THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document is an admission document in relation to AIM, a market operated by London Stock Exchange plc and has been drawn up in accordance with the AIM Rules. It has also been drawn up in accordance with the Public Offers of Securities Regulations 1995 (the "POS Regulations"), save for Regulation 13 of the POS Regulations in respect of Timothy Counsell who, although currently a Director of the Company, will resign his directorship immediately prior to Admission and does not accept responsibility for the information contained in this document. This document does not constitute a prospectus for the purposes of the POS Regulations and a copy of it has not been, and will not be, delivered to the Registrar of Companies of England and Wales for registration under Rule 4(2) of the POS Regulations.

Application has been made for the whole of the issued and to be issued Common Shares to be admitted to trading on AIM. It is expected that admission will become effective and that trading in the Common Shares will commence on AIM on 15 June 2005. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List and it is emphasised that no application is being made for admission of the Common Shares to the Official List. Furthermore, neither London Stock Exchange plc nor the UK Listing Authority has examined or approved the contents of this document. The Common Shares are not dealt on any other recognised investment exchange and no other such applications have been made.**

The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to Part II of this document entitled Risk Factors.

BILLING SERVICES GROUP LIMITED

(Incorporated and registered in Bermuda under the Companies Act 1981 of Bermuda with Registered No. EC36839)

Placing of 112,920,333 Common Shares at 74.5 pence per Common Share

Admission to trading on AIM

Nominated Adviser and Broker

Evolution Securities Limited

Share Capital Immediately Following the Placing And Admission

Authorised			*Issued and fully paid*	
Number of Common Shares	*Amount*		*Number of Common Shares*	*Amount*
350,000,000	$350,000,000	Common Shares of US$1.00 each	182,604,483	$182,604,483

The Placing is underwritten and is conditional, *inter alia*, on Admission taking place on 15 June 2005 (or such later date as the Company and Evolution Securities agree being not later than 30 June 2005). All the Common Shares now being placed will, on Admission, rank *pari passu* in all respects with the exiting Common Shares in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Common Shares after Admission.

The directors, of Billing Services Group Limited, save for Timothy Counsell, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. 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 there is no other material information the omission of which is likely to affect the import of such information.

Evolution Securities Limited is acting exclusively for Billing Services Group Limited and for no one else in connection with matters described herein and will not be responsible to anyone other than Billing Services Group Limited for providing the protections afforded to customers of Evolution Securities Limited or for advising any other person on the contents of this document or any matter referred to herein. Evolution Securities Limited's responsibilities as the nominated adviser and broker to the Company are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person, whether in respect of any decision to acquire Common Shares in reliance on any part of this document or otherwise. No representation or warranty, express or implied, is made by Evolution Securities Limited as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and Evolution Securities Limited have not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations.

The Bermuda Monetary Authority (the "BMA") must approve all issues and transfers of shares of a Bermuda exempted company. The Company has applied for consent under the Exchange Control Act of 1972 and regulations thereunder from the BMA for the sale and transfer of the Common Shares and received from the BMA their permission for the issue and free transferability of the Common Shares being offered hereunder so long as such shares continue to be traded on AIM. In addition, the Company will deliver to and file a copy of this document with the Registrar of Companies in Bermuda. The BMA and the Registrar of Companies of Bermuda do not accept any responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed herein.

Copies of this document will be available during normal business hours on any day (except Sundays and public holidays) free of charge to the public at the offices of Evolution Securities for one month from the date of Admission.

The Common Shares have not been, and will not be, registered under the United States Securities Act of 1933, nor under the securities laws of any state of the United States of America, Japan, the Republic of Ireland nor under any securities laws of any province or territory of Canada nor has a document in relation to the Common Shares been lodged with or registered by the Australian Securities and Investments Commission. Accordingly, no offer of securities is made under this document in the United States of America, Japan, the Republic of Ireland, Canada or Australia and, subject to certain exceptions, the Common Shares may not be offered, sold, resold or delivered directly or indirectly in or into these countries. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe or buy, any Common Shares to any person in any jurisdiction to whom it would be unlawful to make such an offer or solicitation in such jurisdiction.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES.

CONTENTS

		Page
Directors, Secretary and Advisers		3
Placing Statistics		4
Expected Timetable of Principal Events		4
Definitions		5
PART I	Particulars of the Group	8
PART II	Risk Factors	19
PART III	Financial Information on the Group	24
PART IV	Pro Forma Financial Information	66
PART V	Additional Information	67

DIRECTORS, SECRETARY AND ADVISERS

Directors	Patrick David Heneghan	*Non-Executive Chairman*
	Patrick James Haynes III	*Chief Executive Officer*
	Michael Joseph Labedz	*Chief Operating Officer*
	Norman McKenzie Phipps	*Chief Financial Officer*
	Philip James Dance	*Non-Executive Director*
	Leighton Warren Smith	*Non-Executive Director*
	Peter Shanahan Walker	*Non-Executive Director*
	Joseph Alan Lindauer	*Non-Executive Director*
	Timothy John Counsell	*Temporary Director (for the purposes of incorporation)*
Company Secretary	Appleby Spurling Hunter	
Registered Office	Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda	
Nominated Adviser and Broker	Evolution Securities Limited 100 Wood Street London, EC2V 7AN United Kingdom	
UK Legal Advisers to the Company	Reed Smith LLP Minerva House 5 Montague Close London SE1 9BB United Kingdom	
US Legal Advisers to the Company	Reed Smith LLP Minerva House 5 Montague Close London SE1 9BB United Kingdom and	Winstead Sechrest & Minick 5400 Renaissance Tower 1201 Elm Street Dallas, TX 75270 United States of America
Bermudian Legal Advisers to the Company	Appleby Spurling Hunter Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda	
Legal Advisers to the Placing	Eversheds LLP Senator House 85 Queen Victoria Street London EC4V 4JL United Kingdom	
Reporting Accountants	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom	
Branch Registrar	Capita IRG (Offshore) Limited Victoria Chambers Liberation Square 1/3 The Esplanade St Helier Jersey	
Depositary Interest Registrar	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom	

PLACING STATISTICS

Placing Price per Placing Share	74.5p
Number of Common Shares in issue prior to the Placing and Admission	179,591,700
Number of Placing Shares (being the number of New Shares and Sales Shares)	112,920,333
Number of New Shares	3,012,783
Number of Sale Shares	109,907,550
Number of Common Shares in issue following the Placing and Admission	182,604,483
Estimated net proceeds of the Placing to the Company	£0.5 million
Proportion of enlarged issued Common Share capital being sold in the Placing	61.8 per cent.
Market capitalisation at the Placing Price on Admission	£136.0 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	9 June 2005
Admission and commencement of dealings in the Common Shares on AIM	15 June 2005
CREST accounts credited with Depositary Interests (where applicable)	15 June 2005
Despatch of definitive share certificates (where applicable)	by 30 June 2005

DEFINITIONS

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

"ABRY Partners"	ABRY Partners IV LP, ABRY Investment Partnership LP and ABRY Mezzanine Partners LP
"Act"	Companies Act 1981 of Bermuda
"Admission"	admission of the Common Shares to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
"AIM"	a market operated by London Stock Exchange
"AIM Rules"	the rules governing the operation of AIM as established by London Stock Exchange
"BCIA"	BCI Acquisition, LLC, a limited liability company incorporated in the U.S. state of Delaware and a wholly owned subsidiary (indirectly) of the Company
"Board" or "Directors"	the actual directors, excluding Timothy Counsell, and proposed directors of the Company as set out in the section entitled "Directors, secretary and advisers" on page 3 of this document, further details of whom are set out in the section entitled "Directors, management and employees" in Part I of this document
"BSG" or "Group"	to the extent the context requires, prior to Admission refers to BSG LLC, its subsidiaries and subsidiary undertakings and following Admission refers to the Company, its subsidiaries and subsidiary undertakings
"BSG LLC"	Billing Services Group, LLC, a limited liability company incorporated in the U.S. state of Delaware on 6 October 2003 which will be on Admission a wholly owned subsidiary of the Company
"Business Day"	any day on which London Stock Exchange is open for business
"Bye-laws"	the bye-laws of the Company
"Combined Code"	the Combined Code on Corporate Governance published by the UK Listing Authority
"Common Shares"	voting common shares of US$1.00 each in the capital of the Company
"Company"	Billing Services Group Limited
"CREST"	the systems for paperless settlement of trades and holdings of uncertificated shares administered by CRESTCo
"CRESTCo"	CRESTCo Limited, the operator of CREST
"CREST Member"	a person who has been admitted by CRESTCo as a system member (as defined in the Regulations)
"CREST Participant"	a person who is, in relation to CREST, a system participant (as defined in the Regulations)

"Depositary Interest" or "DI"	a depositary interest representing an underlying Common Share
"Evolution Securities"	Evolution Securities Limited
"Group" or "BSG"	to the extent the context requires, prior to Admission refers to BSG LLC, its subsidiaries and subsidiary undertakings and following Admission refers to the Company, it subsidiaries and subsidiary undertakings
"London Stock Exchange"	London Stock Exchange plc
"New Shares"	the 3,012,783 new Common Shares to be issued by the Company in the Placing
"Offshore Transactions"	as such term is defined in Rule 902(h) of Regulation S and more fully explained at paragraph 15.1 of Part V of this document
"Operating Subsidiaries"	Billing Concepts, Inc., Enhanced Services Billing, Inc., ACI Billing Services, Inc. and HBS Billing Services Company, each a wholly owned subsidiary of BCIA and further described in paragraph 9 of Part V of this document
"Placing"	the proposed conditional sale of the Placing Shares at the Placing Price by Evolution Securities
"Placing Agreement"	the conditional agreement dated 9 June 2005 between Evolution Securities, the Company, BSG LLC and the Directors, further described in paragraph 15.1 of Part V of this document
"Placing Price"	74.5 pence per Common Share
"Placing Shares"	the 112,920,333 Common Shares which are the subject of the Placing (which for the avoidance of doubt includes the New Shares and Sale Shares)
"POS Regulations"	Public Offers of Securities Regulations 1995
"Regulations"	Uncertificated Securities Regulations 2001
"Sale Shares"	the 109,907,550 existing Common Shares being sold by the Selling Shareholders in the Placing
"Sellers Placing Agreement"	the conditional agreement dated 9 June 2005 between Evolution Securities, the Company and the Selling Shareholders further described in paragraph 15.2 of Part V of this document
"Selling Shareholders"	those Shareholders who will sell their Common Shares pursuant to the terms of the Sellers Placing Agreement (being ABRY Partners IV LP, ABRY Investment Partnership LP, Ares Capital Corporation, ABRY Mezzanine Partners LP and CS Equity LLC)
"Shareholder(s)"	holder(s) of Common Shares
"Share Exchange Agreement"	the share exchange agreement dated 16 May 2005 between the Company, BSG LLC and the members at that date of BSG LLC further details of which are set out at paragraph 15.5 of Part V of this document

"Share Option Plans"	the Billing Services Group Limited Stock Option Plan and the Thurston Communications Corporation Stock Option Plan further details of which are set out in paragraph 8 of Part V of this document
"Substantial U.S. Market Interest"	as such term is defined in Rule 902(j) of Regulation S and more fully explained at paragraph 15.1 of Part V of this document
"UK Listing Authority"	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"uncertificated" or "in uncertificated form"	a share or security recorded on the relevant register as being held in uncertificated form in CREST and entitlement to which, by virtue of the Regulations, may be transferred by means of CREST
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"U.S. Person"	a "U.S. Person" as defined in Rule 902(k) of Regulation S
"U.S. Regulation S"	Regulation S promulgated by the U.S. SEC under the U.S. Securities Act, including the preliminary notes thereto
"U.S. SEC"	the United States Securities and Exchange Commission
"U.S. Securities Act"	Securities Act of 1933, of the United States

Notes

- In this document, the symbols "£" and "p" refer to pounds and pence sterling respectively and the symbols "US$" or "$" refer to United States dollars.
- Any reference to any provision of any legislation in any jurisdiction shall include any amendment, modification, re-enactment or extension thereof.
- Unless otherwise stated, all references to legislation refer to the laws of the United Kingdom.
- Words importing the singular shall include the plural and *vice versa* and words importing the masculine gender shall include the feminine or neutral gender.

PART I

Particulars of the Group

Introduction

The Company will be, from Admission, the holding company of the Group. The Directors believe that the Group is the largest independent local exchange carrier ("LEC") billing and settlement clearing house in the United States. The Group was formed by the acquisition of BC Holdings I Corporation, the parent company of Billing Concepts, Inc. and Enhanced Services Billing, Inc, and the contribution of Thurston Communications Corporation and its two LEC billing subsidiaries, ACI Billing Services, Inc. and HBS Billing Services Company, by Avery Communications, Inc. It has over 130 employees in offices in San Antonio, Texas and Glenview, Illinois and provides third-party billing clearing house and information management services to the telecommunications industry. In the year ended 31 December 2004 the Group recorded revenues of $141.3 million and EBITDA of $30.3 million.

The Group maintains contractual billing arrangements with local telephone companies or LECs that provide access lines to, and collect payments for services from, their end users of telecommunications services. The Group processes telephone call records and other transactions on behalf of its customers and collects the related end-user charges from the LECs on behalf of these customers. The Directors believe that the key competency of the Group is its ability to process millions of transactions accurately and cost effectively.

The Directors now believe that opportunities are becoming available to the Group which will allow the Group to apply the skills it has acquired in its core areas to other product areas and geographies. The new product areas relate to the industry wide changes to billing systems which are currently occurring as a result of the rapid changes in the products offered by telecommunications providers. The Directors expect that, in the near term, the geographic expansion will occur principally in Europe.

The Directors believe that the Group's key strengths are:

- its leading position in the independent third party LEC billing market in the United States;
- its strong relationships with its core customers;
- the high barriers to entry to its current market;
- the favourable industry trends;
- a strong and proven management team; and
- high level of cash generation.

Industry Background

Billing clearing house and information management services, or LEC billing, developed out of the 1984 breakup of AT&T and the Bell System. In connection with the breakup, the local telephone companies that made up the Regional Bell Operating Companies, Southern New England Telephone, Cincinnati Bell and the General Telephone Operating Companies were required to provide billing and collections on a nondiscriminatory basis to all carriers that provided telecommunication services to their end-user customers.

To establish such a billing arrangement the new competitors had to set up billing contracts with these entities, which included significant up front charges as well as ongoing charges for processing call records. The contracts were structured to give discounted rates per call record based on volume.

Due to both the cost of acquiring and the minimum charges associated with many of the local telephone company billing and collection agreements, only the largest long distance carriers, including AT&T, MCI, and Sprint, could afford the option of billing directly through the LECs. As a result, billing clearing houses were established. The billing clearing houses agreed to high volume, low cost billing contracts with the LECs, and began offering billing clearing house services to those smaller telecom operators who could not afford direct billing arrangements. BSG is one of these entities.

The Directors believe that third party clearing houses have benefited smaller telecommunications providers by:

(i) providing an outsourced billing and collections alternative to more costly in-house direct billing;

(ii) providing lower LEC access fees due to the benefit of aggregated call volume discounts; and

(iii) driving higher collection rates by allowing access to the LEC bill page.

The LEC also benefits as it is not required to build the infrastructure necessary to accommodate many smaller telecom providers. Partially as a result of these industry developments, the Group has established relationships with several key participants in the industry.

Whilst these trends resulted in the establishment of the independent third party billing clearing houses only approximately 20 per cent. of telecommunications companies use LEC billing as the means to bill their end customers. Approximately 80 per cent. still bill the end user directly or through direct agreements with the LECs. Consequently the Directors believe that there is still a large proportion of the market that has not yet been secured by the Group.

The Directors believe that there are a number of industry trends that will aid the Group in establishing a presence in those sections of the market where its services are not already used, specifically:

(i) in recent years the larger telecom providers have increasingly sought to outsource their non-core activities such as billing and financial settlement as they seek further economies to reflect the declining revenues from fixed line long distance calls; and

(ii) the increased speed and volume of new service introductions and the increased complexity associated with billing certain enhanced services.

The Directors believe that it is these trends, and geographic expansion that will be the principal drivers of revenue growth.

The Group's Current Activities

Overview

The Group provides a facility whereby charges for certain transactions are included on the monthly local telephone bill of the end-user as opposed to his receiving a direct bill from the telecommunications or other services provider. The Group processes the call records of this telecommunications services provider and these call records are passed to a LEC which then bills the end user for the services. The amounts that have been billed are collected from the end user, remitted to the Group by the LEC and are then passed back to the original provider. The Group charges a fee for this service which, depending on the product offering, is based upon the number of call records processed or a percentage of the total amount billed.

LECs

The Group has contractual relationships with approximately 1,400 LECs across the United States and the Directors believe it is the dominant service provider to each of its targeted markets. It acts as an aggregator of telephone call records and other transactions from various sources and, due to its large volume, it receives discounted billing costs with the local telephone companies and can pass on these discounts to its customers. Additionally BSG can provide its services to those long distance carriers and operator services providers who would otherwise not be able to make the investments in the billing and collection agreements, systems, infrastructure and volume commitments required to establish and maintain the necessary relationships with the LECs.

The Directors consider that the LEC contracts are of primary importance to the Group and that the contracts with the LECs constitute one of the essential operating assets of the Group. The Group therefore maintains strong operational as well as contractual arrangements with the LECs. The fees charged by the LEC for billing services comprises the Group's principal cost of sale and several of the contracts contain minimum revenue commitments regardless of call volumes processed through

the LEC. In addition a typical contract will include maximum thresholds for customer complaints as the LEC must maintain good relations with its end consumer which could be jeopardised by erroneous billings. For these reasons the Group monitors call volumes to ensure that any shortfall as to the minimum can be passed on to its customer and monitors all customer complaints to ensure that ameliorative action can be taken as soon as possible.

Customers

The customers are wide ranging but consist principally of direct dial long distance telephone companies, operator services providers, information providers, competitive local exchange companies, internet service providers and integrated communications services providers. The Group has over 450 customers with no one customer accounting for more than 6 per cent. of revenues in the year ended 31 December 2004. The Directors are now focused on ensuring that the resources of the Group are fully utilised and contributing to the overall return on capital employed. Consequently one large customer, VarTec, that contracted with the Group in late 2004 is expected to account for a larger proportion of revenues in the year ended 31 December 2005 than any one customer has previously done. On 1 November 2004, VarTec filed for Chapter 11 protection with the US Bankruptcy Court for the Northern District of Texas in Dallas. BSG's three-year, exclusive pre-petition contract has been assumed and approved by the bankruptcy court.

The Group's customers are generally subject to agreements for up to three years, with evergreen provisions, and as such, the substantial majority of the Group's budgeted revenues for 2005 are already contracted.

Billing Services

In general the Group performs four key billing services under individual billing and collection agreements with its customers.

One Plus

In the US one plus calls are direct dialed long distance (*i.e.* international, inter- and intra-state) calls placed by individual residential customers and small commercial accounts. The Group provides carriers of these long distance calls with a cost-effective means for billing and collecting residential and small commercial accounts through the local telephone bill. These are the Group's lowest-price, highest volume products and accounted for 59.7 per cent. of the Group's turnover in the year ended 31 December 2004.

The Directors are aware that call volumes in this sector of the market have declined due to the significant competition provided by competitive local exchange carriers ("CLECs"), mobile telephony and the reduction in long distance calls as a result of people being able to communicate more readily by means of the internet. These industry trends have resulted in declining call volumes for this product area in the Group over the last two years.

The Directors believe that these trends also provide an incentive for long distance telecoms providers to outsource billing and collections to third party aggregators and believe that this is evidenced by the recent signing of the contract with VarTec. In addition, several of the Group's customers have recently launched new products or increased marketing efforts which are expected to result in an increase in call volumes from these entities.

Zero Plus/Zero Minus

This is a service offered to customers providing operator services to the hospitality, penal and private pay telephone industries. The Group processes records for telephone calls that require operator assistance and/or alternative billing options such as collect and person-to-person calls, third party billing and calling card billing. Since operator services providers have only the billing number and not the name or address of the billed party, they must have access to the services of the local telephone companies to collect their charges. The Company provides this access to its customers through its contractual billing arrangements with the LECs that bill and collect on behalf of these operator services providers. This service accounted for 23.7 per cent. of the Group's turnover in the year ended 31 December 2004.

Enhanced Services

The Group bills a wide array of other charges that can be applied to a local telephone company telephone bill, including charges for intelligent internet/telephone routing, voicemail services, website hosting and design, 900 access pay-per-call transactions, Caller ID and other non-regulated telecommunications services. This service accounted for 11.2 per cent. of the Group's turnover in the year ended 31 December 2004.

The Group has experienced a significant increase in this area of the business over the last two years as a result of the growing popularity of enhanced telecommunications services such as internet and 1-900 numbers. The Directors expect to see further growth in this area in the future, as the popularity of enhanced telecommunications services continues to increase.

The rates charged for these services tend to be higher than for the one plus and zero plus segments of the business. This is a result of higher LEC rates associated with this type of traffic.

Other

The Group also offers billing management services to its customers who have their own billing and collection agreements with the local telephone companies. These services may include data processing, accounting, end-user customer service and telecommunications-related tax processing and reporting.

Operations

The Group's principal source of revenue is the fee that it charges its customers for processing and transmitting (and in some cases, rating and formatting) each call record to the relevant LEC. In addition, the Group also receives interest on amounts that it advances to its customers before it receives payment of the bills.

The Company's business model is highly automated and depends upon large volumes of information being efficiently processed and reconciled. The Company's infrastructure can currently support 55 million call records per month but is scalable to 150 million call records per month with no material incremental capital expenditure.

A carrier will typically submit call record data electronically several times per week. BSG processes this information and puts it into a format that is compatible with the LEC to which it will ultimately be submitted. BSG has established interfaces and technology platforms with all major LECs in the United States and its proprietary suite of systems is integrated with every major LEC billing system in North America. The LEC includes the charges submitted to it on the monthly phone bill of each consumer. These payments are then collected by the LEC and remitted to BSG approximately 60 days from initial billing.

