



business control solutions

14 March 2008

BUSINESS CONTROL SOLUTIONS GROUP PLC
(the "Group")

Results for the year ended 31 December 2007

Business Control Solutions Group plc ('the Group' or 'the Company') (BCT.L), the AIM listed provider of consultancy and software control solutions to the financial services sector announces its results for the year ended 31 December 2007.

	2007 £'000	2006 £'000	Change
Turnover	9,666	8,035	+20%
Gross Profit	3,664	3,031	+21%
Loss before tax	-399	-684	+44%
Loss per share	-0.15p	-0.31p	+52%

Financial Highlights:

- Group turnover up 20%:
 - Consulting revenues up 26%
 - Software revenues up 4%
- Recurring revenues up to 25% of Software revenue (2006: 9%)
- Loss before tax significantly reduced to £399,000
- Strong cash position of £2.8m at year end
- Profitable and cash positive in H2 2007

Operating Highlights:

- **Consulting division:**
 - Continued strong demand for consultancy services
 - Further enhanced consulting skill base in the operational risk and control arena
 - Consultancy utilisation rate consistently above 85% all year
 - Broadened customer base and increased number of assignments
 - Launch of CTRL+ methodology, combining Consultancy and Software expertise
- **Software division:**
 - Significant investment phase in 2007, culminating in:
 - recent launch of Balance Sheet "Integrity"
 - new release of the Network Management "ARC"
 - new release of Operational Control platform (OCA/CCM) due in Q4 2008
 - Integrity and Arc have secured reference sale sites
 - Further progress achieved in transitioning the revenue model to annuity basis

Commenting on the results, Nigel Walder, CEO of Business Control Solutions Group plc said:

"2007 has been a year of considerable change and progress. We have focused on investing significantly in our core strategic technology products and further developing our consulting business. We have succeeded in growing our revenues strongly and in the second half of the year we were both profitable and cash positive.

Although we remain mindful of the broader economic environment, to date we have not seen any indication of a slowdown requiring us to alter our positive view of our prospects for the year ahead. If anything, the current environment has heightened the awareness of control related issues within the financial services marketplace.

We have greater visibility on our forward revenues than at any time in the past and our well diversified client base and assignment portfolio provides us with a robust revenue stream and gives us confidence in achieving another successful year."

Ends

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Chairman's Statement

2007 has been a year of significant change and progress and the business is fully focused and clear about its priorities. We have achieved good growth in the business despite the high levels of investment in both our Consultancy and Software businesses as we have set about delivering on our strategy.

Our Consulting business performed strongly, building momentum through the year. The first half of the year saw us invest in recruiting and retaining the necessary skills. The business won several important new accounts and with increased revenue across more key clients and engagements the business enters 2008 in a healthy position.

In our Software business our strategy has been to invest heavily in building our strategic products. We made progress in improving the quality of our sales by moving to an annuity based revenue model, thereby reducing our reliance on non-recurring revenue. We are entering a key phase in the Software business with the recent launch of our Balance Sheet Integrity product. Initial interest is encouraging and our challenge for 2008 is to translate this interest into sales.

We have also moved to strengthen the Board in 2007 with the appointment of Roger Shepherd as Group Finance Director, who I am delighted to welcome to the Company. I am confident the team we now have in place will ensure we are able to drive the Group forward in the coming year, drawing on the strong progress achieved particularly in the second half of 2007.

In the year ahead we expect the demand for our services and products to remain strong as the pressure on our customers to become more efficient grows. We have good visibility on our order book and our well diversified client base and assignment portfolio provides us with a robust revenue stream.

I'd like to finish by thanking all of our staff for their continued hard work and commitment during 2007. Our foundations are well established and we are building for the future.

Steve Russell
Chairman

14 March 2008

Chief Executive's Review

In 2007 we have focused our efforts on implementing the strategy we set out at the time of our fundraising at the end of 2006. We invested significantly in both our Consulting and Software businesses, whilst continuing to transition our revenues to an annuity base. The initiatives undertaken during 2007 ensure we are well positioned for the year ahead.

Financial Performance

The Group had revenues of £9.7m for the year showing a 20% increase on 2006. The Consulting division grew at 26% whilst the Software division was up by 4%, despite significant investment in the year and the transition of our revenues to an annuity based revenue model. Contracted annuity income within the software business at 31 December 2007 was £776,000 compared to £413,000 at the end of 2006, a rise of 88%. Deferred income as at 31 December 2007 was £298,000, a 4% increase on 2006.

