income for UK tax purposes.

(c) The rate of income tax on dividends is 10 per cent. for starting rate, and basic rate taxpayers. The tax credit will discharge the income tax liability of an individual Shareholder who is not liable to income tax at a rate greater than the basic rate. Higher rate taxpayers will be liable to tax on such dividends at the rate of 32.5 per cent., so that an individual Shareholder who is a higher rate taxpayer will have a liability, after taking account of the tax credit, equal to 25 per cent. of the net cash dividend. In general, a UK resident individual Shareholder who is not liable to income tax on the dividend (or part of it) is not entitled to a refund of any part of the related tax credit.

(d) A UK resident corporate Shareholder will not normally be liable to corporation tax in respect of any dividend received. UK resident corporate Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds are not entitled to a refund of the related tax credit. Registered charities can claim a refund of the related tax credit on a reducing basis until 5 April 2004.

(e) Shareholders who are not resident in the UK for tax purposes will generally not benefit from any entitlement to a refund of any part of the tax credit.

(iii) Stamp duty and SDRT

Save in relation to transfers to a depositary or a provider of clearance services where special rules apply a transfer on sale of Ordinary Shares will generally be subject to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration paid. Stamp duty is normally the liability of the purchaser.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to Stamp Duty Reserve Tax ("SDRT") at the rate of 0.5 per cent. of the amount or value of the consideration paid as will a transfer effected within CREST. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped the SDRT liability will be cancelled and any SDRT which has been paid will be repaid if a claim is made. SDRT is normally the liability of the purchaser. Any SDRT which is payable on the sale of existing Ordinary Shares by Selling Shareholders pursuant to the Placing will be accounted for by Williams de Broë under an arrangement authorised by the Inland Revenue and accordingly placees will not be liable for this SDRT.

(b) *Other jurisdictions*

Shareholders subject to tax in any other jurisdiction and who are in any doubt as to their taxation position, should consult an appropriate independent professional adviser without delay.

16. Miscellaneous

(a) Jeffreys Henry, Chartered Accountants of Finsgate, 5-7 Cranwood Street, London EC1V 9EE audited the annual accounts of the Company and its subsidiary undertakings for each of the three financial years ended 30 June 1997, 30 June 1998 and 30 June 1999. Deloitte & Touche, Chartered Accountants of Hill House, 1 Little New Street, London EC4A 3TR audited the accounts of the Company and its subsidiary undertakings for the nine month period ended 31 March 2000, and of Webgenerics for the period from 15 November 1999 to 31 March 2000.

(b) The financial information contained in this document relating to the Group does not constitute statutory accounts for the purpose of Section 240(5) of the Act. Statutory accounts of the Group for the three years ended 30 June 1999 and the nine months ended 31 March 2000 on which the auditors have given unqualified reports, have been delivered to the Registrar of Companies. The auditors of the Group have made a report of the kind required by Section 235 of the Act in respect of each such set of accounts and each such report was an unqualified report within the meaning of Section 271 of the Act and contained no statement under Sections 237(2) & (3) of the Act.

(c) Each of Jeffreys Henry and Deloitte & Touche have given and not withdrawn their written consent to the inclusion in this document of their name and reports in Parts III and IV of this document with references thereto in the form and context in which they respectively appear and have authorised the contents of those parts of this document where their name and reports appear for the purposes of section 152(1)(e) of the Financial Services Act 1986.

(d) The total costs and expenses payable by the Company of and incidental to the Placing including professional fees, printing and advertising costs are estimated to amount to approximately £1.1 million (exclusive of VAT).

(e) There has been no significant change in the financial trading position of the Group since 31 March 2000 being the date to which the most recent audited accounts of the Group and Webgenerics were published.

(f) The Ordinary Shares have a nominal value of 5p each and the Placing Shares are being issued at 119p each being a premium of 114p per Placing Share.

(g) The Placing is being underwritten in full by Williams de Broë which is registered in England and Wales under number 2412739 with its registered office at PO Box 515, 6 Broadgate, London EC2M 2RP. It is a member of the London Stock Exchange and The Securities and Futures Authority Limited.

(h) On 23 March 1998 Nick Harper, a senior employee within Webgenerics (see page 21 of this document) was disqualified for 6½ years from, *inter alia*, acting as a director under section 6 of the Company Directors Disqualification Act 1986 as a result of his directorship and liquidation of SDX Services Limited. Pursuant to such disqualification, the Bournemouth County Court ordered that Nick Harper should not, without leave of the Court, be a director of a company, be a liquidator or administrator of a company, be a receiver or manager of a company's property, or in any way, whether directly or indirectly be concerned or take part in the promotion, formation or management of a company.

Under the provisions of his contract of employment, Nick Harper has agreed, *inter alia,* that he will not; give advice to, or have dealings with, any person in relation to the structure or financial management of Webgenerics; negotiate with or have any discussions or dealings with Webgeneric's bankers, brokers, landlord, the Inland Revenue, Customs or Excise or any regulatory authority in any jurisdiction or creditors; take steps to or involve himself in any way with the raising of finance for Webgenerics; or undertake any action which would breach the disqualification order referred to above. In addition, the contract also provides that breach of any part of such provision could result in the summary dismissal of Nick Harper.

(i) The Company has insured the Directors against liabilities under the Placing Agreement and has purchased directors and officers insurance.

17. Documents available for Inspection

Copies of the following documents will be available for inspection at the offices of Paisner & Co, Bouverie House, 154 Fleet Street, London EC4A 2JD during usual business hours on any weekday (excluding Saturdays and public holidays) up to and including 18 July 2000.

(i) the Memorandum and Articles of Association of the Company referred to in paragraph 3 above;

(ii) the reports prepared by Deloitte & Touche set out in Parts III and IV of this document together with the statements of adjustments relating thereto;

(iii) the service contracts referred to in paragraph 6 above;

(iv) the letters of appointment referred to in paragraph 6 above;

(v) the audited financial statements of the Group for the three financial years ended 30 June 1999 and for the nine month period ended 31 March 2000;

(vi) the audited financial information for Webgenerics for the period from 15 November 1999 to 31 March 2000.

(vii) the material contracts referred to in paragraph 10 above;

(viii) the consent letters referred to in paragraph 16 above;

(ix) this document;

(x) extract Board minutes dated 8 June 2000 containing the commitment of Nick Gerard as controlling shareholder referred to in paragraph 5(l) in Part VI of this document; and

(xi) the Relationship Deed.

Dated: 4 July 2000

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