BSG then remits the amount to the end customer less any reserve for bad debt, any fees payable to the LEC, taxes and BSG's own fees.

BSG has high visibility of the amounts receivable by each of its ultimate customers and detailed records of bad debts. Consequently BSG has the ability to forward an approved percentage of gross funds receivable (which is between 15 per cent. and 80 per cent.) to a customer before they are received from the LEC and charges interest on these amounts accordingly. BSG currently charges interest of up to 4 per cent. over the base rate. Stringent checks are carried out before any advanced funding activities are carried out. Key elements of these checks are the credit worthiness of the customer, the accounts payable balance in favour of that customer and the historic record of call volumes associated with that customer.

Strategy

The Company has four key elements to its strategy:

(i) consolidation of its core market;

(ii) expansion of the addressable market;

(iii) near-term product expansion; and

(iv) positioning the Group for the next generation of technology and geographic expansion.

The primary focus of the Group's sales team is to identify and exploit all of the potential billing opportunities related to the telecommunications industry. These consist primarily of identifying additional revenue opportunities where the Group's new products, further details of which are set out below, match the customer's business needs.

Consolidation of Core Market

The Group believes it has approximately 90 per cent. of the independent third party LEC billing market and consequently there is little scope for large returns from the consolidation of the market place. However the Group does continue to gain market share from its competitors. The price of billing collection services is heavily dependent upon volume and the Group has managed to leverage its size to obtain a rate that the Directors believe its competitors will have difficulty matching economically.

Expansion of Addressable Market

The total LEC billing market is estimated to be worth approximately $880 million but only about 20 per cent. of this has been captured by third party providers such as the Group. The remainder is billed through direct agreements between the carrier and the LECs or by a direct bill sent to the end user by the service provider.

As set out above the Directors believe that there is pressure on wireline operators to reduce costs and the outsourcing of billing and collection is one way of achieving this. The Directors believe that, as the largest provider of these services BSG is in an excellent position to benefit from these trends. The Group is continuing to seek this outsourcing business and has recently concluded agreements with VarTec and Qwest, and is in trial or negotiation with other entities.

The contract with VarTec is structured to utilise the spare capacity that the Group has in its processing system. The Group has significant spare capacity on the number of call records that it can process with its current infrastructure.

Near-term Product Expansion

The Group's systems can easily be upgraded to process other types of records and transactions as well as the standard record associated with the Group's core clearing and settlement business. Several opportunities have already been established within the telecommunications industry including the ability to clear and settle WiFi transactions (for which BSG already has an exclusive relationship with SBC) and credit card billing. Any expansion in this area will be pursued in close co-operation with the Group's existing customers to ensure demand for the service and efficient execution. Further details of these products are set out below.

Next Generation Products/Technologies and Geographic Expansion

The Directors continue to assess new opportunities in the Group's core markets and related areas. This includes carefully monitoring the opportunities afforded by new technologies. The Directors are also evaluating opportunities of geographic expansion into Europe and are in discussion with several European telecom incumbents. The Directors believe that there will be opportunities in Europe for the Group's existing products as well as those relating to its new offerings.

The Directors believe that the Group's core offerings can provide value in the European market. In addition, given the deployment of WiFi worldwide and the continued acceptance of alternative payment mechanisms such as the services provided by eZ-Wi™ and Enabill™, the Directors believe the Group is well positioned to exploit the rapid changes in the telecommunications market in Europe.

To date BSG has signed a letter of intent with a major European incumbent operator to examine the possibility of remote clearing and settlement through BSG's facilities and are in discussion with several other European telecom incumbents. The Company also regularly reviews acquisition opportunities that may represent a viable alternative to organic growth in new markets and products.

Opportunities

The Directors have identified several areas which they believe are an extension to the services already offered by the Group and which they are confident will increase the revenues of the Group over the coming years:

WiFi Clearing and Settlement

BSG has recently signed a three year exclusive agreement with SBC to handle all of the inbound and outbound roaming traffic for SBC's WiFi network, branded "FreedomLink" through its product offering eZ-Wi™. Through this relationship, the Group will provide authorisation, accounting, operational reporting and settlements services to SBC and its roaming partners. The commercial launch of this service is expected to occur in 2005.

As WiFi usage continues to grow the Directors expect the Group to be well positioned to serve as a nationwide clearing house, billing provider and settlement mediator of WiFi usage. Furthermore they expect that there will be a need for a central service to route and manage the security, billing and financial settlement demands among providers, as end-users roam among the areas of different providers.

Credit Card Billing

Many telecommunications providers offer their end user customers the option of charging phone calls to their credit card bill. Prior to this current financial year the Group has been unable to process these call records and has consequently not profited from this segment of the billing market.

To address this segment the Group has established a series of agreements with RBS Lynk Systems, Inc. (RBS Lynk), a major credit card transaction clearing house, and with credit card providers, including VISA and Master Card. Under these agreements the Group will receive and format records of phone calls charged to credit cards from their customers. The Group will then send the formatted records to RBS Lynk, who will forward them to the credit card companies for inclusion on the end user credit card bill. The credit card issuing banks will then send the funds to RBS Lynk for forwarding to the Group for settlement with the telecommunications provider.

Micropayment Transactions

The Group is continually developing its core competency of processing, billing, clearing and settling a large volume of low dollar value transactions effectively, efficiently and profitably. The Directors consider that a key area in which the Group can grow is in the area of micropayment transactions that often occur over the internet and are payments of a modest value. These may involve the purchase of on-line content such as news articles, music, video or games. The Directors believe that the high transaction costs related to the use of a credit card to carry out these transactions has created an opportunity for a lower cost payment solution. Currently the cost of using a credit card for a transaction of less than $5 can be uneconomical. The Directors believe that there is therefore an advantage to content providers in using the Group's proposed solution as it ensures that revenues are not diluted by the cost of credit card transaction processing. The Directors believe that this product offering has received some momentum from SBC's announcement in February 2005 that it would accept pre-approved, on-line information and content charges to its end user bills.

BSG's proposed solution, Enabill™, would allow the end-consumer to be billed for these services on a LEC bill rather than by using a credit card on the internet. The Directors believe that this may lead to a higher incidence of downloads as it eliminates the need to enter credit card details onto the internet.

Competition

As set out above, the Directors believe the Group currently accounts for approximately 90 per cent. of the independent third party LEC billing market. Its competitors in this market are ILD and Integretel/Payment One. The Directors consider that the Group's dominant market share, low customer churn and exclusive contracts with both customers and LECs constitute very effective barriers to entry. In addition to these factors the Group actually controls its customers' cash flow and at any one time controls approximately two months of billings. In the event of termination the Group typically has the right to retain these funds for 18 months. The Directors consider that this constitutes a further barrier to entry.

The Group intends to expand its operations from its current core activities and the Directors believe it will encounter competition from a variety of start up companies and established service providers in both the new technologies it hopes to provide billing services for and in its new geographical markets. As an example United Clearing PLC is an AIM listed company currently focused on providing the financial clearing component of the international roaming settlement process.

The Directors believe that the Group's key strengths which are outlined above will allow it to be successful in its chosen markets.

Financial Information

The following summary of financial information has been extracted from the financial information set out in Part III of this document. Potential investors should read the whole of this document and not rely solely on the following summary financial information.

	Year ended 31 December 2002 $m	*Year ended 31 December 2003 $m*	*Year ended 31 December 2004 $m*
Turnover	136.6	143.8	141.3
Gross Profit	59.8	65.5	61.5
Earnings before Interest, Tax, Depreciation and Amortisation	20.6	27.0	30.3

The financial information for the year ended 31 December 2002 represents the aggregated results of Thurston Communications Corporation and BCI Holding Corporation for that year. The financial information for the year ended 31 December 2003 represents the aggregated results of Thurston Communications Corporation and BCI Holding I Corporation for the period from 1 January 2003 to 15 December 2003 and of Billing Services Group LLC for the period from 6 October 2003 to 31 December 2003. The financial information for the year ended 31 December 2004 represents the results of the Group for that year.

Turnover declined slightly between the year ended 31 December 2003 and the year ended 31 December 2004 as a result of the decrease in call volume in the one plus market which is highlighted above. This was partially off set by a growth in call volumes in the enhanced services market segment. Gross margin declined in the year ended 31 December 2004 as a result of the same factors affecting revenue. During the same period significant cost savings were achieved, principally, as a result of a reduction in expenses related to the Group's outsourced customer service contract coupled with certain head count reductions at the Group's San Antonio facility.

Current Trading and Prospects

Since 31 December 2004 the Group has continued to trade in line with the Directors expectations. In the period to 31 March 2005 the number of call records processed and total revenues had increased on the same period last year and the final quarter of the year ended 31 December 2004. This performance has been driven by the increased call volumes established as a result of the new VarTec contract. Consequently, the Directors believe that revenues for the financial year ending 31 December 2005 will be in excess of those for the year ended 31 December 2004. The Directors believe that there will be cash operating expense savings related to the integration during the current financial year.

Based on the current trading of the Group and the significant opportunity for the expansion of the Group in new geographical areas and into new product areas for existing customers the Directors are confident about the prospects of the Group for the current financial year.

Reasons for Admission, the Placing and Use of Proceeds

The Directors believe that the Group has reached a stage in its development where the Company will benefit from being quoted and a flotation will raise the Group's profile in its target markets and enhance its reputation with potential partners. This is particularly true of the proposed expansion into Europe where the Directors believe that a quotation on AIM will give the Group greater credibility. A flotation will also enable the Company to offer an alternative acquisition currency to cash where appropriate.

The flotation also allows the Selling Shareholders an opportunity to exit the business and at the same time for the Company to achieve a shareholder base that can continue to support it as it grows over the coming years. The Group has historically been acquisitive and continues to pursue and actively review acquisition opportunities.

Details of the Placing

On Admission the Company will have 182,604,483 Common Shares in issue and a market capitalisation of approximately £136.0 million at the Placing Price. The Placing comprises the issue of 3,012,783 New Shares by the Company to raise approximately £2.2 million before expenses and the sale of 109,907,550 Sale Shares by the Selling Shareholders to realise approximately £81.9 million before expenses. The Selling Shareholders have agreed to meet any liability to stamp duty or stamp duty reserve tax at the basic rate arising on the sale of the Placing Shares in accordance with the terms of the Placing Agreement.

Under the Placing arrangements, Evolution Securities will acquire all of the Placing Shares as principal at the Placing Price. Evolution Securities will use its reasonable endeavours to place such shares with institutional investors in the United Kingdom. The Placing is conditional, *inter alia*, on Admission. The Placing Shares being offered by Evolution Securities pursuant to the Placing will represent approximately 61.8 per cent. of the enlarged issued share capital of the Company. The Placing Shares will rank *pari passu* in all respects with the existing Common Shares. Further details of the Placing Agreement are set out in paragraph 15.1 of Part V of this document.

The Placing Shares have not been and will not be registered under the U.S. Securities Act, or any U.S. state securities laws and, subject to certain exemptions, may not be offered or sold in the U.S. or to, or for the benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act. Evolution Securities has agreed, and it is a term of the Placing that purchasers of Common Shares in the Placing from Evolution Securities agree, that, *inter alia*, they will only offer or sell the Placing Shares in Offshore Transactions in the UK. In addition, each of the Company and Evolution Securities have agreed that they will not engage in any activities that would result in a Substantial U.S. Market Interest being created in the Common Shares within one year following Admission.

Share Option Plans

The Company and Thurston have established the Share Option Plans to incentivise and retain its directors and key senior management. Under the Share Option Plans, the options may be granted, conditional upon Admission, over 10 per cent. of the Company's Common Share capital to the participants. These options are subject to performance criteria. Options will be granted at an exercise price which is equal to the Placing Price. Further details of the Share Option Plans are set out in paragraph 8 of Part V of this document.

Lock-in arrangements

The executive directors and certain of the Company's senior management, who following Admission will have in aggregate an interest in approximately 26.5 per cent. of the enlarged issued share capital of the Company, have each given undertakings, subject as provided below, not to transfer, sell, grant options or otherwise dispose of, or enter into any agreement to do the same in respect of any Common Shares in which they have an interest for a period of twelve months following the date of Admission without the prior written consent of Evolution Securities. The executive directors and certain of the Company's senior management are permitted to sell Common Shares with the assistance of Evolution Securities, prior to 15 September 2005, with an aggregate value of up to $10,000,000 to enable them to pay potential personal liabilities incurred in connection with the restructuring of the Group in connection with the Admission. Each of the executive directors and certain of the Company's senior management have also agreed that for an additional period of twelve months, to follow immediately after the initial twelve month period, they will not dispose of their interests in any Common Shares (as held at the date of Admission) otherwise than through Evolution Securities or through the Company's new broker without that broker's prior written consent. These undertakings are subject to certain limited exceptions which are customary in undertakings of this nature.

Directors

Brief biographies of the Directors, save for Timothy Counsell, who will resign immediately prior to Admission, are set out below. Paragraph 7 of Part V contains further details of other directorships as well as past directorships and certain other important information regarding the Directors.

Executive Directors

Patrick J. Haynes, III, 56, currently serves as a director, chief executive officer and president of BSG LLC. Mr. Haynes has over 30 years of management, operational and banking experience; he led the acquisition of Billing Concepts, Inc in 2003. Prior executive experience includes Co-Founder and Senior Managing Director of the Thurston Group, Inc., a merchant bank based in the Chicago area; Chairman and CEO of Avery Communications, Inc.; Founder and President of American Communications Services, Inc.; and Founder and Chairman of InVenGen (subsequently, US Interactive Technologies). Additionally, Mr. Haynes was an early investor in VeriSign, Wireless Data Technologies and Winstar Communications.

Michael J. Labedz, 40, currently serves as senior vice president for strategic planning and operations at BSG LLC and will be president and chief operating officer of the Company post Admission. Mr. Labedz has over 15 years of management, operational, and strategic planning experience. Previously, Mr. Labedz was Chief Operating Officer of Avery Communications, Inc. He was also Chief Operating Officer of Productivity Point International, Inc., a Knowledge Universe company controlled by Michael Millken. Mr. Labedz was a Senior Manager at Deloitte Consulting, L.P., specializing in business integration and strategy. Various business integration and strategy clients included Sears, Unocal, General Motors, Allstate Insurance, and American Communications Services, Inc.

Norman M. Phipps, 45, currently serves as chief financial officer of BSG LLC. Mr. Phipps has over 20 years of financial, management and operational experience. Prior to Billing Services Group, Mr. Phipps was President of Phipps & Company, LLC, Managing General Partner of Phipps, Teman & Company, LLC, and Acting President, CFO and COO of LogiMetrics, Inc., a telecommunications infrastructure company, the majority of which was sold to a NYSE listed company. Mr. Phipps was also an officer at Citicorp (leveraged finance) and CIBC World Markets (mergers and acquisitions and capital markets).

Non-Executive Directors

Patrick D. Heneghan, 69, is the founder (retired) of Heneghan PR. In recent years he has been involved in some of Ireland's most high-profile public relations issues, including the Beef Industry Tribunal, the Tribunal of Inquiry into Certain Planning Matters, the restructuring of Irish Steel and the crisis in the Catholic Church. He has advised Irish Distillers Group (including the takeover by Pernod Ricard), Irish Food Processors and Mutual of America.

He was formerly Public Relations Manager and a Director of the tobacco firm P.J. Carroll & Co. Ltd., where he was responsible for Ireland's largest public relations and marketing programme, including the Irish Open Golf Championship and the Irish Open Tennis Championship. He is a Fellow of the Public Relations Institute of Ireland, a founding member of the US-Ireland Council for Commerce & Industry, a former Director of the state-owned National Concert Hall and a serving Director of the AXA Dublin International Piano Competition.

Phil Dance, 51, is managing director at BT's CN21 Transformation Program and is responsible for Systems Architecture at BT Group. He was previously the Chief Investment Officer of BT's Wholesale Division. Mr. Dance sits on several advisory boards of public and private organizations including the global CRM and Billing company, Amdocs. He is a former advisory board member of Cramer.

Admiral Leighton W. Smith, 65, retired from the U.S. Navy on 1 October 1996. Admiral Smith is President of Leighton Smith Associates, Inc., consulting for a variety of companies and corporations for over eight years. Admiral Smith is a Senior Fellow at the Center for Naval Analysis. He currently serves as chairman of the board of Trustees for the Naval Aviation Museum Foundation, immediate past chairman of the board of the U.S. Naval Academy Alumni

Association, serves on the Naval Academy Board of Visitors, and a member of the board of trustees and the executive committee of the Association of Naval Aviation, and sits on the boards of several corporations. Admiral Smith was previously the Commander in Chief, U.S. Naval Forces Europe and Commander in Chief Allied Forces Southern Europe and concurrently assumed command of the NATO-led Implementation Force in Bosnia. Admiral Smith has received numerous awards and decorations, including being made an Honorary Knight of the British Empire.

Peter S. Walker, 51, was a senior executive at the Tribune Company, a Fortune 500 broadcasting and publishing company that operates 13 newspapers, including the Chicago Tribune and the Los Angeles Times, 26 television and radio stations, and the Chicago Cubs baseball team. Mr. Walker is a former advisory board member for the Associated Press and a past board member of the Chicago Academy of Sciences.

J. Alan Lindauer, 65, is currently a director of Towne Bank, and a member of the bank's Executive Committee and Compensation Committee. He is a director of the Towne Bank Norfolk Board and is Chairman of the Loan Committee. Mr.Lindauer also serves as vice chairman of Towne Bank Financial Services and is a member of the Towne Bank Financial Services Executive Committee. Mr. Lindauer also serves on various boards including Old Dominion University Business School and the Virginia Maritime Heritage Foundation. Mr Lindauer has served as a director of Avery Holdings LLC since June 1997. He currently serves as President of Waterside Capital Corporation and has served as President of Waterside Management, Inc., a business consulting firm, since 1986. Mr. Lindauer served as a director of Commerce Bank of Virginia from 1986 to 1999, and served as chairman of its Loan Committee, Norfolk Division, and a member of the Executive, Trust, Marketing, Compensation, and Mergers & Acquisition Committees. Mr. Lindauer served as chairman of BB&T Holdings Co. of Va, Inc from 1986 to 1999, and as director of Citizens Trust Bank from 1982 to 1985,as well as a member of its Trust and Loan Committees. Mr. Lindauer founded Minute-Man Fuels in 1963 and managed Minute-Man Fuels until 1985.

Dividend Policy

It is not the Directors' current intention that the Company will pay a dividend for the financial year ending 31 December 2005. The declaration and payment by the Company of any future dividends and the amount of any such dividends will depend upon the Group's results, financial condition, future prospects, profits being available for distribution and any other factors deemed by the Directors to be relevant at the time, subject always to the requirement of the Act.

Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for all of the existing Common Shares and the New Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 15 June 2005.

No temporary documents will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The ISIN number for the Company will indicate that the Common Shares are subject to the US securities law restrictions which are set out on page 15.

CREST

CREST is a paperless settlement system procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. CRESTCo is unable to take responsibility for the electronic settlement of shares issued by non-UK companies. However, to enable investors to settle international securities under the CREST system, CRESTCo has proposed a method whereby a custodian can act as a depositary of the international securities and issue dematerialised depositary interests representing the underlying international securities which it holds on trust for the holders of the securities.

With effect from Admission, CREST members will be able to hold and transfer interests in Common Shares within CREST, pursuant to a depositary interest arrangement established by the Company which is incorporated in Bermuda.

The Common Shares will not themselves be admitted to CREST, rather Capita IRG plc ("Capita IRG"), the Company's registrars, will issue depositary interests in respect of the underlying Common Shares ("Depositary Interests" or "DI's"). The Depositary Interests will be independent securities constituted under English law which may be held and transferred through the CREST system. Depositary Interests will have the same security code (ISIN) as the underlying Common Shares

Corporate Governance

The Directors acknowledge the importance of sound and effective corporate governance practices.

With effect from Admission, the Company will establish separate audit, remuneration and nomination committees, as detailed below.

The Directors are aware of the guidelines set out in the Combined Code and acknowledge that the Company does not currently comply with these requirements. The primary focus of the Company's corporate governance practices in the short term will be directed toward meeting the Combined Code to the extent that it is practicable for the Company to do so.

An audit committee (consisting of Messrs. Lindauer (chairman), Heneghan and Smith) has been established. The audit committee will meet at least three times a year and will be responsible for ensuring that the financial performance, position and proposals of the Company are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

A remuneration committee (consisting of Messrs. Smith (chairman), Heneghan and Walker) has been established. The remuneration committee will review the performance of executive Directors and set their remuneration and determine the payment of bonuses to executive Directors and other senior executives.

A nomination committee (consisting of Messrs. Heneghan (chairman), Smith, Lindauer and Haynes) has been established. The nomination committee will meet as and when necessary, but not less than once a year, to assess the suitability of candidates proposed for appointment to the Board.

Additional Information

Your attention is drawn to Part II of this document which contains risk factors relating to any investment in the Company and to Parts III to V of this document which contain further information on the Group.

PART II

Risk Factors

An investment in the Company may not be suitable for all recipients of this document. Investors are advised to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before making a decision to invest.

An investment in the Common Shares involves significant risks. Before making any investment decisions prospective subscribers for and purchasers of the Placing Shares should consider carefully all the information in this document and in particular the risk factors described below. It should be noted that this list is not exhaustive and that other risk factors may apply. These risk factors are not set out in any particular order of priority.

Expansion into international markets

The Group's expansion into international markets (in particular into the European markets) is subject to uncertainties that could affect the Group's operating results. International operations and business expansion plans are subject to numerous risks, including:

- the difficulty of enforcing agreements and collecting receivables through some foreign legal systems;
- fluctuations in currency exchange rates;
- foreign customers may have longer payment cycles than customers in the U.S.;
- tax rates in some foreign countries may exceed those of the U.S. and foreign earnings may be subject to withholdings requirements or the imposition of tariffs, exchange controls or other restrictions;
- general economic and political conditions in the countries where the Group operates may have an adverse effect on its operations in those countries or not be favorable to the Group's growth strategy;
- unexpected changes in regulatory requirements;
- the difficulties associated with managing a large organization spread throughout various countries;
- the risk that foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on the Group's business and market opportunities;
- the potential difficulty in enforcing intellectual property rights in certain foreign countries;
- the potential that countries in which the Company may be doing business may assert a claim that the Company has established a permanent presence in that country for tax purposes; and
- as the Group continues to expand its business globally, its success will depend, in large part, on the Group's ability to anticipate and effectively manage these and other risks associated with its international operations. However, any of these factors could adversely affect the Group's international operations and, consequently, its operating results.

