For Immediate Release

**Billing Services Group Limited**
**("BSG" or the "Company")**

**Unaudited interim results for the six months ended June 30, 2017**

**STRATEGIC REVIEW CONTINUING**
**REVENUE AND EBITDA IN LINE WITH REDUCED FORECAST**

**(September 13, 2017)** San Antonio, Texas, USA and Aldermaston, United Kingdom – BSG, a leading provider of telecommunications clearing and financial settlement products, Wi-Fi data solutions and verification services, today announces its unaudited interim results for the six months ended June 30, 2017.

**Financial Highlights**
**(*All amounts in US$)***

| | Six Months Ended June 30 | |
|---|---|---|
| | **2017** | **2016** |
| Revenue | $ 11.0 million | $ 16.2 million |
| EBITDA[1] | $ 0.8 million | $ 3.0 million |
| Net income | $ 4.4 million | $ 3.4 million |
| Net income per basic and diluted share | $ 0.02 per share | $ 0.01 per share |
| Net cash provided by (used in) operating activities | $ 0.5 million | $ (2.9) million |
| Cash balance at end of period | $ 16.0 million | $ 8.8 million |

(1) EBITDA (a non-GAAP measure) is computed as earnings before interest, income taxes, depreciation, amortization and other non-cash and non-recurring items

- Generated $0.8 million of EBITDA (2016: $3.0 million)
- Recorded net income of $0.02 per share (2016: $0.01 per share)
- Improved gross margin by 5.7 percentage points (58.2% vs. 52.5% in the first six months of 2016)
- Increased cash balance by $7.2 million over the trailing 12 months ($16.0 million vs. $8.8 million at June 30, 2016)

**BSG Wireless and TPV Operational Highlights**

- Completed the delivery of the new Wi-Fi Location Data Service (WLDS) product to AT&T, Boingo and Telus.
- Signed a new contract with XLN (a UK-based business telecom provider) to provide Wi-Fi hub services.
- Extended our hotspot finder and connection product suite with delivery to VAST Networks (a Wi-Fi network infrastructure provider based in South Africa).
- Enhanced the hub service product suite to include Alerting, and delivered to AT&T.
- Signed three new Third Party Verification (TPV) service agreements with Park Power, Pivot Health and National Health Plans and Benefits.
- Deployed TPV services to eight states on behalf of Direct Energy.

**Current Trading**

- In 2016, the Company initiated a strategic review to assist the Board in determining the future composition of the group, including its capital structure and business lines. This review is ongoing, and no decisions have been made at this time.
- Trading for the six months ended June 30, 2017 was in line with the Board's expectations and consistent with the recent trading conditions experienced by the Company.
- The Company expects that revenues in the second half of 2017 will compare unfavorably with the second half of 2016 due to AT&T's discontinuation of third-party billing in December 2016, as described in the Company's announcements dated August 9, 2016, September 12, 2016 and March 29, 2017, together with the secular decline in billable long distance and operator service calls initiated on wireline phones.
- The Company's direct billing initiative has developed solid traction, and we expect this to continue over the course of 2017. However, as evidenced by our year-to-date financial performance, this initiative does not offset AT&T's discontinuation of third-party billing described above.
- The Company performed a qualitative analysis for goodwill impairment and determined that it was more likely than not that there was no impairment at June 30, 2017. The declining revenue of the wireline business, along with an associated decrease in operating income, could have a negative impact on the annual impairment testing of goodwill to be performed in October 2017, which may result in a material impairment of goodwill carried as an asset in this calendar year. Such a non-cash impairment loss would result in a lower level of income in the period during which it is recognized, and it would reduce shareholders' equity. Please see "Chief Executive's Statement" for further discussion.
- In light of the strategic review that is underway, we will not be providing financial performance guidance at this time.

