because the future won't wait

eg solutions plc

INTERIM REPORT

6 MONTHS TO 31 JULY 2005

Company Registration No. 02211062

Corporate Statement

eg solutions is an IT software and services business delivering improvements in operations management currently within the processing offices of the financial services sector, using two core products/services:

- proprietary software packages; and
- production management methodology.

Highlights

Financial highlights

- Turnover up 58.2% to £2.51m (2004: £1.59m)
- Operating profit of £0.10m (2004: loss £0.15m)
- Adjusted operating profit* increased to £0.57m (2004: £0.05m)
- Earnings per share of 0.7p (2004: loss 1.5p)
- Adjusted earnings per share** of 5.2p (2004: 0.5p)

Business highlights

- New contracts finalised with Portman Building Society and Co-operative Financial Services
- Staff numbers up from 30 at year end to 50
- Structuring of sales function commenced
- Investment in product development for roll out early next year
- Development of partnership model

* Adjusted operating profit is defined in Note 3
** Adjusted earnings per share is defined in Note 4

Chairman's Statement

"A good start to the year which fully supports our confidence in the business when we came to market earlier in the year."

Trading results
Turnover in the six months ended 31 July increased by 58.2% to £2.51m (2004: £1.59m). Operating profit increased to £0.10m (2004: loss £0.15m), while operating profit, adjusted for changes in remuneration policy, has increased to £0.57m (2004: £0.05m).

Dividend
The Board is not recommending an interim dividend and has previously indicated that the first dividend is intended to be a final dividend in respect of the year ending 31 January 2006.

Sales
I am delighted with the growth in sales achieved during the first six months of the year, which fully supports our confidence at the time of the AIM admission in June. This high level of activity has made effective use of our existing resources and this, together with the outlook for new business conversion, has been part of the reason for the level of staff recruitment.

Highlights of the period include important new contracts with Portman Building Society and Co-operative Financial Services.

Despite this high level of activity we have continued to deliver our traditionally high levels of client delivery and performance.

Resourcing
With existing resources fully utilised, we have been working hard to put in place the infrastructure needed for our growth plans in production management and software installation while, at the same time, increasing the number of personnel in sales and software support. Total staff numbers have increased from 30 at 31 January 2005 to 50 at present. As a result, operating costs, excluding Directors' salaries, have increased compared to the prior year.

Sales function and strategy
Paul Maguire was appointed Sales and Marketing Director in June and has already made important developments in structuring the sales function. These have included the appointment of Client Engagement Managers with responsibility for managing and co-ordinating **eg**'s overall relationships with its customers. Paul has developed an increasingly rigorous new business structure which has and will play an important part in developing and monitoring our new business pipeline, substantially augmenting new business generation.

In addition to our existing direct sales model, Paul has also developed a model in which we can distribute our software and services through partnership arrangements, thus increasing the range of markets we can access.

Product development

As indicated at the time of the flotation, the development of our software capabilities is important to us and we are making good progress in developing a road map to guide our future product development in line with our customers' needs. This goes alongside further product investment and we expect to be in a position to announce these developments early in the next financial year.

Conclusion and outlook

This is a good start to the year which fully supports our confidence in the business when we came to market earlier in the year. We have also made good progress in the Company's strategic development, making the first steps into the public sector and to broadening our historically strong financial services business into geographies outside the UK. We are investing in people and product development which will underpin the Company's long term growth. In the immediate future, the sales pipeline for new business remains strong.

Rodney Baker-Bates
Chairman
12 September 2005

Profit and Loss Account

For the six months ended 31 July 2005

	Note	**6 Months to 31 July 2005 (Unaudited) £'000**	6 Months to 31 July 2004 (Unaudited) £'000	Year to 31 January 2005 (Audited) £'000
Turnover		**2,513**	1,588	4,103
Cost of sales		**(684)**	(570)	(1,045)
Gross profit		**1,829**	1,018	3,058
Administrative expenses		**(1,730)**	(1,165)	(2,957)
Operating profit/(loss)		**99**	(147)	101
Other interest receivable		**7**	—	1
Interest payable and similar charges		**(4)**	(2)	(11)
Profit/(loss) on ordinary activities before taxation		**102**	(149)	91
Taxation on profit on ordinary activities		**(19)**	—	(21)
Profit/(loss) for the period attributable to equity shareholders		**83**	(149)	70
Dividends paid and proposed on equity shares		**—**	—	—
Retained profit/(loss) for the period		**83**	(149)	70
Basic earnings/(loss) per share	4	**0.7p**	(1.5p)	0.7p
Adjusted earnings per share	4	**5.2p**	0.5p	9.8p
Diluted earnings/(loss) per share	4	**0.7p**	(1.5p)	0.7p

There are no unrecognised gains or losses for the period.

All activities derive from continuing operations.