Acquisitions

The Group may seek to affect its expansion in Europe by acquisitions of complementary businesses, products and technologies. The Group cannot, however, be certain that it will be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses or expand into new markets. The Group is unable to predict whether or when any prospective acquisition, if pursued will be completed. The process of integrating an acquired

business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of the Group's resources and management attention. Furthermore, future acquisitions may necessitate substantial capital resources which may require the Group to seek additional debt or equity funding. Any equity funding could dilute the existing shareholders' equity.

Market

The Directors are aware that call volumes in the *One Plus* sector of the market have declined due to the significant competition provided by CLEC's, mobile telephony and the reduction in long distance calls as a result of people being able to communicate more readily by means of the internet. The Group has traditionally been dependent on the wireline telecommunications industry and on wireline volume and revenues, which are expected to fall generally in the future, in the face of the ever increasing growth of wireless and VoIP traffic. At this time, this new traffic is not generally processed through a billing clearinghouse, such as the Group's companies. With increased consumer use of mobile phones and pre-paid phones, the wireline market that the Group has traditionally served may decline.

Dependence on LECs

The success of the Group's business to date has been attributable to having contracts with all regional Bell operating companies and other LECs in the U.S. These contracts enable the Group to bill for telecommunications services provided by its customers throughout the U.S. Although the Group has no reason to believe that the LECs would not renew the Group's contracts or would terminate them, if such were to occur, the Group's ability to bill for its customers on a nationwide basis would be adversely affected.

Further, if LECs were to increase the costs payable by the Group's U.S. customers for including their charges on the LECs' bills, it could make the operations of those customers less profitable or unprofitable, forcing these customers to migrate to other billing arrangements. Although the Group has such alternative arrangements and is developing others, such as direct billing and credit card billing, the Group may not be able to retain all such customers who might terminate their LEC billing arrangements, if LEC costs were to increase substantially.

Consolidation of Customers

Future consolidation among the Group's customers may cause it to lose transaction volume and reduce the Group's prices, which would negatively impact the Company's financial performance. In the past, consolidation among the Group's customers has caused it to lose transaction volume and to reduce prices. In the future, the Group's transaction volume and pricing may decline for similar reasons. The Group may not be able to expand its customer base to make up any revenue declines if it loses customers or if the Group's transaction volumes decline. The Group's attempts to diversify its customer base and reduce its reliance on particular customers may not be successful.

Competition

The Group competes in markets that are intensely competitive and rapidly changing. Increased competition could result in fewer customers, reduced pricing, reduced gross and operating margins and loss of market share, any of which could harm the Group's business. The Group's proposed new businesses face competition from large, well-funded providers of similar services, such as VeriSign, EDS, MACH Dan Net and the U.S. regional Bell operating companies. Over the past year, the Group has experienced a revenue decline primarily related to its One-Plus business and certain other customers who have either curtailed or ceased their marketing efforts. The Company is aware of major Internet service providers, software developers and smaller entrepreneurial companies that are focusing significant resources on developing and marketing services that will compete with the services BSG expects to offer. The Company anticipates increased competition in the telecommunications industry and the entrance of new competitors into the Group's proposed areas of expansion.

The Group expects that competition will increase in the near term and that the Group's primary long-term competitors may not yet have entered the market. Many of the Group's current and potential competitors have significantly more employees and greater financial, technical, marketing

and other resources than the Group does. The Group's competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements than the Group can. In addition, many of the Group's current and potential competitors have greater name recognition and more extensive customer bases that they can use to their advantage.

Technological change

If the Group does not adapt to rapid technological change in the telecommunications industry, it could lose customers or market share. The Group's industry is characterized by rapid technological change, frequent new service introductions and changing customer demands. Significant technological changes could make the Group's technology and services obsolete. The Group's success depends in part on its ability to adapt to the rapidly changing market by continually improving the features, functionality, reliability and responsiveness of the Group's existing services and by successfully developing, introducing and marketing new features, services and applications to meet changing customer needs. The Group cannot assure any investor that it will be able to adapt to these challenges or respond successfully or in a cost-effective way to adequately meet them. The Group's failure to do so would adversely affect its ability to compete, retain customers or maintain its financial performance. The Group sells its services primarily to telecommunications companies. The Group's future revenues and profits will depend, in part, on the Group's ability to sell to new market participants.

Foreign currency exchange rates

As the Group expands its business outside the U.S., its business transactions may not be denominated in the same currencies. To the extent that the Group's business transactions are not denominated in the same currency, the Group is exposed to foreign currency exchange rate risk. Fluctuations in foreign currency exchange rates may adversely affect the Group's profitability.

Reliance on key personnel

The success of the Group will depend on the continued employment of its senior management team and key technical personnel. If one or more members of the Group's senior management team were unable or unwilling to continue in their present positions the Group's business, financial condition and operating results could be materially adversely affected.

The Group intends to expand its employee base to manage anticipated growth. Competition for personnel particularly for employees with technical expertise can be intense. The Group's business, financial condition and operating results will be materially adversely affected if the Group cannot hire and retain suitable personnel.

No Takeover Protection

As the Company is incorporated in Bermuda, it is subject to Bermuda law. The City Code on Takeovers and Mergers in the United Kingdom will not apply to the Company. Bermuda law does not contain any provisions similar to those applicable in the United Kingdom which are designed to regulate the way in which takeovers are conducted. It is therefore possible that an offeror may gain control of the Company in circumstances where non-selling shareholders do not receive, or are not given the opportunity to receive, the benefit of any control premium paid to selling shareholder(s).

Enforcement of Judgments

As the Company is a Bermuda exempted company, the rights of Shareholders will be governed by Bermuda law and the Company's Memorandum of Association and Bye-laws. The rights of Shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The majority of the Directors are not residents of the UK and all of the Company's assets are located outside of the UK. As a result, it may be difficult for investors to affect service of process on those persons in the UK or to enforce in the UK judgments obtained in UK courts against the Company or those persons who may be liable under UK law. The current position with regard to enforcement of judgments in Bermuda is set out below but this may be subject to change.

A final and conclusive judgment of a foreign court against the Company, under which a sum of money is payable (not being a sum of money payable in respect of taxes or other charges of a like nature, in respect of a fine or other penalty, or in respect of multiple damages as defined in The Protection of Trading Interests Act 1981 of Bermuda) may be enforceable in Bermuda if the foreign court is situated in a country to which The Judgments (Reciprocal Enforcement) Act 1958 of Bermuda (the "1958 Act") applies. The procedure provided for in the 1958 Act must be followed if the 1958 Act applies. The 1958 Act applies to the United Kingdom. Under the 1958 Act, a judgment obtained in the superior courts of a territory to which it applies would be enforced by the Supreme Court of Bermuda without re-examination of the merits of the case provided that:

(a) the judgment is final and conclusive, notwithstanding that an appeal may be pending against it or it may still be subject to an appeal in such country;

(b) the judgment has not been given on appeal from a court which is not a superior court; and

(c) the judgment is duly registered in the Supreme Court of Bermuda in circumstances in which its registration is not liable thereafter to be set aside.

Under Section 3(4) of the 1958 Act, the registration of such a court's judgment in the Supreme Court of Bermuda involves the conversion of the judgment debt into Bermuda dollars as of the date of the foreign court's judgment, but the BMA has indicated that its present policy is to give the consents necessary for any Bermuda dollar award made by the Supreme Court of Bermuda as aforesaid to be recovered in external currency.

No stamp duty or similar or other tax or duty is payable in Bermuda on the enforcement of a foreign judgment. Court fees will be payable in connection with proceedings for enforcement.

BMA Approval

The consent of the BMA is required for all issues of shares in a Bermuda exempted company, including all issues to persons who are non-residents of Bermuda for exchange control purposes. The BMA's consent is also required for subsequent transfers of issued shares of the Company although in certain circumstances, a general consent to the free transferability of shares can be obtained from the BMA. The BMA's consent has been obtained for the issue of Common Shares pursuant to this document and for the free transferability of those Common Shares without any further approvals from the BMA so long as the Common Shares are listed on an "Appointed Stock Exchange", which includes AIM. Approvals or permissions given by the BMA do not constitute a guarantee by the BMA as to the Company's performance or credit worthiness. Accordingly, in giving such consent or permissions, the BMA shall not be liable for the financial soundness, performance or default of the Company's business or for the correctness of any opinions or statements expressed in this document.

Taxation

Bermudian

Under current Bermuda law, the Company is not subject to tax on profits, income or dividends nor is there any capital gains tax, estate duty or death duty applicable to the Company in Bermuda. Profits can be accumulated and it is not obligatory for a company to pay dividends. Each company is required to pay an annual government fee, which is determined on a sliding scale by reference to the amount of the company's authorised share capital and share premium account.

Furthermore, the Company has obtained from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 (as amended), an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on profits, income, any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of such tax will not be applicable to the Company or to any of its operations, or the shares, capital or Common Shares of the Company, until 28 March 2016. It is possible that this exemption will not be extended beyond that date or if extended, that it will be extended on less favourable terms. This undertaking does not, however prevent the imposition of property taxes on any company owning real property or leasehold interests in Bermuda.

The foregoing comments are intended as a general guide to the Bermuda tax treatment of the acquisition, ownership and disposal of shares for persons who are the absolute beneficial owners of those shares. All persons are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of shares.

United States

As discussed at paragraph 14 of Part V of the document, the Company has elected to be treated as a partnership for U.S. tax purposes. Although the Company shall not directly conduct a trade or business in the U.S. or otherwise undertake to subject a shareholder to direct U.S. federal income tax, there is no assurance that such income will not be generated and if generated will not cause shareholders, not otherwise subject to U.S. taxation, to be subject to U.S. taxation. To the extent that U.S. withholding tax is imposed on income derived by the Company, those taxes will be borne by the Company. Prospective shareholders should discuss the relevant implication of potential U.S. taxation with their own tax advisors.

The Company intends to use a portion of the new funds raised in the flotation for non-U.S. expansion. The Company has engaged tax advisers for the purposes of advising on future tax efficient structures. The Company believes that such structuring will cause future earnings from non-U.S. operations not to be subject to U.S. taxation or withholding. There can be no certainty that such structuring will achieve this objective and that the Internal Revenue Service will not challenge such a tax reporting position.

Indemnification of Directors

The Bye-laws of the Company provide for indemnification of the Company's officers and directors against all liabilities, loss, damage or expense incurred or suffered by such party as an officer or director of the registrant; provided that such indemnification shall not extend to any matter which would render it void pursuant to the Act. The directors and officers of the Company will be covered by directors' and officers' insurance policies to be maintained by the Group following Admission.

Other risk factors

The Common Shares will be traded on AIM rather than the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List.

Investors should be aware that the value of the Common Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in the Common Shares on AIM may have limited liquidity.

The market price of the Common Shares may not reflect the underlying value of the Company's net assets.

The price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. Investors may realise less than the original amount invested.

Evolution Securities has agreed, and all purchasers of Common Shares from Evolution Securities have agreed, that they will only offer or sell the Common Shares in Offshore Transactions. In addition, each of the Company and Evolution Securities have agreed that they will not engage in any activities that would result in a Substantial U.S. Market Interest being created within one year following the Admission and commencement of dealings in the Common Shares on AIM. It is a term of the Placing that purchasers of Common Shares from Evolution Securities also agree to be bound by such restrictions. The number of potential investors for the Common Shares in the Placing and the Company's ability to access the capital markets in the United States may be reduced as a result of these restrictions.

The risks above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment offered in this document may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, who is authorised under the Financial Services and Markets Act 2000 and who or which specialises in investments of this kind before making a decision to invest.

PART III

Financial Information on the Group

A – Accountants' Report on Billing Services Group Limited for the period from 13 May 2005 to 20 May 2005

The Directors and Proposed Directors
Billing Services Group Limited
Canon's Court
22 Victoria Street
Hamilton
HM12 Bermuda

Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

9 June 2005

Dear Sirs

1. Introduction

We report on the financial information set out in paragraphs 2 to 3 below on page 26. This financial information has been prepared for inclusion in the Admission Document dated 9 June 2005 of Billing Services Group Limited.

Basis of preparation

The financial information set out in notes 2 to 3 on page 26 is based on the audited financial statements of Billing Services Group Limited as at 20 May 2005 to which no adjustments were considered necessary. The financial information has been prepared on the basis set out in note 3 below, and in conformity with accounting principles generally accepted in the United States ("US GAAP").

Billing Services Group Limited was incorporated on 13 May 2005.

The audited financial statements of Billing Services Group Limited as at 20 May 2005 were prepared for the purpose of the Admission Document.

Responsibility

Such financial statements are the responsibility of the directors of Billing Services Group Limited who approved their issue.

The directors and proposed directors of Billing Services Group Limited are responsible for the contents of the Admission Document dated 9 June 2005 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 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 the financial statements underlying the financial information. 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 presents fairly, in all material respects, for the purposes of the Admission Document dated 9 June 2005, the consolidated financial position of Billing Services Group Limited as at the dates stated and the consolidated results of its operations for the periods then ended in conformity with US GAAP.

Consent

We consent to the inclusion in the Admission Document dated 9 June 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Balance Sheet

	Note	*At 20 May 2005 $*
Current assets		12,000
		12,000
Capital and reserves		
Called up share capital	(2)	12,000
Equity shareholders' funds		12,000

3. Notes to the Financial Information

(1) *Accounting policies*

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) *Share capital*

	At 20 May 2005 $
Allotted, called up and fully paid	
12,000 common shares of $1 each	12,000
	12,000

The Company was incorporated and registered in Bermuda under the name Billing Services Group Limited on 13 May 2005. The Company was incorporated with an authorised share capital of $12,000 divided into 12,000 common shares of $1 each of which 12,000 shares were issued as fully paid.

(3) *Post balance sheet events*

On 16 May 2005, the Company entered into a share exchange agreement with all of the shareholders in Billing Services Group, LLC ("the Share Exchange Agreement"). Under the terms of the Share Exchange Agreement, the Company acquired Billing Services Group, LLC in exchange for an issue of 1 common share for every membership interest point in Billing Services Group, LLC held by them.

On 8 June 2005 the board of directors of the Company increased the allotment of common shares pursuant to the Share Exchange Agreement so that the exchange shareholders will receive 1,350 common shares for every membership interest point in Billing Services Group, LLC.

On 8 June 2005, the authorised share capital was increased from $12,000 to $350,000,000 by the creation of 349,988,000 new common shares.

With effect immediately prior to, and conditionally upon, Admission, 3,012,783 new common shares will be allotted at the Placing Price pursuant to the Placing.

Apart from the above transaction and the issue and conversion of shares described in note (2) and note (3) the Company has not entered into any other transactions since incorporation.

Yours faithfully

Ernst & Young LLP

B – Accountants' Report on Billing Services Group LLC for the period from 6 October 2003 to 31 December 2003 and the year ended 31 December 2004

The Directors and Proposed Directors
Billing Services Group Limited
Canon's Court
22 Victoria Street
Hamilton
HM12 Bermuda

Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

9 June 2005

Dear Sirs

1. Introduction

We report on the financial information set out in paragraphs 2 to 6 below. This financial information has been prepared for inclusion in the Admission Document dated 9 June 2005 of Billing Services Group Limited.

Basis of preparation

The financial information set out in paragraphs 2 to 6 below is based on the audited consolidated financial statements of Billing Services Group LLC for the period from 6 October 2003 (Date of Inception) to 31 December 2003 and the year ended 31 December 2004 to which no adjustments were considered necessary. The financial information has been prepared on the basis set out in note 1 below, and in conformity with accounting principles generally accepted in the United States ("US GAAP").

Responsibility

Such financial statements are the responsibility of the directors of Billing Services Group Limited who approved their issue.

The directors and proposed directors of Billing Services Group Limited are responsible for the contents of the Admission Document dated 9 June 2005 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 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 recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgments 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 presents fairly, in all material respects, for the purposes of the Admission Document dated 9 June 2005, the consolidated financial position of Billing Services Group LLC as at the dates stated and the consolidated results of its operations and its consolidated cash flows for the periods then ended in conformity with US GAAP.

Consent

We consent to the inclusion in the Admission Document dated 9 June 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Consolidated balance sheets

	31 December 2003 $'000	31 December 2004 $'000
Assets		
Current assets:		
Cash and cash equivalents	48,110	76,313
Accounts receivable	22,155	24,757
Purchased receivables	21,597	26,647
Deferred taxes – current	—	1,255
Income tax receivable	—	537
Prepaid expenses and other current assets	588	516
Total current assets	92,450	130,025
Property and equipment	12,230	16,719
Less accumulated depreciation and amortisation	124	4,128
Net property and equipment	12,106	12,591
Intangible assets, net of accumulated amortisation of $380 and $8,675 at 31 December 2003 and 2004, respectively	85,620	77,325
Goodwill	37,755	36,619
Deferred finance costs, net of accumulated amortisation of $0 and $912 at 31 December 2003 and 2004, respectively	3,268	2,970
Other assets	172	457
Total assets	231,371	259,987
Liabilities and Members' Equity		
Current liabilities:		
Trade accounts payable	14,020	14,536
Third-party payables	87,555	108,265
Accrued liabilities	14,713	17,782
Current portion of senior debt payable	10,250	15,250
Note payable	90	90
Total current liabilities	126,628	155,923
Senior debt, net of current portion	39,750	24,500
Subordinated debt	24,060	27,856
Other long-term debt	127	38
Deferred taxes – noncurrent	—	2,556
Other liabilities	7,177	9,642
Total liabilities	197,742	220,515
Commitments and contingencies		
Member's equity:		
Members' capital	33,990	34,085
Retained earnings (deficit)	(361)	5,387
Total members' equity	33,629	39,472
Total liabilities and members' equity	231,371	259,987

3. Consolidated statements of operations

	Period From 6 October 2003 (date of inception) to 31 December 2003 $'000	*Year Ended 31 December 2004 $'000*
Operating revenues	6,573	141,332
Cost of services	3,798	79,785
Gross profit	2,775	61,547
Selling, general, and administrative expenses	1,360	31,252
Depreciation and amortisation expense	504	12,300
Operating income	911	17,995
Other income (expense):		
Interest expense, net of $900 capitalised in 2004	(961)	(9,978)
Interest income	112	1,596
Other expense, net	(423)	(376)
Total other expense, net	(1,272)	(8,758)
(Loss) income before income tax expense	(361)	9,237
Income tax expense	—	(3,489)
Net (loss) income	(361)	5,748
Basic and diluted (loss) earnings per share:		
Series A	—	0.07
Series B	—	—
Series C-1	—	—
Series C-2	—	—
Series D	—	0.06

4. Consolidated statements of members' equity

	Members' Capital $'000	*Retained Earnings (Deficit) $'000*	*Total Members' Equity $'000*
Beginning balance at inception	—	—	—
Contributions to members' equity	33,040	—	33,040
Issuance of member interests granted in connection with the Senior Subordinated Loan Agreement	950	—	950
Net loss for the period 6 October 2003 (date of inception) to 31 December 2003	—	(361)	(361)
Balance at 31 December 2003	33,990	(361)	33,629
Issuance of member interests granted in connection with the Senior Subordinated Loan Agreement	95	—	95
Net income for the year	—	5,748	5,748
Balance at 31 December 2004	34,085	5,387	39,472

5. Consolidated statements of cash flows

	Period From 6 October 2003 (date of inception) to 31 December 2003 $'000	*Year Ended 31 December 2004 $'000*
Operating activities		
Net (loss) income	(361)	5,748
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	124	4,004
Amortisation	380	9,207
Amortisation of discount on debt	10	232
Paid-in-kind interest on subordinated debt	—	1,159
Changes in operating assets and liabilities:		
Increase in receivables	(2,361)	(3,139)
Increase in income taxes receivable	—	(537)
Decrease (increase) in prepaid expenses and other assets	345	(213)
Increase in trade accounts payable	542	516
Increase in third-party payables	16,013	20,850
Increase in accrued liabilities	1,103	2,109
Provision for deferred taxes	—	756
Increase in other liabilities	351	3,002
Net cash provided by operating activities	16,146	43,694
Investing activities		
(Payments of) adjustments to purchase price of BC Holding I Corporation, net of cash acquired	(63,782)	3,543
Contribution of ACI and HBS, net of cash received	(328)	(1,042)
Purchases of property and equipment, including $900 of capitalised interest in 2004	(45)	(4,489)
Net receipts (advances) on purchased receivables	1,195	(5,050)
Net cash used in investing activities	(62,960)	(7,038)
Financing activities		
Capital contributions	33,040	—
Borrowing of long-term debt	75,000	2,500
Payments on long-term debt	—	(10,250)
Net payments on advance funding facilities	(9,848)	—
Payments on note payable	—	(89)
Financing costs	(3,268)	(614)
Net cash provided by (used in) financing activities	94,924	(8,453)
Net increase in cash and cash equivalents	48,110	28,203
Cash and cash equivalents at beginning of period	—	48,110
Cash and cash equivalents at end of period	48,110	76,313
Cash paid during the year for:		
Interest, net of capitalised interest of $900	—	7,996
Taxes	—	3,417
Non-cash financing activities:		
Increase to goodwill	—	1,365
Issuance of member interests in connection with Senior Subordinated Loan Agreement	950	95

6. Notes to the Consolidated Financial Information

1. Organisation and Summary of Significant Accounting Policies

Organisation

Billing Services Group, LLC ("BSG" or the "Company") was formed on 6 October 2003. As of 15 December 2003, as a result of the transactions described below, the Company through Thurston Communications Corporation ("Thurston") and BCI Acquisition, LLC owns Billing Concepts, Inc. ("BCI"), Enhanced Services Billing, Inc. ("ESBI"), HBS Billing Services Company ("HBS") and ACI Billing Services, Inc. ("ACI"). The Company had no operating activity prior to the transactions described below. Accordingly, the results of operations represent the operating activity for the period 16 December 2003 to 31 December 2003 and for the year ended 31 December 2004.