Gross margin for the Group was unchanged at 38% for the year despite the stronger sales performance from the Consulting division where gross margins are typically lower than those achieved in the Software division. An improvement in the Consulting gross margin compensated for the adverse shift in the sales mix away from the Software division. The Consulting margin benefited from improved rates of utilisation, with the utilisation rate being maintained consistently above 85% throughout the year.

The Group continues to invest in building its strategic software products with development effort having been focused on the three strategic products of Agent Reconciliation and Control (ARC), Balance Sheet Integrity (Integrity), and our Operational Control Architecture (OCA). In the year to 31 December 2007 £552,000 (2006: £35,000) of development costs have been capitalised under IFRS where the Directors consider the recognition criteria to have been met.

Our operating expenses continue to be largely personnel-related and have risen 12% on 2006. Removing the impact of development cost capitalisation, operating expenses would have risen by 26%. This rise has been driven by an increase in the average number of heads employed during the year in the Group by 37% to 93 as we have added to our development capability and increased our Consulting labour pool, in line with the rise in the demand for our services.

The loss before tax for the year was £237,000 (2006: £516,000) before allowing for a charge for share options of £162,000 (2006: £168,000). Taking into account share options charge then the loss before tax was £399,000 (2006: £684,000).

Trade debtors have risen commensurately with sales. Debtor days outstanding have improved slightly to 61 (2006: 62.5).

The Group used £906,000 of cash during the year as we invested in our new strategic products and grew our Consulting capability. Much of this investment occurred in the first half of the year with the second half of the year seeing the Group return a positive cash flow. As at 31 December 2007 the Group had £2.8m in cash.

The Directors do not recommend the payment of a final dividend for the period ended 31 December 2007 (2006: nil).

Consulting Division

The division has enjoyed a strong year with revenues up 26% on 2006. This growth has been experienced across all areas of our service offering. The division is now significantly more robust with revenue now being shared more evenly across engagements and clients. I am particularly encouraged that this broadening of our customer base has been achieved by continuing to focus our offering on the financial services sector.

Achieving significant growth in our Consulting business is reliant on our ability to grow our headcount. In line with our stated intentions, the year saw us increase our Consulting headcount by ten, incurring significant recruitment fees as we sought to add to our consulting skill set and establish ourselves as a leading provider of management consultancy within the European financial services market. Despite this high level of recruitment we were able to maintain our utilisation rates consistently above 85% throughout the year ensuring strong revenue growth was achieved whilst at the same time protecting our gross margin.

During the year the Group launched its CTRL+ methodology specifically targeting the areas of operational risk management and control. This newly defined approach will enable clients to successfully diagnose operational risk, implement changes and achieve continuous improvement through having real time visibility over the status of their risks and controls. This solution combines the Group's Consultancy and Software expertise to deliver best practice in operational control and operational risk management and will allow the Group to exploit any cross-selling opportunities.

Software Division

The division has had a demanding year as it has sought to manage the needs of its existing clients whilst at the same time focusing its efforts on building the Group's new strategic products. The transitioning of the business into an annuity revenue model has gained traction with a near doubling to 40% of 2008's target now contracted. Going forward we will be looking to accelerate the growth of this number as we focus on selling new products on an annuity basis.

The investment in new staff with the necessary skills to design, build, market and sell our new products, which we began in 2006, carried forward into 2007. Average headcount employed in the division during the year rose to 38 from 23 in 2006 as we deliberately ring fenced our strategic development activity to ensure the quality of the delivered product is at its highest. £552,000 of internal development labour costs were capitalised during the year.

We continue to focus on our three strategic products:

1. Integrity. The product provides senior management of our client organisations with transparency and enables greater control over the balance sheet substantiation process. It provides management with confidence that the assets and liabilities held on the company's balance sheet are accurately stated.
2. Operational Control Architecture (OCA). OCA gives senior management visibility over their business processes identifying and prioritising any risk areas. The product is currently operational in five leading banking groups. An updated version with enhanced functionality will be available in quarter four 2008.

3. Agent Reconciliation & Control (ARC). ARC is the next generation of our existing product (Network Management). The product validates agent banks' invoices against system generated expected fees and highlights any discrepancies for investigation.

The first quarter of 2008 has seen the focus of the division shift into sales and marketing, primarily on these three core products. For example, our 'Integrity' product carried out its formal product launch on 25 February. Marketing efforts have been enhanced significantly raising the awareness of both the Company and our products. These include a Company event held at the Tower of London on 28 February, where senior financial managers attended a panel discussion by leading industry experts on control around the balance sheet substantiation process.