Balance Sheet
At 31 July 2005

	31 July 2005 (Unaudited) £'000	31 July 2004 (Unaudited) £'000	31 January 2005 (Audited) £'000
Fixed assets			
Tangible assets	**117**	75	75
	117	75	75
Current assets			
Stocks	**19**	24	24
Debtors	**1,362**	382	416
Cash at bank and in hand	**2,254**	—	410
	3,635	406	850
Creditors			
Amounts falling due within one year	**(1,681)**	(709)	(913)
Net current assets/(liabilities)	**1,954**	(303)	(63)
Total assets less current liabilities	**2,071**	(228)	12
Provisions for liabilities and charges	**(6)**	16	(4)
Net assets	**2,065**	(212)	8
Capital and reserves			
Called up share capital	**143**	101	101
Share premium account	**2,910**	6	6
Capital reserve	**28**	—	—
Own shares held	**(1,000)**	—	—
Profit and loss account	**(16)**	(319)	(99)
Equity shareholders' funds	**2,065**	(212)	8

Cash Flow Statement

For the six months to 31 July 2005

	Note	**6 Months to 31 July 2005 (Unaudited) £'000**	6 Months to 31 July 2004 (Unaudited) £'000	Year to 31 January 2005 (Audited) £'000
Cash flow from operating activities	5	**(852)**	(55)	576
Returns on investments and servicing of finance				
Interest received		**7**	—	1
Interest paid		**(4)**	(2)	(11)
Net cash inflow/(outflow) for returns on investments and servicing of finance		**3**	(2)	(10)
Taxation		**—**	—	3
Investing activities				
Purchase of own shares		**(1,000)**	—	—
Purchase of tangible fixed assets		**(62)**	(14)	(29)
Net cash used in investing activities		**(1,062)**	(14)	(29)
Cash (outflow)/inflow before financing		**(1,911)**	(71)	540
Financing activities				
Issue of ordinary share capital		**3,500**	—	—
Share issue costs		**(554)**	—	—
Increase in loans from banks		**1,000**	—	—
Loan repayments		**(167)**	—	—
Net cash from financing activities		**3,779**	—	—
Increase/(decrease) in cash in the period		**1,868**	(71)	540

Notes to the Financial Information

1. Basis of preparation

The interim financial information has been prepared on a consistent basis using the accounting policies set out in the report and financial statements for the year ended 31 January 2005.

2. Non statutory accounts

In accordance with S240(3) of the Companies Act 1985, the unaudited results do not constitute statutory financial statements of the Company. The six months results for both years are unaudited. The results for the year ended 31 January 2005 are an abridged version of the financial statements for that year which were audited and reported upon without qualification by Baker Tilly and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. Abbreviated financial statements for that year were delivered to the Registrar of Companies as the Company was entitled to do before its flotation.

3. Adjusted operating profit

Prior to its admission to trading on AIM on 6 June 2005, the Company operated in a private environment and substantially all its trading profits were distributed in the form of remuneration to the Managing Director, who was also its founder and principal shareholder. On admission the Managing Director's remuneration was reduced to £150,000 per annum, a level appropriate for a public company at the stage of development of **eg solutions**. The adjusted operating profit figure has been calculated for illustrative purposes only to give shareholders an indication of what the operating profits of the Company would have been if the Managing Director's present remuneration arrangements had been in place since 1 February 2004, as follows:

	6 months to 31 July 2005 £'000	6 months to 31 July 2004 £'000	Year to 31 January 2005 £'000
Operating profit	**99**	(149)	101
Add actual salary paid	**547**	271	1,046
Deduct new salary	**(75)**	(75)	(150)
Adjusted operating profit	**571**	47	997

Notes to the Financial Information (continued)

4. Earnings per share

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period excluding those held by the employee trust which are treated as cancelled for earnings per share calculation purposes.

Adjusted earnings per share is calculated based on the adjusted operating profit for the period as defined in Note 3.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, which comprise employee share options.

Weighted average number of shares:

	6 months to 31 July 2005 (Unaudited) £'000	6 months to 31 July 2004 (Unaudited) £'000	Year to 31 January 2005 (Unaudited) £'000
Basic	**11,069,928**	10,176,200	10,176,200
Diluted	**11,250,374**	10,176,200	10,176,200

5. Notes to the cash flow statement

Reconciliation of operating profit to net cash flow from operating activities:

	6 Months to 31 July 2005 (Unaudited) £'000	6 Months to 31 July 2004 (Unaudited) £'000	Year to 31 January 2005 (Audited) £'000
Operating profit/(loss)	**99**	(147)	101
Depreciation	**20**	15	30
Share option charge	**28**	—	—
(Profit)/loss on disposal of fixed assets	**—**	—	—
Decrease in stocks	**5**	16	16
(Increase)/decrease in debtors	**(946)**	112	75
(Decrease)/increase in creditors	**(58)**	(51)	354
Cash (outflow)/inflow from operating activities	**(852)**	(55)	576

Analysis of changes in net cash:

	At 31 January 2005 (Audited) £'000	Cash flows (Unaudited) £'000	At 31 July 2005 (Unaudited) £'000
Cash at bank and in hand	**410**	1,844	2,254
Bank overdraft	**(24)**	24	—
	386	1,868	2,254
Bank loans	**—**	(833)	(833)
Net funds	**386**	1,035	1,421

6. Copies of this statement will be sent to all shareholders and are available from the Company's registered office: The Roller Mill, Teddesley Road, Penkridge, Staffordshire ST19 5BD.

designed & produced by THE DESIGN PORTFOLIO
a member of the flathill communications group plc
www.flathillplc.com

because the future won't wait

eg solutions plc, The Roller Mill, Teddesley Road, Penkridge, Staffordshire ST19 5BD

t: +44 (0) 1785 715772 f: +44 (0) 1785 712541
ask@eguk.co.uk www.eguk.co.uk