Description of Transaction and Related Events

As of the close of business on 15 December 2003 (the "Closing"), the Company through its subsidiary, BCI Acquisition, LLC acquired all of the outstanding capital stock of BC Holding I Corporation (the "Acquisition") for a cash purchase price of $101.4 million, including closing costs of approximately $1.4 million (the "Purchase Price") plus the repayment in full of BCI's advance funding facility. The Purchase Price was funded through the borrowing of senior and subordinated debt and cash contributions to capital. The Acquisition was accounted for by the purchase method of accounting and accordingly, the Purchase Price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values. The results of operations have been included in the financial statements since 16 December 2003. The transaction resulted in intangible assets having an original value of $81.5 million, consisting primarily of local exchange carrier and customer contracts and trademarks. Goodwill in the original amount of $24.3 million was recorded. The Purchase Price was subject to a final working capital adjustment as described below, which resulted in a final adjusted purchase price of $97.9 million (the "Final Adjusted Purchase Price").

The Acquisition was made pursuant to the Stock Purchase Agreement dated as of 7 October 2003 (the "Purchase Agreement") made by and among the Company's subsidiary BCI Acquisition, LLC, BC Holding I Corporation, BC Holdings, LLC (the "Seller"), BCI, and ESBI. The Purchase Agreement contained normal and customary terms for transactions of this nature, including representations and warranties of the respective parties, indemnification and confidentiality provisions, and ordinary course post-closing covenants.

Also, as of the close of business on 15 December 2003 Avery Holdings, LLC ("Avery"), in exchange for a minority ownership interest in BSG, contributed to the capital of the Company 100 per cent. of the outstanding ownership interests of Thurston pursuant to the Contribution Agreement dated as of 20 November 2003 (the "Contribution Agreement") by and among Avery, related parties of Avery, and BSG. The Contribution Agreement contained normal and customary terms for transactions of this nature, including representations and warranties of Avery and BSG, and indemnification and confidentiality provisions. The assets and liabilities have been recorded by the Company based upon the fair values assigned to the assets and liabilities in conjunction with an independent third-party valuation. The transaction resulted in intangible assets having an original value of $4.5 million related to local exchange carrier and customer contracts. Goodwill in the original amount of $13.5 million was recorded, which is expected to be deductible for tax purposes. In connection with the transactions described herein, the advance funding facility of HBS and ACI was repaid in full.

At 31 December 2003, the Company made, through BCI Acquisition, LLC, its preliminary allocation of the fair value of the assets and liabilities of BCI, ESBI, ACI and HBS. During 2004, the preliminary allocations were adjusted to give effect to the final working capital as of Closing, which resulted in the return to BCI Acquisition, LLC of $3.5 million from the Seller. Additionally, the Company, through BCI Acquisition, LLC, established an accrual for the planned closure of the ACI and HBS facilities and the integration of all operations into BCI. The related accrual included $1.1 million of severance benefits for terminated employees, $692,000 of which was paid during 2004; and $225,000 of rental obligations related to ACI and HBS' California facility through the

termination of its lease in July 2005. The Company, through its subsidiary, also established a $545,000 deferred income tax liability for the difference in the tax bases and the fair value assigned to assets and liabilities, and it recorded a $1.1 million liability for certain preacquisition contingencies, $350,000 of which was paid during 2004. All adjustments, including those described above, had the effect of decreasing goodwill by $1.1 million.

Description of Business

BCI, ESBI, ACI, and HBS provide billing, financial settlement, and information management services ("LEC Billing Services") in the United States principally to the telecommunications industry.

Principles of Consolidation

The accompanying consolidated financial information includes the accounts of the Company and the Company's wholly owned subsidiaries, Thurston, BCI Acquisition, LLC, BCI, ESBI, ACI, and HBS. All significant intercompany accounts and transactions have been eliminated on consolidation.

Third-Party Payables

The Company provides LEC Billing Services to telecommunications and other service providers (customers) through billing agreements with local exchange carriers ("LECs"), which maintain the critical database of end-user names and addresses of the billed parties. The Company receives individual call records from various telecommunications and other service providers and processes and sorts the records for transmittal to various LECs. Invoices to end-users are generated by the LECs, and the collected funds are remitted to the Company, which in turn remits these funds, net of fees, reserves and other charges to its customers.

These reserves represent cash withheld from customers to satisfy future obligations on behalf of the customers. The obligations consist of bad debt, sales and excise taxes, and other miscellaneous charges. The Company records trade accounts receivable and service revenue for fees charged to process the call records. When the Company collects the customers' receivables from the LECs, the Company's trade receivables are reduced by the amount corresponding to the processing fees, which have been retained by the Company.

The remaining funds due to its customers are recorded as liabilities and reported in third-party payables in the consolidated balance sheets. The Company also retains a reserve from its customers' settlement proceeds to cover the LECs' bad debt, billing fees, and sales taxes.

Purchased Receivables

The Company offers participation in advance funding arrangements to certain of its customers. Under the terms of the arrangements, the Company purchases the customer's accounts receivable for an amount equal to the face amount of the call record value submitted to the LEC by the Company, less various items including financing fees, LEC charges, rejects, and other similar items. The Company advances 15 per cent. to 80 per cent. of the purchased amount and charges financing fees at rates up to 4 per cent. per annum over prime (9.25 per cent. at 31 December 2004) to the customer until the funds are received from the LECs. At 31 December 2004, the face amount of the call record value is recorded as purchased receivables in the consolidated balance sheets. At 31 December 2003, the face amount of the call record value was recorded as purchased receivables in the case of BCI and ESBI, but only the amount of actual cash advances was recorded in the case of ACI and HBS.

Liquidity

At 31 December 2004, the Company had a working capital deficit. Management believes the Company will generate sufficient cash flows to fund its operations through December 2005. However, material shortfalls or variances from anticipated performance or unforeseen expenditures could require the Company to seek alternative sources of capital or to limit expenditures for operating or capital requirements. If such a shortfall should occur, the Company has the intent and the ability to take the necessary actions to preserve its liquidity.

Use of Estimates

The preparation of financial information in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with original maturities of three months or less. The Company has entered into control agreements with its lender and certain financial institutions covering certain of its deposit accounts.

Financial Instruments

Due to their short maturity, the carrying amounts of accounts and purchased receivables, accounts payable, and accrued liabilities approximated their fair values at 31 December 2004.

Concentration of Credit Risk and Significant Customers

At 31 December 2004, seven customers represented approximately 50 per cent. of accounts receivable and eight customers represented approximately 50 per cent. of outstanding purchased receivables. Credit risk with respect to trade accounts receivable generated through billing services is limited as the Company collects its fees through receipt of all its customers' cash directly from the LECs. The credit risk with respect to the purchase of accounts receivable is reduced as the Company only advances 15 per cent. to 80 per cent. of the gross accounts receivable purchased. Management evaluates accounts receivable balances on an ongoing basis and provides allowances as necessary for amounts estimated to eventually become uncollectible. In the event of complete nonperformance of accounts receivable, the maximum exposure to the Company is the recorded amount shown on the balance sheet. During the year ended 31 December 2004, no single customer represented ten per cent. of consolidated revenues and 23 customers represented 55 per cent. of consolidated revenues.

The Company is at risk to the extent that cash held at banks exceeds the Federal Deposit Insurance Corporation insured amounts. The Company minimises this risk by placing its cash with higher-credit-quality financial institutions.

Property and Equipment

Property and equipment are primarily composed of furniture and fixtures, office equipment, computer equipment and software, and leasehold improvements, including capitalised interest, which are recorded at cost. The cost of additions and substantial improvements to property and equipment, including software being developed for internal use, is capitalised. The cost of maintenance and repairs of property and equipment is charged to operating expenses. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Upon disposition, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in other income (expense) for that period.

Goodwill

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, the Company tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that the assets might be impaired, using a two-step impairment assessment. The first step of the goodwill impairment test used to identify potential impairment compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired, and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*". In accordance with SFAS No. 144, long-lived assets are reviewed when events or changes in circumstances indicate that their carrying value may not be recoverable. These evaluations include comparing the future undiscounted cash flows of such assets to the carrying value. If the carrying value exceeds the future undiscounted cash flows, the assets are written down to their fair value.

Revenue Recognition

The Company provides LEC Billing Services to telecommunications and other service providers through billing arrangements with LECs. The Company recognises revenue from its LEC Billing Services when its customers' records are processed and accepted by the Company.

Advertising Costs

The cost of advertising is expensed as incurred. The Company incurred $12,000 and $269,000 in advertising costs for the period from 6 October 2003 to 31 December 2003 and the year ended 31 December 2004, respectively.

Income Taxes

The Company accounts for income taxes under SFAS No. 109, *Accounting for Income Taxes*. Under SFAS No. 109, deferred taxes are recognised using the liability method and tax rates are applied to cumulative temporary differences based on when and how they are expected to affect the tax return.

BCI Acquisition, LLC and its subsidiaries are included in the consolidated federal income tax return of Thurston. The tax obligation of BCI Acquisition, LLC and its subsidiaries is paid to Thurston, which is ultimately liable for payment of the taxes to the Internal Revenue Service.

2. Property and Equipment

Property and equipment consisted of the following at 31 December 2003 and 2004:

	31 December	
	2003	*2004*
	$'000	*$'000*
Furniture and fixtures	638	638
Telecommunication equipment	1,919	1,919
Computer equipment	1,039	1,341
Computer software	1,071	1,073
Software development, including $900 of capitalised interest in 2004	5,428	9,602
Leasehold improvements	2,135	2,146
	12,230	16,719
Less accumulated depreciation	124	4,128
Net property and equipment	12,106	12,591

Depreciation expense was $124,000 and $4,004,000 for the period from 6 October 2003 to 31 December 2003 and the year ended 31 December 2004, respectively.

3. Intangible Assets

The Company has definite-lived intangible assets recorded that continue to be amortised in accordance with SFAS No. 142. These assets consist primarily of local exchange carrier contracts, customer contracts, and trademarks, all of which are amortised over their respective estimated lives. The weighted average amortisation period is approximately eleven years. The following table presents the gross carrying amount and accumulated amortisation for each major class of definite-lived intangible assets:

	2003		2004		
	Gross Carrying Amount	*Accumulated Amortisation*	*Gross Carrying Amount*	*Accumulated Amortisation*	*Amortisation Period*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Local exchange carrier contracts	11,310	32	11,310	785	15 years
Customer contracts	69,290	348	69,290	7,890	10 years
Trademarks	5,400	—	5,400	—	Indefinite
	86,000	380	86,000	8,675	

Total amortisation expense from definite-lived intangibles was $380,000 and $8,295,000 for the period from 6 October 2003 to 31 December 2003 and the year ended 31 December 2004, respectively. The estimate of amortisation expense for each of the five succeeding fiscal years for definite-lived intangibles is $7,608,000.

4. Debt

In order to effect the Acquisition, and pursuant to a Credit Agreement dated as of 15 December 2003 (the "Credit Agreement"), certain lending institutions loaned an aggregate amount of $50.0 million comprised of (i) $10.0 million of Term A Loans, (ii) $15.0 million of Term B Loans, and (iii) $25.0 million of Term C Loans (collectively, the "Senior Loans"). BCI Acquisition, LLC guarantees repayment of the Senior Loans and the Senior Loans are collateralised by all of the assets of the Company. The borrowers of the Senior Loans are each of BCI, ESBI, HBS, and ACI.

In order to effect the Acquisition, and pursuant to a Senior Subordinated Loan Agreement dated as of 15 December 2003 (the "Sub Debt Credit Agreement"), certain lending institutions, including ABRY Mezzanine Partners, L.P., which is related to a Series A member, ABRY Partners IV, L.P., loaned BSG and subsidiaries an aggregate amount of $27.5 million (collectively, the "Sub Debt Loans"). At 31 December 2003, $25.0 million of Sub Debt Loans had been advanced. An additional $2.5 million of Sub Debt Loans was advanced in January 2004. The borrowers of the Sub Debt Loans are each of BCI, ESBI, HBS, and ACI. BCI Acquisition, LLC guarantees repayment of the Sub Debt Loans.

Long-term debt outstanding consists of the following:

	2003	*2004*
	$'000	*$'000*
Credit Agreement:		
Term A Loans	10,000	—
Term B Loans	15,000	15,000
Term C Loans	25,000	24,750
Sub Debt Credit Agreement loans, net of discount of $940,000 and $803,000 at 31 December 2003 and 2004, respectively, and including accrued interest of $-0- and $1,159,000 at 31 December 2003 and 2004, respectively	23,965	27,856
	73,965	67,606
Less current portion	10,250	15,250
	63,715	52,356

Outstanding Senior Loans bear interest at a premium to either of the lender's base rate or the reserve adjusted Eurodollar rate ("LIBOR"), at the Company's option. The applicable premiums are as follows:

	Base Rate Loans	*LIBOR Loans*	*Actual Rate at 31 December 2004*
Term A Loans	Base + 4.5%	LIBOR + 6.5%	N/A
Term B Loans	Base + 6.5%	LIBOR + 8.5%	10.63%
Term C Loans	Base + 6.875%	LIBOR + 8.875%	11.01%

Interest on the Sub Debt Loans accrues at 18 per cent., which includes a 14 per cent. cash component payable quarterly and a 4 per cent. payment-in-kind component which compounds quarterly. At 31 December 2004, the Company recorded $1,159,000 of payment-in-kind interest, all of which is included as subordinated debt.

The Senior Loans are due in quarterly instalments between 31 March 2004 and 15 December 2007. The Sub Debt Loans are due in full on 15 June 2008. Required principal payments each year are as follows:

	$'000
2005	15,250
2006	250
2007	24,250
2008	28,659[1]
Total	68,409

1 Does not include payment-in-kind interest that will continue to accrue subsequent to 31 December 2004.

During 2004, the Company remitted payments on the Senior Loans in accordance with their terms. The Senior Loans are prepayable without penalty. The Senior Loans include mandatory prepayment provisions to the extent of 75 per cent. of the Company's excess cash flow, as defined in the related Credit Agreement.

The Credit Agreement and the Sub Debt Credit Agreement include covenants requiring the Company to maintain certain minimum levels of interest coverage and fixed charge coverage and maximum levels of leverage. The agreements also include various representations, restrictions, and other terms and conditions which are normal and customary in transactions of this nature. During 2004, the Company was in compliance with all covenants under both the Credit Agreement and the Sub Debt Credit Agreement.

In connection with entering into the Sub Debt Credit Agreement during 2003 and 2004, the Company issued 5,500 and 550, respectively, of Series D shares to the lenders. These shares were valued at $950,000 and $95,000 in 2003 and 2004, respectively, which was recorded as a discount to the Sub Debt Loans and an increase to members' equity.

5. Income Taxes

The components of the Company's income tax expense were as follows:

	2004 *$'000*
Current expense:	
Federal	2,504
State	229
Total	2,733
Deferred expense:	
Federal	693
State	63
Total	756
Total income tax expense	3,489

The income tax provision differs from amounts computed by applying the U.S. federal statutory tax rate to income before income taxes as follows:

	2004 *$'000*
Estimated federal taxes at 34 per cent.	3,126
Increases:	
State tax	190
Other	173
Provision for income tax	3,489

Deferred income taxes result from temporary differences between the bases for financial statement purposes and income tax purposes. The net deferred tax assets and liabilities included in the consolidated financial statements include the following amounts:

	2004 *$'000*
Deferred tax assets:	
Reserve for bad debts	793
Accrued liabilities	481
Total deferred tax assets	1,274
Deferred tax liabilities:	
Property and equipment	(1,264)
Intangible assets	(1,311)
Total deferred tax liabilities	(2,575)
Net deferred tax liabilities	(1,301)

BCI Acquisition, LLC and its subsidiaries are included in the consolidated federal income tax return of Thurston. The tax obligation of the BCI Acquisition, LLC and its subsidiaries is paid to Thurston, which is ultimately liable for payment of the taxes to the Internal Revenue Service. Federal income taxes are provided for as if the Company filed a separate income tax return.

6. Members' Capital

The Company has issued five series of shares. The following table sets forth the authorised, issued and outstanding shares and the assigned points for each series as follows:

Series	*Authorised Shares*	*Issued and Outstanding Shares*		*Assigned Points*
		2003	*2004*	
A	Unlimited	75,000	75,000	75,000
B	Unlimited	15,000	15,000	15,000
C-1	12,500	10,000	10,000	10,000
C-2	25,000	11,200	16,900	26,610
D	6,050	5,500	6,050	4,830

NB: The Series C-1 – C-2 shares (authorised) have been reduced to the outstanding balances: the Series E-1 – E-2 shares have been issued.

Each series of shares is assigned points, which may differ from the number of shares. Shares have differing voting rights, profit and loss allocations, distribution entitlements, and other attributes based upon the series designation and assigned points.

Owners of the Series A, B, C-1, and D shares are entitled to certain voting rights on the basis of points. The owners of the Series C-2 shares do not have voting rights. The owners of the Series A shares hold a majority of the votes on certain decisions.

Profits, losses, and distributions are allocated in steps using both priorities and points. Holders of Series A and D shares have a priority claim to the allocation or distribution pro rata based on each series' assigned points until the holders of the Series A shares have received (or would receive in a liquidation at net book value) 100 per cent. of their initial cash investment and a 15 per cent. compound annual rate of return. Thereafter, the holders of Series A, B, C-1, and D shares have pro rata entitlements, based on each series' assigned points, until the holders of the Series A shares have received (or would receive in a liquidation at net book value) 100 per cent. of their initial cash investment and a 30 per cent. compound annual rate of return. Thereafter, all series have pro rata entitlements, based upon each series' assigned points.

7. Commitments

The Company leases certain office space and equipment under various operating leases. The Company also subleases certain of its office space to others under various operating leases. Annual future minimum lease commitments as of December 31, 2004 are as follows:

	Facilities and Equipment Commitments	*Subleases*	*Net Commitments*
	$'000	*$'000*	*$'000*
Year ending 31 December:			
2005	2,405	742	1,663
2006	1,937	623	1,314
2007	823	50	773
2008	121	—	121
Total	5,286	1,415	3,871

Rental expense, net of sublease income, under these operating leases was $64,000 for the period from 6 October 2003 to 31 December 2003 and $1,298,000 for the year ended 31 December 2004.

8. Contingencies

In 2001, one of the Company's subsidiaries reached an agreement with the Federal Trade Commission's Bureau of Consumer Protection requiring it to adhere to certain operating standards and submit certain information through August 2004. The Company's subsidiary has fulfilled all obligations under the agreement.

The Company is involved in various other claims, legal actions, and regulatory proceedings arising in the ordinary course of business. In connection with the finalisation of the allocation of the purchase price in respect of the Acquisition, the Company evaluated its legal matters that arose prior to the acquisition and accrued $660,000 related to the lower range of its assessment of the probable outcome of these matters. The Company considers its upper range to be $1.1 million. The Company believes it is unlikely that the final outcome of any of the claims, litigation, or proceedings to which the Company is a party will have a material adverse effect on the Company's financial position or results of operations; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations for the fiscal period in which such resolution occurs.

During 2004, the Company settled a claim relating to an indemnification agreement entered into in 1998 for $350,000, which was recorded as an adjustment to goodwill.

9. 401(k) Retirement Plan

Participation in the Company's 401(k) Retirement Plans ("Retirement Plans") is offered to eligible employees of the Company. Generally, all employees of the Company who are 21 years of age or older and who have completed six months of service during which they worked at least 500 hours are eligible for participation in the Retirement Plans. The Retirement Plans are defined contribution plans, which provide that participants may make voluntary salary deferral contributions, on a pretax basis, of between one per cent. and 19 per cent. of their compensation in the form of voluntary payroll deductions, subject to annual Internal Revenue Service limitations. The Company matches a defined percentage of a participant's contributions, subject to certain limits, and may make additional discretionary contributions. During the period from 6 October 2003 to 31 December 2003 and the year ended 31 December 2004, the Company's matching contributions totaled approximately $-0- and $226,000, respectively. No discretionary contributions were made.

10. Earnings Per Share

Under the terms of the limited liability company members' agreement, profits, losses, and distributions are generally allocated using both priorities and points assigned to each class of stock. The computation of earnings per share has been computed using the two-class method whereby

earnings per share is calculated for each class of common stock considering the participation rights in undistributed earnings as if all earnings had been distributed during the period. In accordance with the members' agreement, earnings are required to be distributed to the holders of Series A shares and Series D shares, pro rata between such groups of holders based on the aggregate points represented by the Series A and D shares until the entire amount of initial capital contribution of $33 million of the Series A shares has been paid in full. Accordingly, all of the earnings or losses are allocated to the Series A and Series D shares pro rata. The Series B shares, Series C-1 shares, and Series C-2 shares have not qualified for any distributions and therefore have received no allocation.

The following table sets forth the allocation of earnings and the computation of earnings per shares for each series of shares.

Series	*Allocation of Loss*	*2003 Average Shares Outstanding*	*Loss Per Share*	*Allocation of Earnings*	*2004 Average Shares Outstanding*	*Earnings Per Share*
	$		*$*	*$*		*$*
A	(339)	75,000	0.0045	5,403	75,000	0.0720
B	—	15,000	—	—	15,000	—
C-1	—	10,000	—	—	10,000	—
C-2	—	11,200	—	—	16,900	—
D	(22)	5,500	0.0036	345	6,050	0.0570
	(361)			5,748		

Basic and diluted earnings per share are the same.