Employees and Board Changes

The year has seen key changes at board level including Steve Russell's appointment as Chairman following Mitchel Lenson's departure. Steve's contribution has been significant in ensuring we remain focused on our strategic goals. During the period, we also saw the addition to the Board of Roger Shepherd, our new Group Finance Director. I am confident we have the right team in place to deliver on our strategy.

Group headcount grew by 10 to 102 as at 31 December 2007 of which 83 were permanent employees up from 78 on 31 December 2006. This increase in headcount can be attributed to the growth in the Consulting division which has been the primary driver behind our strong sales growth. Our future growth prospects in the Consulting division are rooted in our ability to recruit and retain talented individuals with the appropriate level of skills and experience.

Strategy

Our strategy remains unchanged. The Consulting division now has the necessary cash flow and processes in place to support the continued investment in recruiting and training our Consulting personnel.

In the Software division we will be investing in sales and marketing activities in 2008 as we seek to establish Integrity, OCA and ARC as industry leading products.

We continue to see opportunities internationally and as such continue to look for international partners to accelerate our growth.

Current Trading and Outlook

The Consulting division has begun 2008 in the same vein as it finished 2007 enjoying strong growth across our client base and our range of services. We are entering an important phase for the Software division with the recent launches of Integrity and ARC and the continued investment in OCA. Levels of interest in the products are high and we remain confident in their future success. We will be investing in sales and marketing activities in 2008 as we seek to establish Integrity, OCA and ARC as industry leading products.

Although we remain mindful of the broader economic environment, to date we have not seen any indication of a slowdown requiring us to alter our positive view of our prospects for the year ahead. If anything, the current environment has heightened the awareness of control related issues within the financial service marketplace.

We have greater visibility on our forward revenues than at any time in the past and our well diversified client base and assignment portfolio provides us with a robust revenue stream and gives us confidence in achieving another successful year.

ND Walder
Chief Executive Officer

14 March 2008

Consolidated Income Statement (Unaudited)
for the year ended 31 December 2007

	Notes	2007	(As Restated) 2006
		£'000	£'000
Revenue		9,666	8,035
Cost of Sales		(6,002)	(5,007)
Gross Profit		3,664	3,028
Operating expenses		(4,188)	(3,702)
Exceptional item		-	(56)
Loss before interest and taxation		(524)	(730)
Interest receivable		127	46
Interest payable		(2)	-
Loss before taxation		(399)	(684)
Taxation		-	-
Loss for the period attributed to equity shareholders		(399)	(684)
Basic and diluted loss per share	5	-0.15p	-0.31p

Consolidated Balance Sheet (Unaudited)

as at 31 December 2007

	Notes	2007	(As Restated) 2006
		£'000	£'000
Assets			
Non current assets			
Intangible assets	7	612	93
Property, plant and equipment		197	178
		809	271
Current assets			
Trade and other receivables	8	2,130	2,082
Cash and cash equivalents		2,766	3,672
		4,896	5,754
Total assets		5,705	6,025
Liabilities			
Current liabilities			
Trade and other payables	9	(1,855)	(1,956)
Non-current liabilities			
Loans and borrowings		(11)	(20)
Deferred tax		(1)	(2)
		(12)	(22)
Net assets		3,838	4,047
Equity			
Issued capital		2,714	2,714
Share premium		3,303	3,303
Shares to be issued		529	367
Other reserves		(308)	(298)
Retained earnings		(2,400)	(2,039)
Total equity		3,838	4,047

Statement of Changes in Equity (Unaudited)

for year ended 31 December 2007

	Share capital	Share Premium account	Shares to be issued	Other reserves*	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
1 st January 2006 - (Restated)	2,214	952	199	(364)	(1,336)	1,665
Disposal of shares by EBT				75		75
EBT adjustment					(19)	(19)
Shares purchased by EBT				(9)		(9)
Share issue	500	2,500				3,000
Share issue costs		(149)				(149)
Options charge			168			168
Loss for the year					(684)	(684)
31st December 2006 (Restated)	2,714	3,303	367	(298)	(2,039)	4,047
Disposal of shares by EBT				13		13
EBT adjustment					38	38
Shares purchased by EBT				(23)		(23)
Options charge			162			162
Loss for the year					(399)	(399)
At 31st December 2007	2,714	3,303	529	(308)	(2,400)	3,838

*Other reserves includes Warrant, Merger and Capital Reserves.