11. Subsequent Events

On 27 April 2005, BCIA, the Operating Subsidiaries and certain lending institutions entered into a First Lien Credit and Guaranty Agreement (the "First Lien Agreement"), a First Lien Pledge and Security Agreement, a Second Lien Credit and Guaranty Agreement (the "Second Lien Agreement"), a Second Lien Pledge and Security Agreement and an Intercreditor Agreement (collectively, the "Loan Documents"). Pursuant to the Loan Documents, certain lending institutions loaned an aggregate amount of $150 million comprised of (i) a $10 million revolving credit facility (undrawn at closing); (ii) $100 million of first lien term loans; and (iii) $40 million of second lien term loans (collectively, the "Senior Loans"). BCIA guarantees repayment of the Senior Loans and the Senior Loans are collateralised by all of the assets and the stock of the Operating Subsidiaries. The borrowers under the First Lien Agreement and the Second Lien Agreement are each of the Operating Subsidiaries.

On 27 April 2005, $66.166 million of the proceeds of the new debt facility were used to repay, in full the Senior Debt outstanding under the Credit Agreement dated 15 December 2003 and the Subordinated Debt outstanding under the Senior Subordinated Loan Agreement dated 15 December 2003. Total repayments, including accrued interest and prepayment penalties and fees, amounted to $36.27 million in respect of Senior Debt and $29.896 million in respect of Subordinated Debt. Prepayment penalties and fees were paid in respect of the Subordinated Debt of $580,565.

On 27 April 2005, a distribution was made to members in the amount of $71.3 million.

Yours faithfully

Ernst & Young LLP

C – Accountants' Report on Thurston Communications Corporation for the year ended 31 December 2002 and the period ended 15 December 2003

The Directors and Proposed Directors
Billing Services Group Limited
Canon's Court
22 Victoria Street
Hamilton
HM 12 Bermuda

Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

9 June 2005

Dear Sirs

1. Introduction

We report on the financial information set out in paragraphs 2 to 6 below. This financial information has been prepared for inclusion in the Admission Document dated 9 June 2005 of Billing Services Group Limited.

Basis of preparation

The financial information set out in paragraphs 2 to 6 below is based on the audited consolidated financial statements of Thurston Communications Corporation for the year ended 31 December, 2002 and period ended 15 December 2003 to which no adjustments were considered necessary. The financial information has been prepared on the basis set out in note 1 below, and in conformity with accounting principles generally accepted in the United States ("US GAAP").

Responsibility

Such financial statements are the responsibility of the directors of Thurston Communications Corporation who approved their issue.

The directors and proposed directors of Billing Services Group Limited are responsible for the contents of the Admission Document dated 9 June 2005 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 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 recorded by the auditors who audited the financial statements underlying the financial information. 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 presents fairly, in all material respects, for the purposes of the Admission Document dated 9 June 2005, the consolidated financial position of Thurston Communications Corporation as at the dates stated and the consolidated results of its operations and its consolidated cash flows for the periods then ended in conformity with US GAAP.

Consent

We consent to the inclusion in the Admission Document dated 9 June 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Consolidated balance sheets

	31 December 2002 $'000	15 December 2003 $'000
Assets		
Current assets:		
Cash and cash equivalents	4,123	—
Accounts receivable	3,183	3,800
Purchased receivables, net of allowance for doubtful accounts of $289 and $890 as of 31 December 2002 and 15 December 2003, respectively	3,322	1,617
Receivable from OAN	5,484	—
Prepaid expenses and other current assets	612	547
Total current assets	16,724	5,964
Property and equipment	6,225	5,501
Less accumulated depreciation	2,510	2,259
Net property and equipment	3,715	3,242
Intangible assets, net of accumulated amortisation of $50 and $98 as of 31 December 2002 and 15 December 2003, respectively	100	52
Goodwill, net of accumulated amortisation of $1,272	5,569	5,569
Deferred finance fees, net of accumulated amortisation of $158 and $310 as of 31 December 2002 and 15 December 2003, respectively	317	165
Other assets	1	129
Total assets	26,426	15,121
Liabilities and Shareholder's Deficit		
Current liabilities:		
Trade accounts payable	5,382	4,901
Third-party payables	19,602	13,013
Accrued liabilities	862	1,729
Advance funding facility	6,076	4,523
Note payable	—	90
Current portion of customer cure liability	318	318
Total current liabilities	32,240	24,574
Notes payable, less current portion	—	120
Customer cure liability, less current portion	1,011	687
Total liabilities	33,251	25,381
Shareholder's deficit:		
Common stock, $0.001 par value; 1,000 shares issued and outstanding	—	—
Accumulated deficit	(6,825)	(10,260)
Total shareholder's deficit	(6,825)	(10,260)
Total liabilities and shareholder's deficit	26,426	15,121

3. Consolidated statements of operations

	Year Ended 31 December 2002 $'000	*Period From 1 January 2003 to 15 December 2003 $'000*
Operating revenues	40,536	35,102
Cost of services	27,559	20,210
Gross profit	12,977	14,892
Selling, general, and administrative expenses	14,493	13,061
Depreciation and amortisation expense	1,743	1,265
Operating (loss) income	(3,259)	566
Other income (expense):		
Interest expense	(499)	(344)
Interest income	146	315
Loss on investments	(130)	—
Other, net	—	(1,371)
Total other expense, net	(483)	(1,400)
Loss before provision for income taxes	(3,742)	(834)
Income taxes	(630)	—
Net loss	(4,372)	(834)
Loss per share	(4.37)	(0.83)

4. Consolidated statements of shareholder's equity

	Common Stock $'000	*Additional Paid-in Capital $'000*	*Retained Deficit $'000*	*Total Shareholder's Deficit $'000*
Balance at 1 January 2002	—	—	(2,453)	(2,453)
Net loss	—	—	(4,372)	(4,372)
Balance at 31 December 2002	—	—	(6,825)	(6,825)
Distribution to shareholder	—	—	(2,601)	(2,601)
Net loss	—	—	(834)	(834)
Balance at 15 December 2003	—	—	(10,260)	(10,260)

5. Consolidated statements of cash flows

	Year Ended 31 December 2002 $'000	*Period From 1 January 2003 to 15 December 2003 $'000*
Operating Activities		
Net loss	(4,372)	(834)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortisation	1,743	1,265
Write off of property and equipment	99	9
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	291	(617)
Decrease (increase) in other assets	51	(128)
Decrease in prepaid expenses and other current assets	271	5,549
Increase (decrease) in trade accounts payable	3,484	(481)
(Decrease) in accounts due to/from third party	(3,233)	(6,589)
Increase in accrued liabilities	132	867
(Decrease) in customer cure liability	(565)	(324)
Net cash used in operating activities	(2,099)	(1,283)
Investing Activities		
Purchases of property and equipment	(647)	(601)
Net (advances) receipts on purchased receivables	(1,770)	1,705
Net cash (used in) provided by investing activities	(2,417)	(1,104)
Financing Activities		
Issuance of note payable	—	210
Distribution to members	—	(2,601)
Cash paid for financing fees	(45)	—
Net (payments) on borrowings from advanced funding facility	3,468	(1,553)
Net cash provided by (used in) financing activities	3,423	(3,944)
Net decrease in cash and cash equivalents	(1,093)	(4,123)
Cash and cash equivalents, beginning of period	5,216	4,123
Cash and cash equivalents, end of period	4,123	—
Supplemental cash flow information:		
Interest paid	499	288

6. Notes to the consolidated financial information

1. Summary of Significant Accounting Policies

Organisation and Description of Business

The consolidated financial statements of Thurston Communications Corporation (the "Company" or "TCOM"), includes its wholly owned subsidiaries, ACI Billing Services, Inc. ("ACI") and HBS Billing Services Company ("HBS"). ACI and HBS provide billing and collection clearinghouse services to their telecommunications customers.

The Company provides billing and collection services through billing agreements with local exchange carriers ("LECs"). On 8 December 2003, Aelix, Inc. ("Aelix") merged into ACI and was thereafter operated as a division of ACI. Aelix provides intelligent message communications services to enterprises, notably in the travel and hospitality sectors. Its services enable users to improve their customer relationships and reduce expenses. The operations of Aelix have been included in the consolidated results of operations for both periods presented.

As of the close of business on 15 December 2003, Billing Services Group, LLC ("BSG"), pursuant to a Contribution Agreement with Avery Communications, Inc. ("Avery") and the other entities set forth in the Contribution Agreement, effectively received 100 per cent. of the outstanding ownership interests of TCOM, HBS and ACI (each of which was a wholly owned subsidiary of TCOM prior to such contribution). Avery Holdings, LLC, the parent of TCOM, received a minority ownership interest in BSG in return for its contribution of TCOM, HBS, and ACI. The accompanying financial statements have been prepared on a historical basis and do not include any adjustments resulting from the contribution.

Principles of Consolidation

The accompanying consolidated financial information include the accounts of TCOM, ACI and HBS. All significant intercompany accounts and transactions have been eliminated on consolidation.

Third-Party Payables

The Company provides billing services to telecommunications service providers (customers) through billing agreements with LECs, which maintain the critical database of end-user names and addresses of the billed parties. The Company receives individual call records from various telecommunications service providers and processes and sorts the records for transmittal to various LECs. Invoices to end-users are generated by the LECs, and the collected funds are remitted by the LECs to the Company, which in turn remits these funds, net of fees and reserves, to its customers.

These reserves represent cash withheld from customers to satisfy future obligations on behalf of the customers. The obligations consist of LEC billing fees, bad debts, and sales and excise taxes. The Company records trade accounts receivable and service revenue for fees charged to process the call records. When the Company collects the customers' receivables from the LECs, the Company's trade receivables are reduced by the amount corresponding to the Company's processing fees.

The remaining funds due to its customers are recorded as liabilities and reported in third-party payables in the combined balance sheet. The Company also retains a reserve from its customers' settlement proceeds to cover the LECs' bad debts, LECs' billing fees, and sales taxes. This reserve is also included in third-party payables in the combined balance sheet.

Purchased Receivables

The Company offers participation in advance funding agreements to qualified telecommunications service providers (customers). Under the terms of the agreements, the Company purchases the customers' accounts receivable for an amount equal to the face amount of call records submitted to the LEC by the Company, less various items including financing fees, LEC charges, rejects, and other similar items. The Company advances 30 per cent. to 65 per cent. of the purchased amount and charges financing fees at rates up to 4 per cent. over prime (8 per cent. at 15 December 2003) to the customer until the funds are received from the LECs. The amount of the cash advances are recorded as purchased receivables on the combined balance sheet.

Use of Estimates

The preparation of financial information in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

Due to their short maturity, the carrying amounts of accounts and purchased receivables, accounts payable, accrued liabilities, and advanced funding facility approximated their fair values at 31 December 2002 and 15 December 2003.

Concentration of Credit Risk and Significant Customers

At 15 December 2003, five customers represented approximately 50 per cent. of trade receivables and four customers represented approximately 71 per cent. of outstanding purchased receivables. Credit risk with respect to trade accounts receivable generated through billing services is limited as the Company collects its fees through receipt of all its customers' cash directly from the LECs. The credit risk with respect to the purchase of accounts receivable is reduced as the Company only advances 30 per cent. to 65 per cent. of the gross accounts receivable purchased. Management evaluates accounts receivable balances on an ongoing basis and provides allowances as necessary for amounts estimated to eventually become uncollectible. In the event of complete nonperformance of accounts receivable, the maximum exposure to the Company is the recorded amount shown on the balance sheets.

The Company is at risk to the extent that cash held at banks exceeds the Federal Deposit Insurance Corporation insured amounts. The Company minimises this risk by placing its cash with higher-credit-quality financial institutions.

Property and Equipment

Property and equipment are primarily composed of furniture and fixtures, computer equipment and software, and leasehold improvements, which are recorded at cost. The cost of additions and substantial improvements to property and equipment is capitalised. The cost of maintenance and repairs of property and equipment is charged to operating expenses. Property and equipment are depreciated using straight-line methods over their estimated useful lives, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Upon disposition, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in other income (expense) for that period.

Goodwill

On 1 January 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17, *Intangible Assets*. SFAS No. 142 establishes new accounting for goodwill and other intangible assets recorded in business combinations. Under the new rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortised but are subject to annual impairment tests in accordance with the statement. Other definite-lived intangible assets will continue to be amortised over their useful lives.

In accordance with SFAS No. 142, the Company tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that the assets might be impaired, using a two-step impairment assessment. The first step of the goodwill impairment test used to identify potential impairment compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying value, goodwill of the

reporting unit is not considered impaired, and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In accordance with SFAS No. 144, long-lived assets are reviewed when events or changes in circumstances indicate that their carrying value may not be recoverable. These evaluations include comparing the future undiscounted cash flows of such assets to the carrying value. If the carrying value exceeds the future undiscounted cash flows, the assets are written down to their fair value.

Revenue Recognition

The Company provides billing services to telecommunications service providers through billing arrangements with LECs. The Company recognises revenue from its LEC billing services when its customers' records are processed and accepted by the Company.

Advertising Costs

The cost of advertising is expensed as incurred. The Company incurred $218,000 and $38,000 in advertising costs for the year ended 31 December 2002 and the period ended 15 December 2003, respectively.

Other Expenses

Other expenses in 2003 are nonrecurring expenses related to the acquisition of the Company.

Income Taxes

The Company joins with other affiliates in filing a consolidated federal income tax return that utilises all available tax benefits and carryforwards to the extent possible. Amounts are provided for and disclosures made in the consolidated financial statements as if the Company were filing a separate return.

2. Property and Equipment

Property and equipment consist of the following:

	31 December 2002 $'000	*15 December 2003 $'000*
Computer equipment and software	5,538	4,853
Furniture and fixtures	487	294
Leasehold improvements	200	354
	6,225	5,501
Less accumulated depreciation	2,510	2,259
	3,715	3,242

Depreciation expense for the year ended 31 December 2002 and period ended 15 December 2003 was $1,521,000 and $1,065,000, respectively.

3. Goodwill and Other Intangible Assets – Adoption of SFAS No. 142

Goodwill

The Company performed its goodwill impairment test in accordance with SFAS No. 142 in the fourth quarter of 2003. Step one of the two-step process indicated that the fair value of the Company exceeded the book value of the Company, thus no impairment charge was recorded in the period ended 15 December 2003. For purposes of the goodwill impairment test, the fair value was based on the contributed value of the Company of approximately $40,000 (see Note 8).

Intangible Assets

The Company has definite-lived intangible assets recorded that are amortised in accordance with SFAS No. 142. These assets consist primarily of customer service contracts, which are amortised over the respective lives of the agreements. In accordance with the transitional requirements of SFAS No. 142, the Company reassessed the useful lives of these intangibles and made no material changes to their useful lives.

The following table presents the gross carrying amount and accumulated amortisation for each major class of definite-lived intangible assets at:

	31 December 2002		*15 December 2003*		
	Gross Carrying Amount $'000	*Accumulated Amortisation $'000*	*Gross Carrying Amount $'000*	*Accumulated Amortisation $'000*	*Amortisation Period $'000*
Customer service contracts	679	579	679	627	3 years

Total amortisation expense from definite-lived intangibles for the year ended 2002 and the period ended 15 December 2003 was approximately $64,000 and $48,000, respectively. The following table presents the Company's estimate of amortisation expense for definite-lived intangibles:

	$'000
Two-week period ending 31 December 2003	2
Year ended 31 December 2004	50

4. Debt

In December 2001, ACI and HBS negotiated a working capital and advanced funding programme facility with Textron Financial Corporation for an amount up to $9,000,000, subject to eligible accounts receivable from LECs related to ACI's and HBS' customers to whom they advanced funds (the "ACI/HBS Textron Loan"). Interest was payable weekly at the prime rate plus 3 per cent. per annum (7 per cent. at 15 December 2003), plus an annual commitment fee of $135,000. Principal was due in December 2004, and the ACI/HBS Textron Loan was subject to an early termination fee of $180,000. The ACI/HBS Textron Loan was secured by substantially all of the assets of ACI and HBS and guaranteed by Avery Communications, Inc., Patrick J. Haynes, III and one of his affiliates under certain circumstances. The ACI/HBS Textron Loan also contained certain covenants that required ACI and HBS to maintain certain financial ratios related to cash collections and working capital as defined in the agreement, limit certain payments and transfers to affiliates, and limit additional indebtedness. As of 31 December 2002 and 15 December 2003, the outstanding balance was $6,076,000 and $4,523,000, respectively. In 2001 and 2002 the Company capitalised $430,000 and $45,000 of financing fees, respectively that are amortised over three years, the term of the loan. In 2002 and for the period ending 15 December 2003, the Company amortised approximately $158,000 and $152,000 of the financing fees capitalised. In connection with the transaction described in Notes 1 and 8, the ACI/HBS Textron Loan was repaid in full and the facility was terminated. Due to the facility's termination, ACI and HBS paid an aggregate of $180,000 in termination fees.

5. Commitments

The Company leases certain equipment and office space under various operating leases. Annual future minimum lease commitments, which include the minimum lease payments on space being subleased under noncancelable operating leases as of 15 December 2003, are as follows:

	Facilities and Equipment Commitments $'000	*Subleases $'000*	*Net Commitments $'000*
Two-week period ended 31 December 2003	17	8	9
Year ended 31 December:			
2004	406	206	200
Year ending 31 December:			
2005	240	122	118
2006	7	—	7
2007	2	—	2
Total	672	336	336

Rental expense, under the operating leases, was $622,000 and $197,000 for the year ended 31 December 2002 and period ended 15 December 2003, respectively.

6. Contingencies

The Company is involved in various claims, legal actions, and regulatory proceedings arising in the ordinary course of business. The Company believes it is unlikely that the final outcome of any of the claims, litigation, or proceedings to which the Company is a party, including those described above, will have a material adverse effect on the Company's financial position or results of operations; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations for the fiscal period in which such resolution occurs.

7. 401(k) Retirement Plan

Participation in the Company's 401(k) Retirement Plan ("Retirement Plan") is offered to eligible employees of the Company. Generally, all employees of the Company who are 21 years of age or older and who have completed six months of service during which they worked at least 500 hours are eligible for participation in the Retirement Plan. The Retirement Plan is a defined contribution plan, which provides that participants generally may make voluntary salary deferral contributions, on a pretax basis, of between 1 per cent. and 10 per cent. of their compensation in the form of voluntary payroll deductions, up to a maximum amount established by law. The Company makes matching contributions of up 5 per cent. of an employee's compensation, subject to a maximum contribution of $2,000. During 2002 and the period ended 15 December 2003 the Company's matching contribution totalled $69,000 and $40,000, respectively. No discretionary contributions were made.

8. Subsequent Event

As of the close of business on 15 December 2003, BSG, pursuant to a Contribution Agreement between Avery and the other entities set forth in the Contribution Agreement, effectively received 100 per cent. of the outstanding ownership interests of TCOM, HBS and ACI (each of which was a wholly owned subsidiary of TCOM prior to such contribution). Avery Holdings, LLC, the parent of TCOM, received a minority ownership interest in BSG in return for its contribution of TCOM, HBS, and ACI. The accompanying financial information has been prepared on a historical basis and does not include any adjustments resulting from the contribution.

Yours faithfully

Ernst & Young LLP

D – Accountants' Report on BC Holding I Corporation
for the year ended 31 December 2002 and the period ended 15 December 2003

The Directors and Proposed Directors
Billing Services Group Limited
Canon's Court
22 Victoria Street
Hamilton
HM 12 Bermuda

Evolution Securities Limited
100 Wood Street
London
EC2V 7AN

9 June 2005

Dear Sirs

1. Introduction

We report on the financial information set out in paragraphs 2 to 6 below. This financial information has been prepared for inclusion in the Admission Document dated 9 June 2005 of Billing Services Group Limited.

Basis of preparation

The financial information set out in paragraphs 2 to 6 below is based on the audited consolidated financial statements of BC Holding I Corporation for the year ended 31 December 2002 and period ended 15 December 2003 to which no adjustments were considered necessary. The financial information and has been prepared on the basis set out in note 1 below, and in conformity with accounting principles generally accepted in the United States ("US GAAP").

Responsibility

Such financial statements are the responsibility of the directors of BC Holding I Corporation who approved their issue.

The directors and proposed directors of Billing Services Group Limited are responsible for the contents of the Admission Document dated 9 June 2005 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 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 recorded by the auditors who audited the financial statements underlying the financial information. 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 presents fairly, in all material respects, for the purposes of the Admission Document dated 9 June 2005, the consolidated financial position of BC Holding I Corporation as at the dates stated and the consolidated results of its operations and its consolidated cash flows for the periods then ended in conformity with US GAAP.

Consent

We consent to the inclusion in the Admission Document dated 9 June 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. Consolidated balance sheets

	31 December 2002 $'000	*15 December 2003 $'000*
Assets		
Current assets:		
Cash and cash equivalents	61,384	37,609
Accounts receivable, net of allowance for doubtful accounts of $46 and $10 at 31 December 2002 and 15 December 2003, respectively	16,336	15,993
Purchased receivables	31,480	21,175
Prepaid expenses and other current assets	256	388
Total current assets	109,456	75,165
Property and equipment	16,216	19,290
Less accumulated depreciation and amortisation	8,631	10,364
Net property and equipment	7,585	8,926
Note receivable from Platinum	57,591	—
Intangible assets, net of accumulated amortisation of $9,048 and $13,042 at 31 December 2002 and 15 December 2003, respectively	13,672	9,678
Goodwill, net of accumulated amortisation of $708 at 31 December 2002 and 15 December 2003	10,614	10,614
Other assets	33	105
Total assets	198,951	104,488
Liabilities and Shareholder's Equity		
Current liabilities:		
Trade accounts payable	8,574	8,870
Third-party payables	93,386	58,523
Payables to affiliates, net	2,373	698
Accrued liabilities	10,683	10,927
Total current liabilities	115,016	79,018
Advanced funding facility	14,478	5,325
Other liabilities	19,138	6,139
Total liabilities	148,632	90,482
Shareholder's equity:		
Common shares, par value $0.01, 1,000 shares authorised and 100 shares outstanding	—	—
Additional paid-in capital	38,510	14,006
Retained earnings	11,809	—
Total shareholder's equity	50,319	14,006
Total liabilities and shareholder's equity	198,951	104,488

3. Consolidated statements of operations

	Year Ended 31 December 2002 $'000	*Period Ended 15 December 2003 $'000*
Operating revenues	96,097	102,139
Cost of services	49,287	54,341
Gross profit	46,810	47,798
Selling, general, and administrative expenses	24,726	24,000
Depreciation and amortisation expense	7,162	5,760
Operating income	14,922	18,038
Other income (expense):		
Interest expense	(1,496)	(942)
Interest income	5,284	3,457
Management fees to Platinum	(9,300)	(19,525)
Other expense, net	(135)	(143)
Total other expense, net	(5,647)	(17,153)
Income before income tax expense	9,275	885
Provision for state income taxes	(309)	11
Net income	8,966	896
Net income per share	90	9

4. Consolidated statements of shareholder's equity

	Common Shares $'000	*Additional Paid-in Capital $'000*	*Retained Earnings $'000*	*Total Shareholder's Equity $'000*
Balance at 31 December 2001	—	38,510	2,843	41,353
Net income	—	—	8,966	8,966
Balance at 31 December 2002	—	38,510	11,809	50,319
Distributions to shareholder	—	(24,504)	(12,705)	(37,209)
Net income	—	—	896	896
Balance at 15 December 2003	—	14,006	—	14,006

5. Consolidated statements of cash flows

	Year Ended 31 December 2002 $'000	*Period Ended 15 December 2003 $'000*
Operating Activities		
Net income	8,966	896
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,986	1,766
Amortisation	4,176	3,994
Other noncash charges	—	(39)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(2,739)	343
Decrease (increase) in prepaid and other assets	925	(204)
(Decrease) increase in accounts payable – trade	(8,937)	296
Increase (decrease) in accounts due to/from third party	9,391	(34,863)
Decrease (increase) in payments due to/from Platinum	6,289	(1,044)
Decrease (increase) in payments due to/from affiliates	1,329	(631)
Increase in accrued liabilities	1,106	244
Increase (decrease) in other liabilities	1,942	(12,999)
Net cash provided by (used in) operating activities	25,434	(42,241)
Investing Activities		
Purchases of property and equipment	(3,167)	(3,068)
Net (advances on) receipts from purchased receivables	(2,920)	10,305
Net cash (used in) provided by investing activities	(6,087)	7,237
Financing Activities		
Distributions to member	—	(37,209)
Net borrowings from (payments on) advanced funding facility	14,478	(9,153)
(Advances) payments on note receivable from Platinum	(15,000)	57,591
Payments made on non interest-bearing obligation to former owner	(3,027)	—
Net cash (used in) provided by financing activities	(3,549)	11,229
Net increase (decrease) in cash and cash equivalents	15,798	(23,775)
Cash and cash equivalents, beginning of year	45,586	61,384
Cash and cash equivalents, end of year	61,384	37,609
Cash paid during the year for:		
Interest	1,479	942
Taxes	150	331
Non cash financing activities:		
Reduction in goodwill	828	—

6. Notes to the consolidated financial information

1. Summary of Significant Accounting Policies

Organisation and Description of Business

As of 15 December 2003, BC Holding I Corporation (together with its subsidiaries, Billing Concepts, Inc. and Enhanced Services Billing, Inc.) (collectively, the "Company") was a wholly owned subsidiary of BC Holdings, LLC ("Parent"), which was a wholly owned subsidiary of Platinum Equity, LLC ("Platinum").

As of the close of business on 15 December 2003, BCI Acquisition, LLC, a newly formed indirect subsidiary of Billing Services Group, LLC ("BSG"), acquired all of the outstanding capital stock of BC Holding I Corporation for a cash purchase price of $100 million, plus the repayment in full of existing indebtedness and closing costs.

The purchase was funded through the borrowing of $50 million in senior debt, $25 million in subordinated debt, and the issuance of $33 million in BSG preferred stock. The credit agreements governing the borrowing of the senior and subordinated debt contain repayment terms, representations, warranties, covenants, and events of default that are customary for transactions of this nature. The accompanying financial statements have been prepared on a historical basis and do not include any adjustments resulting from the acquisition.

Billing Concepts, Inc. ("BCI") and Enhanced Services Billing, Inc. ("ESBI") provide billing clearinghouse and information management services ("LEC Billing Services") in the United States to the telecommunications industry.

Principles of Consolidation

The accompanying consolidated financial information includes the accounts of the Company and its wholly owned subsidiaries, BCI and ESBI. All significant intercompany accounts and transactions have been eliminated on consolidation.

Third-Party Payables

The Company provides billing services to telecommunications service providers (customers) through billing agreements with local exchange carriers ("LECs"), which maintain the critical database of end-user names and addresses of the billed parties. The Company receives individual call records from various telecommunications service providers and processes and sorts the records for transmittal to various LECs. Invoices to end-users are generated by the LECs, and the collected funds are remitted to the Company, which in turn remits these funds, net of fees and reserves, to its customers.

These reserves represent cash withheld from customers to satisfy future obligations on behalf of the customers. The obligations consist of LEC billing fees, bad debts, and sales and excise taxes. The Company records trade accounts receivable and service revenue for fees charged to process the call records. When the Company collects the customers' receivables from the LECs, the Company's trade receivables are reduced by the amount corresponding to the Company's processing fees.

The remaining funds due to its customers are recorded as liabilities and reported in third-party payables in the consolidated balance sheets. The Company also retains a reserve from its customers' settlement proceeds to cover the LECs' bad debts, LECs' billing fees, and sales taxes. This reserve is also included in third-party payables in the consolidated balance sheets.

Purchased Receivables

The Company offers participation in advance funding agreements to qualified telecommunications service providers (customers). Under the terms of the agreements, the Company purchases the customer's accounts receivable for an amount equal to the face amount of the call record value submitted to the LEC by the Company, less various items including financing fees, LEC charges, rejects, and other similar items. The Company advances 40 per cent. to 80 per cent. of the

purchased amount and charges financing fees at rates up to 4 per cent. over prime (8 per cent. at 15 December 2003) to the customer until the funds are received from the LECs. The face amount of the call record value is recorded as purchased receivables in the consolidated balance sheets.

Use of Estimates

The preparation of financial information in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with original maturities of three months or less.

Financial Instruments

Due to their short maturity, the carrying amounts of accounts and purchased receivables, accounts payable, accrued liabilities, and advance funding facility approximated their fair values at 15 December 2003.

Concentration of Credit Risk and Significant Customers

At 15 December 2003, twenty-five customers represented approximately 58 per cent. of trade receivables and three customers represented approximately 50 per cent. of outstanding purchased receivables. Credit risk with respect to trade accounts receivable generated through billing services is limited as the Company collects its fees through receipt of all its customers' cash directly from the LECs. The credit risk with respect to the purchase of accounts receivable is reduced as the Company only advances 40 per cent. to 80 per cent. of the gross accounts receivable purchased. Management evaluates accounts receivable balances on an ongoing basis and provides allowances as necessary for amounts estimated to eventually become uncollectible. In the event of complete nonperformance of accounts receivable, the maximum exposure to the Company is the recorded amount shown on the balance sheet. The Company is at risk to the extent that cash held at banks exceeds the Federal Deposit Insurance Corporation insured amounts. The Company minimises this risk by placing its cash with higher-credit-quality financial institutions.

Property and Equipment

Property and equipment is primarily composed of furniture and fixtures, computer equipment and software, and leasehold improvements, which are recorded at cost. The cost of additions and substantial improvements to property and equipment is capitalised. The cost of maintenance and repairs of property and equipment is charged to operating expenses. Property and equipment is depreciated using straight-line methods over their estimated useful lives, which range from three to seven years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Upon disposition, the cost and related accumulated depreciation are removed from the financial information, and the resulting gain or loss is reflected in other income (expense) for that period.

Goodwill

On 1 January 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17, "Intangible Assets." SFAS No. 142 establishes new accounting for goodwill and other intangible assets recorded in business combinations. Under the new rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortised but are subject to annual impairment tests in accordance with the statement. Other intangible assets will continue to be amortised over their useful lives.

In accordance with SFAS No. 142, the Company tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that the assets might be impaired, using a two-step impairment assessment. The first step of the goodwill impairment test used to identify potential impairment compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired, and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any.

Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In accordance with SFAS No. 144, long-lived assets are reviewed when events or changes in circumstances indicate that their carrying value may not be recoverable. These evaluations include comparing the future undiscounted cash flows of such assets to the carrying value. If the carrying value exceeds the future undiscounted cash flows, the assets are written down to their fair value.

Revenue Recognition

The Company provides billing services to telecommunications service providers through billing arrangements with LECs. The Company recognises revenue from its LEC billing services when its customers' records are processed and accepted by the Company.

Advertising Costs

The cost of advertising is expensed as incurred. The Company incurred $84,000 and $221,000 in advertising costs for the year ended 31 December 2002 and the period ended 15 December 2003, respectively.

Income Taxes

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred taxes are recognised using the liability method and tax rates are applied to cumulative temporary differences based on when and how they are expected to affect the tax return.

At 31 December 2002 and 15 December 2003, the Company was an S corporation which in turn wholly owned two Qualified Subchapter S Subsidiaries (QSSS). For federal and most state income tax purposes, each QSSS is treated as a disregarded entity, resulting in the operations being reported on the returns of the Company. As an S Corporation, the Company is treated as a pass-through entity, and its taxable income is reported on the tax returns of its Parent, BC Holdings, LLC. Furthermore, all future tax assets and liabilities will flow through to its Parent. Accordingly, there were no deferred tax assets or liabilities recorded on the consolidated balance sheet.

However, some states do not recognise the federal tax treatment of a QSSS, and therefore the Company will continue to be taxed as a C Corporation in these states. Accordingly, for these various states, the Company will continue to utilise the liability method to determine the provision for income taxes.

2. Property and Equipment

Property and equipment consists of the following at 31 December 2002 and 15 December 2003:

	2002	*2003*
	$'000	*$'000*
Furniture and fixtures	7,292	7,298
Computer equipment	3,391	3,779
Software development	2,559	5,239
Leasehold improvements	2,974	2,974
	16,216	19,290
Less accumulated depreciation and amortisation	8,631	10,364
	7,585	8,926

Depreciation expense for the year ended 31 December 2002 and period ended 15 December 2003 was $2,986,000 and $1,766,000, respectively.

3. Goodwill and Other Intangible Assets

Goodwill

On 1 January 2002, the Company performed a transitional impairment test in accordance with SFAS No. 142 on net goodwill of $10,614,000. The transitional impairment test did not indicate that goodwill had been impaired; as a result, no impairment charge was recorded in the year ended 31 December 2002.

The Company performed the first annual goodwill impairment test in accordance with SFAS No. 142 in the fourth quarter of 2003. Step one of the two-step process indicated that the fair value of the Company exceeded the book value of the Company, thus no impairment charge was recorded in the period ended 15 December 2003. For purposes of the goodwill impairment test, the fair value was based on the subsequent cash purchase of the Company by BCI Acquisition, LLC for approximately $100,000,000, subject to adjustment in certain circumstances (see Note 9).

Intangible Assets

The Company has definite-lived intangible assets recorded that continue to be amortised in accordance with SFAS No. 142. These assets consist primarily of local exchange carrier contracts and customer contracts, all of which are amortised over the respective lives of the agreements. In accordance with the transitional requirements of SFAS No. 142, the Company reassessed the useful lives of these intangibles and made no material changes to their useful lives. The following table presents the gross carrying amount and accumulated amortisation for each major class of definite-lived intangible assets at 31 December 2002 and 15 December 2003:

	2002		*2003*		*Amortisation Period*
	Gross Carrying Amount $'000	*Accumulated Amortisation $'000*	*Gross Carrying Amount $'000*	*Accumulated Amortisation $'000*	
Local exchange carrier contracts	17,260	7,479	17,260	10,787	5 years
Customer service contracts	5,260	1,425	5,260	2,055	8 years
Technology	200	144	200	200	3 years
	22,720	9,048	22,720	13,042	

Total amortisation expense from definite-lived intangibles for the year ended 31 December 2002 and the period ended 15 December 2003 was $4,176,000 and $3,994,000, respectively. The following table presents the Company's estimate of amortisation expense for each of the five succeeding fiscal years for definite-lived intangibles:

	$'000
Two week period ending 31 December 2003	171
Year ended 31 December:	
2004	4,109
Year ending 31 December:	
2005	3,534
2006	658
2007	658
2008	548

4. Debt

In April 2002, the Company terminated its revolving line of credit with Foothill Capital Corporation. In connection with termination, Foothill Capital Corporation forgave $561,000 in accrued interest and fees. The Company paid $455,000 in termination fees. There were no amounts outstanding under the credit facility at the time of termination.

In April 2002, BCI negotiated an advanced funding programme facility with Textron Financial Corporation for an amount up to $20,000,000 subject to eligible accounts receivable from LECs related to BCI customers to which it advanced funds. Interest is payable monthly at the prime rate plus 2 per cent. per annum (6 per cent. at 15 December 2003), plus an annual commitment fee of $250,000. Principal was payable in April 2005, and the facility was subject to an early termination fee of $400,000. The facility was secured by substantially all of the assets of BCI and guaranteed by the Parent under certain circumstances. The facility also contained certain covenants that required BCI to maintain certain financial ratios related to cash collections and working capital as defined in the agreement, limit certain payments and transfers to affiliates, and limit additional indebtedness. At 31 December 2002, the outstanding balance was $14,478,000. As of 15 December 2003, the outstanding balance was $5,325,000 and zero was available to be borrowed. Subsequent to 15 December 2003, the outstanding balance was repaid and the facility was terminated.

5. Commitments

The Company leases certain office space and equipment under various operating leases. The Company also subleases certain of its office space to others under various operating leases. Annual future minimum lease commitments as of 15 December 2003, are as follows:

	Facilities and Equipment Commitments $'000	*Subleases $'000*	*Net Commitments $'000*
Two week period ended 31 December 2003	106	25	81
Year ended 31 December:			
2004	2,214	599	1,615
Year ending 31 December:			
2005	2,109	599	1,510
2006	1,631	599	1,032
2007	517	50	467
2008	70	—	70
Total	6,647	1,872	4,775

Rental expense, net of sublease income, under these operating leases was $1,300,000 and $1,176,000 for the year ended 31 December 2002 and the period ended 15 December 2003, respectively.

6. Contingencies

One of the Company's subsidiaries was engaged in discussions with the staff of the Federal Trade Commission's ("FTC") Bureau of Consumer Protection regarding a proposed complaint by the FTC alleging potential liability arising primarily from the alleged "cramming" of charges for nonregulated telecommunication services by certain of the Company's customers. Cramming is the addition of charges to a telephone bill for programs, products, or services the consumer did not

knowingly authorise. Subsequently, the Company settled with the FTC in the amount of $350,000, which related to fines levied by the FTC. The ruling was approved on 8 August 2001. In addition to the fine, the Company agreed to adhere to operating standards set forth by the FTC and is subject to information reporting requirements through August 2004. The scope to which these standards were set is well within the Company's current operating procedures. Therefore, the Company expects no material adverse effects on its results of operations as a result of this settlement.

The Company is involved in various other claims, legal actions, and regulatory proceedings arising in the ordinary course of business. The Company believes it is unlikely that the final outcome of any of the claims, litigation, or proceedings to which the Company is a party, including those described above, will have a material adverse effect on the Company's financial position or results of operations; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations for the fiscal period in which such resolution occurs.

7. 401(k) Retirement Plan

Participation in the Company's 401(k) Retirement Plan ("Retirement Plan") is offered to eligible employees of the Company. Generally, all employees of the Company who are 21 years of age or older and who have completed six months of service during which they worked at least 500 hours are eligible for participation in the Retirement Plan. The Retirement Plan is a defined contribution plan, which provides that participants may make voluntary salary deferral contributions, on a pretax basis, of between 1 per cent. and 19 per cent. of their compensation in the form of voluntary payroll deductions, subject to annual Internal Revenue Service limitations. The Company matches 100 per cent. of the first 5 per cent. of a participant's contributions and may make additional discretionary contributions. During the year ended 31 December 2002 and period ended 15 December 2003, the Company's matching contributions totaled approximately $270,000 and $212,000, respectively. No discretionary contributions were made.

8. Related Party Transactions

During the year ended 31 December 2002 and period ended 15 December 2003, the Company paid $9,300,000 and $19,525,000, respectively, of management fees to Platinum for management services, including insurance administration, 401(k) benefit plan administration, legal services, and financial management consultation services. Also during 2002 and 2003, the Company reimbursed Platinum $310,000 and $575,000, respectively, for expenses paid on its behalf.

In January 2001, BCI entered into a promissory note receivable with Platinum for funds advanced in the amount of $57,590,834. The note receivable bore interest at 5.73 per cent. per annum and was due in January 2003. On 1 January 2003, BCI extended the due date for the unpaid principal outstanding to January 2004. In December 2003, Platinum repaid to the Company all remaining outstanding principal and interest amounts. BCI recorded interest income of $3,300,000 and $1,627,000 on the note receivable for the year ended 31 December 2002 and period ended 15 December 2003, respectively, which is included in interest income in the consolidated statements of operations.

As of 31 December 2002, the Company had a net payable in the amount of $1,044,000 related to the above described transactions and as of 15 December 2003, had a net receivable due from Platinum in the amount of $28,000.

Operator Service Company ("OSC"), an affiliated entity at 31 December 2002 and 15 December 2003, provides end-user customer inquiry services to the Company. During the year ended 31 December 2002 and period ended 15 December 2003, the Company recorded $7,896,000 and $6,891,000 of expenses related to these services, which are included in selling, general and administrative expenses in the consolidated statements of operations. The Company provides billing services to OSC and recorded revenues for such service totalling $76,000 and $65,000 for the year ended 31 December 2002 and period ended 15 December 2003, respectively. In addition, the Company provides marketing and directory services to OSC. During the year ended 31 December 2002 and period ended 15 December 2003, $280,000 and zero, respectively, for

such services has been recorded as a reduction of selling, general and administrative expenses in the consolidated statement of operations. At 31 December 2002 and 15 December 2003, the Company had a net payable to OSC totalling $1,176,000 and $594,000, respectively.

Matrix Telecom Inc. ("Matrix"), an affiliated entity at 31 December 2002 and 15 December 2003, provides toll-free and long distance telephone services to the Company. During the year ended 31 December 2002 and period ended 15 December 2003, the Company recorded $1,008,000 and $966,000, respectively, of expenses related to these services, which are included in selling, general, and administrative expenses in the consolidated statements of operations. The Company provides billing services to Matrix and recorded revenues for such service totalling $553,000 and $406,000 for the year ended 31 December 2002 and period ended 15 December 2003, respectively. At 15 December 2003, the Company had a net payable to Matrix totalling $103,000.

In 2003, the Company declared distributions of $37,209,000, which were paid in cash to BC Holdings, LLC, which in turn declared a distribution to Platinum.

In July 2003, Platinum entered into a $50 million revolving credit facility with a financial institution. In connection with this credit facility, Platinum pledged the stock of several of its wholly owned subsidiaries, including all of the stock of BCI, as collateral. This credit facility was terminated in connection with BCI Acquisition, LLC's acquisition of the Company on 15 December 2003.

9. Subsequent Events

As of the close of business on 15 December 2003, BCI Acquisition, LLC, a newly formed indirect subsidiary of Billing Services Group, LLC ("BSG"), acquired all of the outstanding capital stock of BC Holding I Corporation for a cash purchase price of $100 million, plus the repayment in full of existing indebtedness and closing costs.

The purchase was funded through the borrowing of $50 million in senior debt, $25 million in subordinated debt and the issuance of $33 million in BSG preferred stock. The credit agreements governing the borrowing of the senior and subordinated debt contain repayment terms, representations, warranties, covenants, and events of default that are customary for transactions of this nature. The accompanying financial information has been prepared on an historical basis and does not include any adjustments resulting from the acquisition.

Yours faithfully

Ernst & Young LLP

PART IV

Pro Forma Statement of Net Assets

The unaudited pro forma statement of net assets set out below has been prepared for the purposes of illustration only and may not, because of its nature, give a true picture of the financial position of the Group. It is based on the consolidated balance sheet of the Group as at 31 December 2004 extracted without material adjustments from the Accountants' Report as set out in Part III B of this document, adjusted to reflect the proceeds of the Placing.

	As at 31 December 2004 $'000	*Pro forma adjustments $'000*	*Notes*	*Pro forma net assets $'000*
Assets				
Current assets:				
Cash and cash equivalents	76,313	140,000	(1)	75,822
		(67,606)	(2)	
		(2,800)	(4)	
		(71,000)	(5)	
		915	(6)	
Accounts receivable	24,757	—		24,757
Purchased receivables	26,647	—		26,647
Deferred taxes – current	1,255	—		1,255
Income tax receivable	537	—		537
Prepaid expenses and other current assets	516	—		516
Total current assets	130,025	(491)		129,534
Property and equipment	16,719	—		16,719
Less accumulated depreciation and amortisation	(4,128)	—		(4,128)
Net property and equipment	12,591	—		12,591
Intangible assets	77,325	—		77,325
Goodwill	36,619	—		36,619
Deferred finance costs	2,970	(2,970)	(3)	2,800
		2,800	(4)	
Other assets	457	—		457
Total assets	259,987	(661)		259,326
Liabilities and Member's Equity				
Current liabilities:				
Trade accounts payable	14,536	—		14,536
Third-party payables	108,265	—		108,265
Accrued liabilities	17,782	—		17,782
Current portion of senior debt payable	15,250	(15,250)	(2)	—
First lien debt	—	10,000	(1)	10,000
Second lien debt	—	400	(1)	400
Note payable	90	—		90
Total current liabilities	155,923	(4,850)		151,073
Senior debt, net of current portion	24,500	(24,500)	(2)	—
Subordinated debt	27,856	(27,856)	(2)	—
First lien debt	—	90,000	(1)	90,000
Second lien debt	—	39,600	(1)	39,600
Other long-term debt	38	—		38
Deferred taxes – non-current	2,556	—		2,556
Other liabilities	9,642	—		9,642
Total liabilities	220,515	77,244		292,909
Member's equity:				
Member's capital	34,085	915	(6)	(33,217)
		(68,583)	(5)	
Retained earnings	5,387	(2,970)	(3)	—
		(2,417)	(5)	
Total member's equity	39,472	(73,055)		(33,217)
Total liabilities and member's equity	259,987	(661)		259,326

Notes

The pro forma statement of net assets has been prepared on the following basis:

1. Funds received from refinancing of $140 million, comprising first lien debt of $100 million and second lien debt of $40 million.
2. Repayment of the existing bank and other investor loans of $67.606 million, comprised of current portion of senior debt payable ($15.25 million), senior debt, net of current portion ($24.5 million) and subordinated debt ($27.856 million). The actual repayment at 27 April 2005 was less than the $67.606 million shown above by the amount of principal repayments made and interest accruing during the period from 31 December 2004 to 26 April 2005.
3. Write off of deferred finance costs of $2.97 million.
4. Payment of transaction expenses of $2.8 million arising from the refinancing.
5. Payment of dividend to shareholders of $71 million, applied first to bring retained earnings to NIL, with the balance of $68.6 million charged to member's capital.
6. Net proceeds received from the Placing of $0.915 million.
7. No adjustment has been made to reflect the trading results of the Group since 31 December 2004.