Consolidated Cash Flow Statement (Unaudited)
for the year ended 31 December 2007

	2007	(As Restated) 2006
	£'000	£'000
Cash flows from operating activities		
Loss before interest & taxation	(524)	(675)
Adjustments for:		
Depreciation of property, plant and equipment	114	79
Amortisation of intangible assets	42	25
Share options expense	162	112
Cash generated from operations before changes in working capital	(206)	(459)
Movement in trade and other receivables	(48)	13
Movement in trade and other payables	(104)	(500)
Net cash generated from operations	(358)	(946)
Income tax paid		
Interest paid	(2)	
Net cash generated from operating activities	(360)	(946)
Cash flows from investing activities		
Purchase of plant and equipment	(134)	(52)
Purchase of software	(9)	(25)
Proceeds from sale of plant and equipment		3
Interest received	130	52
Product development	(552)	(35)
Net cash used in investing activities	(565)	(57)
Cash flows from financing activities		
Net proceeds from shares issued		2,850
Net proceeds from sale of shares by EBT	25	43
Repayment of loan	(6)	
Net cash generated in financing operations	19	2,893
Net (decrease)/increase in cash and cash equivalents	(906)	1,890
Cash as at 1 st January	3,672	1,782
Cash and cash equivalents at 31st December	2,766	3,672

Notes to the consolidated financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with IFRS and IFRICS in issue that have been endorsed by the EU and the Companies Act 1985 applicable to the year ending 31st December 2007, the Group's first annual reporting date under IFRS.

The accounting policies applied are consistent with those set out in the financial statements of the Group for the year ended 31 December 2006 as amended by the restatement for IFRS referred to above. The financial information in the announcement is unaudited and does not constitute the Company's statutory accounts for the years ended 31 December 2007 and 2006. The financial information for the year ended 31 December 2006 is derived from the statutory accounts for that year, which were prepared under UK GAAP, which have been delivered to the Registrar of Companies. The auditors reported on those 2006 accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 1985, s 237 (2) or (3). The statutory accounts for the year ended 31 December 2007, prepared in accordance with IFRS's as adopted by the EU, have not yet been reported on by the auditors. They will be finalised on the basis of the financial information presented by the directors in the preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial information included in this announcement was approved by the board of directors on 13th March 2008.

Business Control Solutions Group plc through its subsidiaries provides management consultancy services and operational control software to financial institutions. The Company's registered number is 02089155.

2. Segmental reporting

The Group's operations are managed and monitored in two business segments: Consultancy Services and Software Solutions. Certain support activities are monitored centrally and have been allocated on an estimated usage basis to the business segments to produce the result below.

The directors consider the Group to trade in one geographical segment, the UK.

For the year to 31 st December 2007	Consultancy Services	Software Solutions	Total
	£'000	£'000	£'000
Segment revenue	7,621	2,045	9,666
Segment result	579	(978)	(399)
Segment assets	1,902	1,053	2,955
Segment liabilities	1,159	724	1,883

During the year there was no inter-segmental revenue (2006: Enil).

For the year to 31 st December 2006	Consultancy Services	Software Solutions	Total
	£'000	£'000	£'000
Segment revenue	6,065	1,970	8,035
Segment result	316	(1,000)	(684)
Segment assets	1,377	977	2,354
Segment liabilities	1,258	721	1,979

3. Employees and staff costs

	2007	2006
	No.	No.
The average number of persons employed during the year was:		
Non-executive directors	4	3
Office and management	14	10
Sales and marketing	3	4
Programming and solution delivery staff	35	19
Consultants	37	32
	93	68

	2007	2006
	£'000	£'000
Wages and salaries	6,051	4,967
Social security costs	705	597
Pension contributions	42	45
	6,798	5,609

In addition to the staff costs above, there is a share options charge amounting to £162,000 (2006: £168,000).

4. Finance income

	2007	2006
	£'000	£'000
Bank interest receivable	127	46

5. Loss per share

Basic loss per share is calculated by dividing the Group's loss after taxation of f £399,000 (2006: £684,000) by the weighted average number of shares in issue less the weighted average number of shares held by the EBTs during the year of 268,328,981 (2006: 225,611,187).

6. Dividends

In the light of the retained loss for the year, the Directors do not recommend the payment of a dividend.

7. Intangible assets

Research expenditure is recognised as an expense as incurred. Costs incurred on product development relating to the design, programming and testing of new or enhanced products are capitalised as intangible assets after considering: the probability that the development will provide economic benefits; its commercial and technological feasibility; resource availability and whether costs can be measured reliably. The expenditure capitalised is the direct employment costs and is managed and controlled centrally. Other development costs are recognised as an expense as incurred.