PART V

Additional Information

The Directors of the Company, save for Timothy Counsell, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of the Company (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.

1. Incorporation and principal activities

1.1 The Company was incorporated and registered in Bermuda on 13 May 2005 as an exempted company limited by shares with the name Billing Services Group Limited and with registration number EC 36839.

1.2 The Company's registered office and principal place of business is located at Canon's Court, 22 Victoria Street, Hamilton, HM 12 Bermuda.

1.3 The Company is a company limited by shares and accordingly the liability of the members of the Company is limited.

1.4 The sole activity of the Company is to act as a holding company for the Group. The Company is prohibited by its constitution from directly engaging in a US trade or business.

1.5 The principal legislation under which the Company operates is the Act and regulations made thereunder.

1.6 The Company has no principal place of business in the UK.

2. Company and share capital

2.1 The Company was incorporated with an authorised share capital of $12,000 divided into 12,000 common shares of $1.00 each of which 12,000 shares were subscribed for by Evolution Securities.

2.2 Pursuant to a sole shareholder resolution by Evolution Securities and a directors resolution, each duly adopted on 8 June 2005, the authorised share capital of the Company was increased from $12,000 to $350,000,000 by the creation of an additional 349,988,000 Common Shares to satisfy the Company's obligations to issue new Common Shares pursuant to the Share Exchange Agreement, the Placing Agreement and the Stock Option Plans.

2.3 As at the date of this document and immediately following the Placing and Admission, the authorised and issued share capital of the Company is and will be as follows:

	Authorised Share capital Number	*$*	*Issued (fully paid) Share capital Number*	*$*
Current Common Shares	350,000,000	350,000,000	12,000	12,000
On Admission Common Shares	350,000,000	350,000,000	182,604,483	182,604,483

2.4 At a meeting of the Board of Directors held on 8 June 2005, the Directors approved the issue of the Common Shares pursuant to the Share Exchange Agreement and the issue and transfer of the Placing Shares at the Placing Price to Evolution Securities and otherwise on the terms of the Placing Agreement and Sellers Placing Agreement.

2.5 Save in connection with the Placing and as otherwise disclosed herein, no share or loan capital of the Company is currently proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.

2.6 On Admission the Placing Shares will rank *pari passu* in all respects with the existing Common Shares including the right to receive all dividends and other distributions declared, made or paid after Admission on the issued share capital.

3. Memorandum of Association and Bye-Laws

3.1 The principal objects and powers of the Company are set out in its memorandum of association and include the following: namely to act as a holding company.

The rights attaching to the Common Shares are set out in the Bye-laws of the Company. The Bye-laws, which were adopted on 8 June 2005, contain, *inter alia*, provisions to the following effect:

3.2 *Rights Attached to Share Capital*

The holders of the Common Shares (subject to the other provisions of the Bye-laws) are:

(i) entitled to one vote per share;

(ii) entitled to receive notice of, and attend and vote at, general meeting of the Company;

(iii) entitled to dividends or other distributions; and

(iv) in the event of a return of assets on liquidation, reduction of capital or otherwise, are entitled to be paid the surplus assets of the Company remaining after payment of its liabilities (subject to the rights of holders of any preferred shares in the Company then in issue having preferred rights on the return of capital) in respect of their holdings of Common Shares *pari passu* and pro rata to the number of Common Shares held by each of them.

3.3 *Modification of Rights*

Subject to the Act, all or any of the special rights for the time being attached to any class of shares may, unless otherwise provided in the rights attached to the terms of issue of the shares of that class, be altered or abrogated with the consent in writing of the holders of not less than seventy five per cent. of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of such shares voting in person or by proxy.

3.4 *Alteration of Capital*

The Company may, if authorised by a resolution of the Shareholders, increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act, or allot and issue shares which do not carry voting rights. Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks expedient.

3.5 *Transfer of Shares*

All transfers of shares may be effected by an instrument of transfer in writing in any usual or common form or in such other form as the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and (where any share is not fully paid) the transferee. The Directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share which is not a fully-paid share.

The Bye-laws do not contain any restriction on the transferability of fully paid shares provided that the Company has no lien over such shares, the instrument of transfer is in favour of not more than five joint transferees and is in respect of only one class of share, is duly stamped (if so required) and the Directors are satisfied that all applicable approvals under Bermudian law (and the law of any other applicable jurisdiction) required to be obtained prior to such transfer has been obtained.

3.6 *Pre-emption on new issues of Common Shares*

Shareholders do not have pre-emption rights under the Bye-laws or the Act over further issues of any class of shares in the Company.

3.7 *Dividends and other distributions*

The Company may by resolution of the Directors (subjet to its constitutional documents and the Act), declare a dividend to be paid to Shareholders, in accordance with their respective rights, and their interests, in the profits available for distribution. Such dividend may be paid in cash or wholly or partly by the distribution of specific assets and may fix the value for distribution for dividend purposes of any such specific assets. The Directors may, with the sanction of a resolution of the Shareholders, offer Shareholders the right to elect to receive in respect of all or part of their holdings of Common Shares additional Common Shares in the Company, credited as fully paid, instead of cash in respect of all or part of a dividend.

3.8 *Directors*

(a) The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Board may from time to time determine. Directors may also be paid all reasonable travel, hotel and incidental expenses properly incurred by them in connection with the business of the Company or their duties as Directors generally.

(b) The Directors may (by the establishment of schemes or otherwise) provide additional benefits for any past or present director of the Company and for any member of such person's family.

(c) The Board may appoint one or more of its body to be a managing director or to hold any other employment or executive office with the Company for such period and on such terms as it may determine.

(d) Subject to the provisions of the Act, a Director may, notwithstanding his office, be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested and be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is interested.

(e) So long as, where it is necessary, he declares the nature of his interest at the first opportunity at a meeting of the Board or by writing to the Directors as required by the Act, a Director shall not by reason of his office be accountable to the Company for any benefit which he derives from any office or employment to which the Bye-laws allow him to be appointed or from any transaction or arrangement in which the Bye-laws allow him to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any interest or benefit.

(f) A Director who is interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of Directors or by writing to the Directors as required by the Act.

3.9 *Powers of Board*

The Board has wide powers of management of the Company, including hiring employees, borrowing funds and giving security for such borrowings, paying expenses and appointing agents.

3.10 *Notification of interests in shares and Disenfranchisement*

Shareholders are required under the Bye-laws to notify the Company whenever they (or any person who is interested in any shares held by them) become interested in shares in the capital of the Company representing more than 3 per cent. or more of the issued share capital of any class of shares of the Company, and of any change in their interests above that percentage amounting to 1 per cent. or more of the issued share capital of any class of share of the Company. If any Shareholder fails to comply with these requirements, the Board may, by notice to the holder of the shares, suspend their rights as to voting, dividends and transfer for so long as the default continues. Additionally, the Company may require any member to confirm the particulars of his past or present interest in shares in the Company.

3.11 *Return of Capital*

The Board may resolve to capitalise all or any part of any amount standing to the credit of any reserve or fund which is available for distribution or to the credit of any share premium account and that such amount be set free for distribution amongst the Shareholders who would be entitled thereto if distributed by way of dividend and in the same proportions.

Capital may also be returned by way of a reduction of capital pursuant to Section 46 of the Act, or by way of a distribution of contributed surplus pursuant to Section 54 of the Act. Further the Company has power pursuant to Section 42 of the Act to issue redeemable preference shares, and also to repurchase its Common Shares pursuant to Section 42A of the Act.

4. Exchange controls and the Takeover Code

4.1 An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the BMA. Where a company is so designated, it is free to deal in currencies of any other country outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the BMA is required for the issue of any securities (such as shares, warrants or options) by the Company and the subsequent transfer of such securities. In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the Company can issue or transfer any further securities in excess of the amounts already approved, it must obtain the prior consent of the BMA. The Company has obtained the permission of the BMA for the free transferability of all Common Shares currently issued or to be issued or transferred on or after Admission. Permission of the BMA will normally be granted for the issue and transfer of the Common Shares without specific consent for so long as the Common Shares are listed on an appointed stock exchange (as defined in the Act). AIM is an appointed stock exchange for these purposes.

4.2 The Company is not subject to the UK City Code on Takeovers and Mergers (the "City Code") and the rules governing substantial acquisitions of shares. Accordingly, any person or persons acting in concert will be able to acquire shares in the Company which, when taken together with the shares already held by them, carry 30 per cent. or more of the voting rights in the Company without being required to make general offer for the entire issued share capital of the Company. Additionally, any party intending to acquire all or a substantial part of the issued share capital of the Company will not be obliged to comply with the provisions of the City Code as to announcements, equality of treatment for shareholders as to the value and type of consideration offered, and will not be subjected to the scrutiny and sanctions of the Panel on Takeovers and Mergers.

The following provisions of the Act apply in relation to acquisition of 90 per cent. or 95 per cent. of the shares of a Bermuda company:

(a) Section 102 of the Act has application where a scheme or contract involving the transfer of shares has been approved by the holders of 90 per cent. of the shares of a Bermuda company to be transferred within four months of the offer. The offeror can then give notice in the prescribed form to any dissenting shareholder(s) that it desires to acquire their shares, and upon such notice being given to the offeror, unless on an application made by the dissenting shareholder (within one month from the date on which the notice was given) the Supreme Court thinks fit to order otherwise, shall be entitled and bound to mandatorily acquire the dissenting shareholder(s) holdings; and

(b) Under section 103 of the Act, a holder of 95 per cent. of the shares of a Bermuda company can, on giving notice to the minority shareholders, force them to sell their interest to the 95 per cent. shareholders provided that the terms offered are the same

for all of the holders of the shares whose acquisition is involved. The 5 per cent. shareholders can apply to the Supreme Court for an appraisal of their shares. Once notice has been given, the acquiring shareholder is bound to acquire the outstanding shares on the terms set out in the notice.

5. Directors' and other interests

5.1 The interests of the Directors and the persons connected with them, (within the meaning of the Bye-laws) in the Common Shares as at the date of this document and as expected to be on Admission, all of which are beneficial, are as follows:

	As at date hereof		*On Admission*		
Directors:[1,4]	*No. of Common Shares*	*Percentage of issued share capital*	*No. of Common Shares*	*Percentage of enlarged issued share capital*	*Options over Common Shares*
Patrick J. Haynes III[2]	10,691	8.0%	14,432,850	7.9	7,304,179
Michael J. Labedz	6,409	4.8%	8,652,150	4.7	3,652,090
Norman M. Phipps[3]	6,409	4.8%	8,652,150	4.7	3,652,090
Patrick Heneghan	Nil	Nil	Nil	Nil	913,022
Philip Dance	Nil	Nil	Nil	Nil	Nil
Leighton W. Smith	Nil	Nil	Nil	Nil	913,022
Peter Walker	Nil	Nil	Nil	Nil	913,022
Timothy Counsell	Nil	Nil	Nil	Nil	Nil
J. Alan Lindauer	Nil	Nil	Nil	Nil	913,022

Notes:

1. The Directors' interests in this table are derived from the Share Exchange Agreement which will complete on Admission.
2. Mr Haynes' interest in the Company is held through Waveland LLC. Mr Haynes owns 100 per cent. of the issued share capital of Waveland LLC.
3. Mr Phipps' interest in the Company is held through Phipps & Company LLC. Mr Phipps owns 100 per cent. of the issued share capital of Phipps & Company LLC.
4. The following Directors have interests in Avery Holdings LLC, which holds 15,000 Common Shares as at the date hereof: Mr Haynes (34.6 per cent.), Mr Phipps (1.8 per cent.), Mr Labedz (3.9 per cent.), Mr Smith (1 per cent.) and Mr Lindauer (1 per cent.).

5.2 Save as disclosed in paragraph 5.1 and this paragraph 5.2, the Directors are not aware of any interest in the Company's share capital which, immediately following the Placing and Admission, would amount to 3 per cent. or more of the Company's issued share capital.

	As at date hereof		*On Admission*		
Name[1]	*Number of Common Shares at the date hereof*	*Percentage of the issued share capital at the date hereof*	*Number of Common Shares on Admission*	*Percentage of Enlarged Issued Share Capital*	*Options over Common Shares*
ABRY	79,664	59.9%	Nil	Nil	Nil
Avery Holdings LLC	15,000	11.3%	20,250,000	11.1	Nil
Robert T. Isham, Jr.[2]	4,580	3.4%	6,183,000	3.4	Nil

Notes:

1. The shareholdings in this table are derived from the Share Exchange Agreement which will complete on Admission.
2. Mr Isham owns 1 per cent. of the issued share capital of Avery Holdings LLC.

5.3 Save as disclosed herein and so far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

5.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors or their connected persons.

5.5 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year which remains in any respect outstanding or unperformed.

6. Directors' service agreements

6.1 *Executive Directors*

The following agreements have been entered into between the executive Directors and Billing Concepts, Inc.:

Patrick J Haynes III

(a) an employment agreement with Patrick J Haynes III dated 9 June 2005, pursuant to which Mr Haynes will be employed as Chief Executive Officer.

(b) Pursuant to the agreement, Mr Haynes' gross annual salary will be $700,000. In addition, he will be eligible to participate in a bonus programme based on performance targets as determined and approved by the remuneration committee.

(c) In addition Mr Haynes will have the right to participate in an occupational pension scheme and will be entitled to a car allowance of $1,500 per month and normal health and welfare benefits.

(d) If the employment of Mr Haynes is terminated, the notice period will be one year.

Norman M Phipps

(a) an employment agreement with Norman M Phipps dated 9 June 2005, pursuant to which Mr Phipps will be employed as the Chief Financial Officer.

(b) Pursuant to the agreement, Mr Phipps' gross annual salary will be $400,000. In addition, he will be eligible to participate in a bonus programme based on performance targets as determined and approved by the remuneration committee.

(c) In addition, Mr Phipps will have the right to participate in an occupational pension scheme and will be entitled to a car allowance of $1500 per month and normal health and welfare benefits.

(d) If the employment of Mr Phipps is terminated, the notice period will be one year.

Michael J Labedz

(a) an employment agreement with Michael J Labedz dated 9 June 2005, pursuant to which Mr Labedz will be employed as President and Chief Operating Officer.

(b) Pursuant to the agreement, Mr Labedz's gross annual salary will be $400,000. In addition, he will be eligible to participate in a bonus programme based on performance targets as determined and approved by the remuneration committee.

(c) In addition, Mr Labedz will have the right to participate in an occupational pension scheme and will be entitled to a car allowance of $1500 per month and normal health and welfare benefits.

(d) If the employment of Mr Labedz is terminated, the notice period will be one year.

6.2 *Non-Executive Directors*

(a) Each of the non-executive directors (being Messrs Heneghan, Dance, Smith, Walker and Lindauer) entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company for a fee of £50,000 per annum (save for Patrick David Heneghan who will receive a fee of £60,000 for his services as Chairman of the Board and Philip Dance who will not receive any remuneration for his services as a non-executive Director). The appointment is subject to retirement by rotation in accordance with the Company's Bye-laws and is terminable by 1 month's notice on either side.

6.3 *Aggregate Remuneration*

The aggregate of the remuneration paid and benefits in kind (including pension contributions) granted to the Directors by the Company and its subsidiary undertakings during the financial year ended 31 December 2004 was $1.6 million. The aggregate of the remuneration payable and benefits in kind (including pension contributions) to be granted by the Group to the Directors for the financial period ending 31 December 2005 under the arrangements in force at the date of this document is estimated to be approximately $3.1 million.

7. Additional Information on the Board

7.1 In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document.

Director	*Current Directorships or partnerships*	*Past Directorships/Partnerships*
Patrick David Heneghen	Dublin International Piano Competition (EIRE)	Heneghan Public Relations (EIRE) Arthritis Foundation of Ireland (EIRE)
Patrick J Haynes III	Waveland LLC Haynes Interest LLC Thurston Interests LLC Thurston Partners LLC Avery Holdings LLC	Avery Communications, Inc Thurston Holdings LLC
Michael J Labedz		Avery Communications, Inc
Norman M Phipps	Phipps and Company LLC	LogiMetrics Inc Avery Communications, Inc Phipps, Teman & Company LLC (Partnership)
Philip Dance	BT Group Cramer	Apsolve Azure Solutions
Leighton W Smith	CAE The Wornick Company McNeil Technology DynCorps International Leighton Smith Associates Inc. Global Perspectives Inc. Avery Holdings LLC	O'Sullivan Vanguard Airlines Avery Communications, Inc. Integrated Defense Technologies Vertex LLC
Peter S. Walker		Tribune Broadcasting
J. Alan Lindauer	Avery Holdings LLC Towne Bank Towne Bank Financial Services Towne Bank Insurance Waterside Capital Corp Waterside Management Inc. Towne Bank, Inc.	Waterside Management Commerce Bank of Virginia BB&T Bank BB&T Holding Co. of Va, Inc. Citizens Trust Bank Avery Communications, Inc.

7.2 Timothy Counsell is a director of the Company at the date of this document but will resign his directorship immediately prior to Admission. As such, and with the consent of the AIM Team of the London Stock Exchange, he does not accept responsibility for this document as would otherwise be required by Regulation 13 of the POS Regulations. Mr Counsell, also with the approval of the AIM Team of the London Stock Exchange, is not required to list in

this document current or past directorships as in the opinion of Evolution Securities these are not material in the context of Admission. Mr Counsell has confirmed that, as far as he is aware, there are no matters which should be disclosed in this document pursuant to paragraph (f) of Schedule 2 to the AIM Rules in relation to any trading company of which he is or has been a director.

7.3 Other than as disclosed in paragraph 7.4 below, at the date of this document none of the Directors has:

(a) had any unspent convictions in relation to indictable offences;

(b) been declared bankrupt or entered into an individual voluntary arrangement;

(c) been a director of any company at the time or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;

(d) been a partner in a partnership at the time of, or within twelve months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of any such partnership;

(e) had his assets the subject of any receivership or has been a partner of a partnership at the time of or within the 12 months preceding, any assets thereof being the subject of a receivership; or

(f) been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has 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.

7.4 Leighton W Smith became a director of Vanguard Airlines, Inc. a value-priced airline. On 30 July 2002, Vanguard Airlines filed for Chapter 11 bankruptcy. A Chapter 11 plan in respect of Vanguard Airlines, Inc was filed in the courts of the Western District of Missouri, but is still pending. There are approximately 4,716 creditors in the case.

8. Share Options Plans

8.1 The Board adopted a share option plan on 8 June 2005 which is called the Billing Services Group Limited Share Option Plan. The board of directors of Thurston adopted a substantially similar share option plan on 8 June 2005 which is called the Thurston Communications Corporation Stock Option Plan.

8.2 The Share Option Plans have been set up to enable certain Directors and employees of the Group to be granted options to acquire Common Shares of the Company ("Options"). As at 9 June 2005, the date of this document, the following Options had been granted.

Amount of Options	*Percentage of total issued share capital*	*Exercise Period*	*Exercise price*
18,260,447	10.0	from 15 June 2008	74.5p

8.3 The main features of the Share Option Plans (which are not approved by the UK Inland Revenue) are summarised below:

(a) *Eligibility*

Options may be granted under the Share Option Plans at the discretion of the remuneration committee (the "Remuneration Committee") to any director or employee of the Group (the "Option holder").

(b) *Scheme limit*

The Option holders shall be granted Options to purchase up to 10 per cent. of the issued Common Shares available at the date of Admission (the "Initial Option"). The Options that may be granted under the Share Option Plans from time to time are limited to 10 per cent. of the issued common share capital at the time of grant.

(c) *Grant of options*

Options may be granted at any time during the period of 42 days following the date of publication of the Company's results and at any other time, at the discretion of the Remuneration Committee.

No Option may be granted after the tenth anniversary of the adoption of the Share Option Plans.

(d) *Exercise price*

The price payable per Common Share on the exercise of an Option (the "Exercise Price") shall be equal to or greater than the Fair Market Value ("FMV") of the Common Shares on date the Option is granted. The FMV shall be the last reported sales price on the day immediately preceding the date of grant such other price as determined by the Remuneration Committee at the date of grant. The Exercise Price shall not in any circumstances be less than the nominal value of a Common Share.

In the event of a variation of the share capital of the Company, the Remuneration Committee may make such adjustments as it considers appropriate in its absolute discretion.

(e) *Exercise of Options*

The Initial Options will vest when the FMV of a Common Share reaches 149.0 pence (being a 100 per cent. increase on the Placing Price) but will not be exercisable (save as described below) unless the Optionholder remains in the employment of the Group for a period of 3 years from the date of Admission.

If there is a change of control in the Company the criteria for vesting and exercise will change so that the options will vest if the share price has increased by that proportion of 74.5 pence that is represented by the number of days from Admission to the change of control event expressed as a percentage of 1,095 (being the number of days in a 3 year period) and will be immediately exercisable subject, as above, to the Optionholder still being in the employment of the Group.

(f) *Amendment and Termination*

The Share Option Plans may be altered or terminated at any time, save that a termination or amendment which materially impairs the rights of subsisting Option holders shall not be made unless the Option holder consents or it is necessary to comply with any rules or regulations applicable to such Options.

9. Group Structure

9.1 The Company will on Admission and completion of the arrangements contemplated by the Share Exchange Agreement have the following subsidiaries incorporated in the following jurisdictions of which it owns 100 per cent. of the issued share capital either directly or indirectly:

Name of subsidiary	*Place of Incorporation*	*Date of Incorporation*	*% Owned*
Billing Services Group, LLC	USA (Delaware)	6 October 2003	100%
Thurston Communications Corporation	USA (Delaware)	2 March 2000	100%
BCI Acquisition, LLC	USA (Delaware)	6 October 2003	100%
Billing Concepts, Inc.	USA (Delaware)	12 January 1987	100%
Enhanced Services Billing, Inc.	USA (Delaware)	23 October 2000	100%
ACI Billing Services, Inc.	USA (Delaware)	5 November 1998	100%
HBS Billing Services Company	USA (Texas)	15 February 2000	100%

9.2 Of these companies Billing Services Group, LLC, Thurston Communications Corporation and BCI Acquisition, LLC are holding companies.

10. Property

Details of the principal establishments of the Group, all of which are leasehold, are set out below:

Tenant	*Address*	*Term*	*Current rent*
Billing Concepts, Inc.	2700 Patriot Boulevard Suite 150 Glenview, Illinois 60026	1 April 2003 – 31 May 2008	June 2004 to May 2005 $3,169[(1)] per month June 2005 to May 2006 $3,398[(1)] per month June 2006 to May 2007 $8,600[(1)] per month June 2007 to May 2008 $9,845[(1)] per month
Billing Concepts, Inc.	One Technology Center 7411 John Smith Drive Suite 200 San Antonio, Texas 78229	120 months from 1 February 1997	currently $2,102,665 per year

(1) plus operating expenses and real estate tax

11. Intellectual Property

11.1 Billing Concepts, Inc. is the registered owner of a patent in respect of the "system and method for using third party billing of point of sale transaction". Billing Concepts, Inc. and the other operating subsidiaries are also the registered owners of a number of trademarks. The Company's operating system is fundamental to the business of the Company. This system was developed by the Group and comprises a processing system and database.

11.2 Save as disclosed in paragraph 11.1 above, there are no trademarks, patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.

12. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, and taking into account the net proceeds from the Placing and Admission, the working capital available to the Group is sufficient for its present requirements, that is for at least the 12 months from the date of Admission.

13. Litigation

There are no legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company or any member of the Group which are having or may have a significant effect on the financial position of the Company.

14. Taxation of dividends

Taxation

The following paragraphs are intended as a general guide only for shareholders of the Company who are resident or ordinarily resident individuals or companies in the United Kingdom for tax purposes, who hold Common Shares of the Company as investments and not in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Owners of Common Shares who are in any doubt about their tax position, or who are subject to taxation in a jurisdiction other than the UK, should consult their own professional independent adviser immediately.

Taxation of Chargeable Gains

If a shareholder disposes of Common Shares, a liability to tax on chargeable gains may arise, depending on the shareholder's circumstances. In the case of individuals and trustees, the chargeable gain may be reduced as a result of taper relief, the amount of which depends on various factors, in particular the length of the period of ownership of the Common Shares. Companies are not entitled to taper relief but are eligible for indexation allowance which may also reduce the chargeable gain.

Dividends

Except in the case of shares held by individuals or companies dealing in shares, dividends paid by the Company will be assessable to income tax under Part 4 of the Income Tax (Trading and Other Income) Act 2005 or corporation tax under Schedule D Case V.

UK corporate shareholders holding 10 per cent. or more of the Company's share capital may be entitled to claim relief against UK Corporation Tax in respect of the Company's underlying tax. The extent to which such foreign tax may be set against a UK taxpayer's liability in the UK will depend on the particular circumstances of the taxpayer and the provisions of any double taxation convention then in force.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of relevant local tax law as to what relief or credit they may be entitled to in the jurisdiction in which they are resident.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax is payable on the transfer or issue of Common Shares by the Company to shareholders.

Any subsequent disposal or transfer on CREST of Common Shares by the shareholders by way of Depositary Interests will give rise to stamp duty reserve tax ("SDRT") generally at the rate of 0.5 per cent. of the amount or value of the consideration paid.

Certain Bermuda Tax Consequences

In the opinion of Messrs. Appleby Spurling Hunter, attorneys in Bermuda for the Company, there will be no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable in respect of the issue or delivery of the Common Shares pursuant to the Placing. In addition, as of the date of this document, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable in respect of capital gains realised on a disposition of Common Shares or in respect of distributions by the Company with respect to Common Shares. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966 an undertaking that, in the event of there being enacted in Bermuda any legislation imposing any tax computed on profits or income, including any dividend or capital gains withholding tax, or computed on any capital assets, gain or appreciation or any tax in the nature of an estate or inheritance tax or duty, the imposition of such tax shall not be applicable to the Company or any of its operations, nor to the Common Shares nor to obligations of the Company until the year 2016. This undertaking applies to the Common Shares. It does not, however, prevent the application of Bermuda taxes to persons ordinarily resident in Bermuda.

Certain US Tax Consequences

The Company will be a foreign (i.e. non-U.S.) partnership and each shareholder will be a partner of that partnership for U.S. federal income tax purposes. The Company's Bye-laws specifically limit the Company's ability to engage in any activity which would cause Non-U.S. shareholders to be subject to U.S. taxation. Further, to the extent that U.S. withholding tax is imposed on income derived by the Company, those U.S. taxes will be borne by the Company.

Prospective shareholders who are not otherwise subject to U.S. federal and state income tax should be aware that an investment in the shares of the Company could subject the shareholder to U.S. federal and perhaps state income tax on certain of the Company's income. Prospective shareholders who are otherwise subject to U.S. federal and state income tax should be aware that an investment in the shares of the Company could result in the recognition of taxable income for U.S. tax purposes prior to the receipt of any dividends (and potentially, in an amount in excess of any such dividends) and/or other adverse U.S. federal or state income tax consequences. The Company will endeavour to match such taxing events with distributions, but there can be no assurance that shareholders will not be subject to tax on income derived through the Company prior to receipt of any amount from the Company.

The Company has engaged tax advisers for the purposes of advising on future tax efficient structures. The Company believes that such structuring will cause future earnings from non-U.S. operations not to be subject to U.S. taxation or withholding. There can be no certainty that such structuring will achieve this objective and that the Internal Revenue Service will not challenge such a tax reporting position.

This discussion of U.S. Taxation is not intended to and does not address the U.S. tax implications of holding shares in the Company or of the Company's conduct of business. Prospective shareholders should discuss the relevant implications of U.S. taxation with their own tax advisors.

15. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or members of the Group within the two years immediately preceding the date of this document and are or may be material for disclosure:

15.1 On 9 June 2005, the Company, BSG LLC, Evolution Securities and the Directors entered into the Placing Agreement pursuant to which Evolution Securities will acquire all of the Placing Shares as principal at the Placing Price. Evolution Securities will use its reasonable endeavours to place such shares with institutional investors in the United Kingdom. The Placing Agreement is conditional, *inter alia*, on Admission taking place on or before 8.30 a.m. on 30 June 2005 (or such later date as Evolution Securities agree being not later than 8.30 a.m. on 30 June 2005). Under the Placing Agreement, the Directors have given undertakings as referred to under the heading "Lock-in Arrangements" in Part I of this document in relation to their interests in the Share Capital of the Company. In addition, the Company and the Directors have given certain warranties, *inter alia*, as to the accuracy of this document and the Company has given certain indemnities that are customary in an agreement of this kind.

Evolution Securities has agreed that they will only offer or sell the Placing Shares in Offshore Transactions. The Company has agreed that it will not sell any of its securities in the United States for a period of one year following the Admission and commencement of dealings in the Common Shares on AIM, except to certain large organisations and high net worth individuals (known as "Accredited Investors" as such term is defined in U.S. Regulation D promulgated under the U.S. Securities Act) and to employees of the Company in compliance with specific exemptions from registration under the U.S. Securities Act. In addition, each of the Company and Evolution Securities have agreed that they will not engage in any activities that would result in a Substantial U.S. Market Interest being created within one year following the Admission and commencement of dealings in the Common Shares on AIM. It is a term of the Placing that purchasers of Placing Shares from Evolution Securities also agree to be bound by such restrictions.

"Offshore Transaction" is defined in Rule 902(h) of U.S. Regulation S and for the purposes of the document means, subject to limited exceptions, an offer of Common Shares not made to a person in the United States and: (a) in the context of the Placing, the Company (or any director, executive officer, significant shareholder or any person acting on the Company's behalf including Evolution Securities) reasonably believes that the buyer is outside the United States; or (b) in the context of a resale by a Shareholder post Admission, that Shareholder (or any person acting on its behalf) reasonably believes that the buyer is outside the United States or the transaction is executed on the London Stock Exchange and neither the Shareholder nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States.

"Substantial U.S. Market Interest" is defined in Rule 902(j) of U.S. Regulation S and for the purposes of this document means the United States' securities markets (in the aggregate) constituted the single largest market for the Common Shares in the shorter of the Company's previous accounting period or the period since the Company's incorporation.

15.2 On 9 June 2005 the Company, Evolution Securities and the Selling Shareholders entered into the Sellers Placing Agreement pursuant to which the Selling Shareholders have

conditionally agreed to sell the Sale Shares to Evolution at the Placing Price. The Sellers Placing Agreement is conditional on the Placing Agreement becoming unconditional on or before 8.30 a.m. on 15 June 2005 (or such later date as Evolution Securities may agree being not later than 8.30 a.m. on 30 June 2005) and each Selling Shareholder has given warranties in favour of the Company, Evolution Securities and the other Selling Shareholder in respect of US securities laws. The Selling Shareholders have agreed that neither they nor any person acting on their behalf will make any offer or sale of the Company's securities in the United States unless such offers or sales that have been approved by the Company's outside U.S. securities counsel for a period of one year following the Admission and commencement of dealings in the Common Shares on AIM.

15.3 On 9 June 2005 Evolution Securities and the Company entered into a letter agreement under which Evolution Securities set out the services to be provided by Evolution Securities in connection with its roles as nominated adviser and broker to the Company following Admission. Under the agreement the Company agrees to pay Evolution Securities an annual retainer of £50,000 per annum for its services and gives undertakings and indemnities in favour of Evolution Securities which are customary in agreements of this kind.

15.4 By a share exchange agreement dated 16 May 2005 between the Company, BSG LLC and the members of BSG LLC, the members of BSG LLC agreed to exchange their membership intersts in BSG LLC for Common Shares. The consideration for the exchange of the members of BSG LLC's membership interests on Admission will be the issue to those members of 133,022 Common Shares in the Company pro rata to their membership interests in BSG LLC. The agreement is unconditional and provides that completion of the share exchange will occur on 1 September 2005 unless notice is given to BSG LLC by the Company to complete at an earlier date by giving 24 hour notice. BSG LLC has given notice to the Company that the exchange will be completed on Admission. By a resolution of the board of directors of the Company dated 8 June 2005 the number of Common Shares to be allotted on completion of the share exchange was increased so that for every membership interest exchanged the members of BSG LLC would receive 1,350 Common Shares.

15.5 On 27 April 2005, BCIA, the Operating Subsidiaries and certain lending institutions entered into a First Lien Credit and Guaranty Agreement (the "First Lien Agreement"), a First Lien Pledge and Security Agreement, a Second Lien Credit and Guaranty Agreement (the "Second Lien Agreement"), a Second Lien Pledge and Security Agreement and an Intercreditor Agreement (collectively, the "Loan Documents"). Pursuant to the Loan Documents, certain lending institutions loaned an aggregate amount of $150 million comprised of (i) a $10 million revolving credit facility (undrawn at closing); (ii) $100 million of first lien term loans; and (iii) $40 million of second lien term loans (collectively, the "Senior Loans"). BCIA guarantees repayment of the Senior Loans and the Senior Loans are collateralized by all of the assets and the stock of the Operating Subsidiaries. The borrowers under the First Lien Agreement and the Second Lien Agreement are each of the Operating Subsidiaries.

Outstanding Senior Loans bear interest at a premium to either of the lender's base rate or the reserve adjusted Eurodollar rate ("LIBOR"), at the Company's option. The applicable premiums are as follows:

	Base Rate Loans	*LIBOR Loans*
Revolver	Base + 2.00%	LIBOR + 3.00%
First Lien	Base + 2.00%	LIBOR + 3.00%
Second Lien	Base + 6.75%	LIBOR + 7.75%

Senior Loans outstanding under the First Lien Agreement are due in quarterly installments between June 30, 2005 and April 27, 2010. Senior Loans outstanding under the Second Lien Agreement are due in quarterly installments between June 30, 2005 and April 27, 2011. Required principal payments each year are as follows:

2005	$7,800,000
2006	10,400,000
2007	10,400,000
2008	10,400,000
2009	10,400,000
2010	52,900,000
2011	37,700,000
Total	$140,000,000

Senior Loans outstanding under the First Lien Agreement are prepayable without penalty. Senior Loans outstanding under the Second Lien Agreement carry a prepayment penalty of 2 per cent. if prepaid prior to the second anniversary and 1 per cent. if prepaid prior to the third anniversary.

The First Lien Agreement and the Second Lien Agreement both contain provisions for mandatory prepayment on the occurrence of the following events at BCIA's or the Operating Subsidiaries' levels and for the following amounts: (i) asset sales (100 per cent. of the net cash proceeds of the sale); (ii) insurance/condemnation proceeds (100 per cent. of the net insurance/condemnation proceeds received); (iii) equity issues (50 per cent. or 25 per cent. of any proceeds received from a capital contribution or any stock issuance depending on the leverage ratio); (iii) debt issues (100 per cent. of any proceeds received); (iv) consolidated excess cash flow (percentage dependent on leverage ratio).

The First Lien Agreement and the Second Lien Agreement both contain a number of affirmative and negative covenants. The affirmative covenants include covenants in respect of financial statements and reports, existence, payment of taxes, maintenance of properties, maintenance of insurance, allowance of inspections, holding of lenders meetings, compliance with laws, environmental matters, new subsidiaries and additional material real estate assets. The negative covenants include covenants relating to: indebtedness, liens, further negative pledges, restrictions on subsidiary distributions, investments, financial covenants, disposition of assets and acquisitions, disposal of subsidiary interests, sale and lease-backs, transactions with shareholders and affiliates and the conduct of business.

The following events constitute events of default under both the First Lien Agreement and the Second Lien Agreement: failure to make payments when due, default under other agreements, breach of certain covenants including negative covenants, breach of representations and warranties, insolvency events, judgments in excess of $1 million, dissolution, employee benefit plans resulting in a liability of the Operating Subsidiaries in excess of $1 million during the term, the guaranty and security ceasing to have effect and change of control. Neither the Admission nor Placing constitute any such event of default.

16. Crest and Depository Interest Arrangements

16.1 *Introduction*

CREST is a paperless settlement system allowing English law securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs.

With effect from Admission, it will be possible for CREST members to hold and transfer interests in Common Shares within CREST pursuant to a DI arrangement established by the Company. CREST is a voluntary system and holders of Common Shares who wish to receive and retain share certificates will also be able to do so. No temporary documents of title will be issued.

The Common Shares will not themselves be admitted to CREST. Instead a commonly-owned sister company of the Registrars, Capita IRG Trustees Limited, acting as depositary (the "Depositary"), will issue DIs in respect of the underlying Common Shares. The DIs will be independent securities constituted under English law which may be held and transferred through CREST. DIs will have the same international security identification number (ISIN) as the underlying Common Shares and will not require a separate application for admission to trading on AIM. The DIs will be created and issued pursuant to a deed poll (the "Deed Poll") entered into by the Depositary which will govern the relationship between the Depositary, and the holders of DIs.

Application has been made for the DIs in respect of the underlying Common Shares to be admitted to CREST with effect from Admission.

Holders of Common Shares in certificated form who wish to hold DIs through the CREST system may be able to do so and should contact the Registrars.

16.2 *Summary of the Deed Poll*

As mentioned above, the DIs will be created pursuant to and issued on the terms of the Deed Poll. The Deed Poll is executed by the Depositary, in favour of the holders of the DIs from time to time. Prospective holders of DIs should note that they will have no rights against CRESTCO or its subsidiaries in respect of the underlying Common Shares or the DIs representing them.

Common Shares will be transferred to an account of the Depositary or its nominated custodian (the"Custodian") and the Depositary will issue DIs to participating members.

Each DI will be treated as one Common Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to holders of DIs any stock or cash benefits received by it as holder of Common Shares on trust for such DI holder. DI holders will also be able to receive from the Depositary notices of meetings of holders of Common Shares and other information issued by the Company to the Shareholders to make choices and elections. In summary, the Deed Poll contains, *inter alia*, provisions to the following effect:

(a) The Depositary will hold (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or Custodian pertaining to the DIs for the benefit of the holders of the DIs. The Depositary will re-allocate securities or distributions allocated to the Depositary or the Custodian *pro rata* to the Common Shares held for the respective accounts of the holders of DIs but will not be required to account for fractional entitlements arising from such re-allocation.

(b) Holders of DIs warrant, *inter alia*, that the securities in the Company transferred or issued to the Depositary or Custodian on behalf of the Depositary for the account of the DI holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's articles of incorporation or by-laws or any contractual obligation, or applicable law or regulation binding or affecting such holder.

(c) The Depositary and any Custodian must pass on to DI holders, or exercise on their behalf, all rights and entitlements received by the Depositary or the Custodian in respect of the underlying securities. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall,

subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a holder to take up rights in the Company's securities requiring further payment, the holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

(d) The Depositary will be entitled to cancel DIs and treat the holders as having requested a withdrawal of the underlying securities in certain circumstances including where a DI holder fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems appropriate.

(e) The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary's liability to a holder of DIs will be limited to the lesser of:

    (i) the value of the shares and other deposited property properly attributable to the DIs to which the liability relates; and

    (ii) That proportion of £10 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £10 million.

(f) The Depositary is entitled to charge holders of DIs fees and expenses for the provision of its services under the Deed Poll.

(g) The holders of DIs are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to CRESTCo any interest, charges or penalties arising from nonpayment of stamp duty reserve tax in respect of such transaction.

(h) Each holder of DIs is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the DIs (and any property or rights held by the Depositary or Custodian in connection with the DIs) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent if such Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

(i) The Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of DI holders.

(j) The Depositary may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among

other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, delivery the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to holders of DIs in respect of their DIs.

(k) The Depositary or the Custodian may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Common Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Company's articles of incorporation and/or by-laws require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the holders of DIs are to comply with the Company's instructions with respect thereto.

It should also be noted that holders of DIs may not have the opportunity to exercise all of the rights and entitlement available to holders of Common Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of DIs to give prompt instructions to the Depositary to vote the underlying shares on their behalf.

17. General

17.1 The gross proceeds of the Placing to the Company are expected to be £2.2 million. The total costs and expenses relating to Admission and the Placing are payable by the Company and are estimated to amount to approximately £1.7 million (excluding VAT).

17.2 The minimum amount which, in the opinion of the Directors, must be raised by the Company under the Placing to provide the sums required in respect of the matters specified in paragraph 21(a) of Schedule 1 to the POS Regulations is £112,000, which will be applied as follows:

(a) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the Placing – £nil;

(b) any preliminary expenses payable by the Company and any commission so payable to any person in connection with the Admission and in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscriptions for, any Common Shares – approximately £112,000 (excluding VAT);

(c) the repayment of any money by the Company of any indebtedness – £nil; and

(d) working capital – £nil.

There are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in this paragraph 17.2.

17.3 Evolution Securities Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

17.4 Ernst & Young LLP has given and not withdrawn its written consent to the inclusion of their accountants' reports in the form set out in Part III of this document and references to its name in the form and context in which it appears and accepts responsibility for such report in accordance with regulation 13(1)(d) and paragraph 45(8)(b) of Schedule 1 to the POS Regulations.

17.5 Other than the current application for Admission, the Common Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings

in such Common Shares. Each of the Company, Evolution Securities and purchasers from Evolution Securities have agreed that they will not engage in any activities that would result in a "substantial U. S. market interest", as such term is defined in Rule 902(j) of Regulation S, being created within one year following the Admission and commencement of dealings in the Common Shares on AIM.

17.6 The financial year end of the Company is 31 December.

17.7 There are no investments in progress of the Group which are or may be significant.

17.8 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or customer dealing with members of the Group) has:

(a) received, directly or indirectly, from any member of the Group within 12 months (not otherwise disclosed in this document) preceding the application for Admission; or

(b) entered into contractual arrangements to receive, directly or indirectly, from any member of the Group on or after Admission, any of the following:

(i) fees totalling £10,000 or more;

(ii) securities in the Company with a value of £10,000 or more, calculated by reference to the price of the Placing Price; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

17.9 The price of the Placing Shares represents a premium of approximately $0.36 over the nominal value of the Common Shares of $1.00.

17.10 It is expected that definitive share certificates will be dispatched by hand or first class post by 30 June 2005. No temporary documents of title will be issued. In respect of depositary interests it is expected that Shareholders' CREST stock accounts will be credited on 15 June 2005.

17.11 Save as disclosed in this document, there has been no material change in the financial or trading position of the Company since its incorporation or any exceptional factors which have influenced its activities.

17.12 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters issued by Evolution Securities Limited until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 9.30 a.m. on 15 June 2005, or such later date as the Company and Evolution Securities Limited may agree, being no later than 30 June 2005, application monies will be returned to the relevant applicant at the relevant applicant's sole risk without interest.

18. Availability of this document

Copies of this document will be available to the public free of charge from Evolution Securities at 9th Floor, 100 Wood Street, London EC2V 7AN during normal office hours, Saturdays and Sundays excepted, from the date of this document until the date which is one month following Admission.

9 June 2005

Millnet Financial (7103-01)