During the year £552,000 of development costs were capitalised (2006: £35,000).

8. Trade and other receivables

	2007	2006
	£'000	£'000
Trade receivables	1,8773	1,617
Prepayments	219	244
Accrued income	34	221
	2,130	2,082

9. Trade and other payables

	2007	2006
	£'000	£'000
Trade payables	244	387
Other tax and social security	357	359
Accruals and deferred income	1,245	1,180
Hire purchase loan	9	6
Other payables		24
	1,855	1,956

10. Explanation of transition to IFRS

This is the first year the Group has presented its financial statements under IFRS. Consistent accounting policies have been applied in preparing comparative information for the year ended 31 December 2006 and the preparation of the opening IFRS balance sheet at 1 January 2006 (the Group's date of transition).

In preparing its opening balance sheet and comparative information for the year ended 31 December 2006 the Group has adjusted amounts previously reported in its financial statements prepared in accordance with UK GAAP. The adjustments arising from the conversion to IFRS had no impact on the cash flows of the Group although there are a number of presentational changes required under IFRS. The principal effects of IFRS on the financial statements of the Group are shown below.

Reconciliation of the UK GAAP consolidated income statement to the IFRS consolidated income statement for the year ended 31 December 2006

	Published UK GAAP	A	B	C	IFRS
	£'000	£'000	£'000	£,000	£'000
Revenue	8,035				8,035
Cost of Sales	(5,004)	(3)			(5,007)
Gross Profit	3,031	(3)			3,028
Operating expenses	(3,734)	(3)		35	(3,702)
Exceptional item	(56)				(56)
Operating Profit/(loss)	(759)	(6)		35	(730)
Finance income	46				46
Finance costs					
Loss before taxation	(713)	(6)		35	(684)
Income tax expense					
Loss for the period attributed to equity shareholders	(713)	(6)		35	(684)
Basic and diluted loss per ordinary share	(0.31)p				(0.31)p

Notes:

- A Under IAS 19 Employee Benefits, a provision is required for the value of holidays accrued but not taken at the balance sheet date.
- C Development costs capitalised under IAS 38 Intangible Assets.

Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet as at 31 December 2005 – the date of transition

	Published UK GAAP	A	B	C	IFRS
	£'000	£'000	£'000		£'000
Assets					
Non current assets					
Intangible assets			56		56
Property, plant and equipment	248		(56)		192
	248				248
Current assets					
Trade and other receivables	2,091				2,091
Cash and cash equivalents	1,784				1,784
	3,875				3,875
Total assets	4,123				4,123
Liabilities					
Current liabilities					
Trade and other payables	(2,443)	(12)			(2,455)
Non current liabilities					
Loans and borrowings					
Deferred income tax liabilities	(2)				(2)
	(2)				(2)
Net assets	1,678	(12)			1,666
Equity					
Issued capital	2,214				2,214
Share premium	952				952
Shares to be issued	200				200
Other reserves	(364)				(364)
Retained earnings	(1,324)	(12)			(1,336)
Total equity	1,678	(12)			1,666

- A Under IAS 19 Employee Benefits, a provision is required for the value of holidays accrued but not taken at the balance sheet date.
- B Under IAS 38 Intangible Assets, purchased software has been reclassified as an intangible asset.

Reconciliation of the UK GAAP consolidated balance sheet to the IFRS consolidated balance sheet as at 31 December 2006

	Published UK GAAP	A	B	C	IFRS
	£'000	£'000	£'000		£'000
Assets					
Non current assets					
Intangible assets			58	35	93
Property, plant and equipment	236		(58)		178
	236			35	271
Current assets					
Trade and other receivables	2,082				2,082
Cash and cash equivalents	3,672				3,672
	5,754				5,754
Total assets	5,990			35	6,025
Liabilities					
Current liabilities					
Trade and other payables	(1,937)	(19)			(1,956)
Non current liabilities					
Loans and borrowings	(20)				(20)
Deferred income tax liabilities	(2)				(2)
	(22)				(22)
Net assets	4,031	(19)		35	4,047
Equity					
Issued capital	2,714				2,714
Share premium	3,303				3,303
Shares to be issued	367				367
Other reserves	(298)				(298)
Retained earnings	(2,055)	(19)		35	(2,039)
Total equity	4,031	(19)		35	4,047

- A Under IAS 19 Employee Benefits, a provision is required for the value of holidays accrued but not taken at the balance sheet date.
- B Under IAS 38 Intangible Assets, purchased software has been reclassified as an intangible asset.
- C Development costs capitalised under IAS 38 Intangible Assets