**Commenting on the results, Norman M. Phipps, Chief Executive Officer, said:**

> *"The first half results demonstrate the Company's ability to generate income and cash flow despite the substantial decline in revenue from third-party billing transactions. That said, there is no doubt we have challenging times ahead. Our focus through the remainder of this year is to complete the strategic review and determine how best to provide a return to our shareholders."*

**INQUIRIES:**

| | |
|---|---|
| **Billing Services Group Limited**<br>Norman M. Phipps | **+1 210 949 7000** |
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**About BSG:**

**BSG has locations in San Antonio, Texas, USA and Aldermaston, United Kingdom. The Company's shares are traded on the London Stock Exchange (AIM: BILL). For more information on BSG, visit (www.bsgclearing.com).**

**CHIEF EXECUTIVE'S STATEMENT**

During the first half of 2017, BSG generated $0.8 million of EBITDA and $0.9 million of cash. Both figures compare unfavorably to results in the first half of 2016, but they demonstrate two important aspects of the business:

- The challenges precipitated by AT&T's withdrawal from third-party billing in December 2016; and
- The adaptability of BSG's business plan to anticipate and react effectively to rapid changes affecting the wireline phone industry.

The challenges are significant. AT&T's withdrawal from third-party billing is largely responsible for the 32% decline in revenue during the first half of 2017 compared to the same period in 2016. We face a growing challenge in 2018 from the scheduled absence of third-party billing by Verizon.

To counter the loss of third-party billing conduits, we have successfully introduced direct billing to end-user consumers as discussed in detail in our announcement dated March 29, 2017. Many of our customers who historically relied upon third-party billing services have converted to BSG's direct billing service for transactions no longer eligible for third-party billing through AT&T. The effect of such conversions is not fully discernible when comparing revenue figures for 2017 and 2016, because revenue recognized under GAAP for a direct billing transaction is much lower than for a third-party billing transaction.

We continue to improve gross margin, with a 5.7 percentage point increase compared to the first half of 2016. The increase in gross margin is largely attributable to a higher percentage of revenue derived from our wireless business, as discussed below, which carries a higher gross margin. Cash operating expenses are basically level with last year.

As discussed on several prior occasions, we have focused resources on expanding the portfolio of services offered to the wireless market to mitigate the unfavorable trends in the wireline market. The strategy is working, with solid revenue gains from services delivered to the wireless market. The wireless-derived revenues are on a promising trajectory, but the gains to date have been insufficient to offset the revenue decline in the wireline business.

Despite the challenges cited above, we achieved net income of $0.02 per share in the first half of 2017, largely as the result of multiple nonrecurring income items. Our sustained ability to generate income and cash flow has resulted in a strong balance sheet, evidenced by the following at June 30, 2017:

- $16.0 million of cash
- $9.5 million of working capital
- $10.3 million of tangible net worth
- $0.2 million of debt

## Looking Forward

We have initiated a strategic review to assist the Board in determining the future composition of the group, including its capital structure and business lines. No decisions have been made at this time.

Our wireline business will continue to be adversely affected by the declining market size and a declining number of LECs which are willing to provide third-party billing services. This is best evidenced in our announcement on May 24, 2017, where we noted that Verizon will no longer accept third-party charges for placement on its end-user telephone bills effective December 31, 2017.

The Company's direct billing initiative has developed solid traction, and we expect this to continue over the course of 2017. We also expect this initiative to grow in light of Verizon's decision to exit third-party billing. However, this incremental revenue will not offset the decline we will experience from Verizon's discontinuation of third-party billing as described above.

The Company performed a qualitative analysis for goodwill impairment and determined that it was more likely than not that there was no impairment at June 30, 2017. The declining revenue of the wireline business, along with an associated decrease in operating income, could have a negative impact on the annual impairment testing of goodwill, which may result in a material impairment of goodwill carried as an asset. The goodwill was recorded more than ten years ago in connection with the Company's purchases of its wireline and third-party verification businesses. In October 2017, as part of the normal annual testing cycle, we will assess the recoverability of all goodwill carried on our balance sheet. It is possible that we could determine that all or a significant portion of the current carrying value of goodwill is not recoverable and recognize a non-cash impairment loss. Under such circumstances, the non-cash impairment loss would result in a lower level of income in the period during which it is recognized, and it would reduce shareholders' equity.

In light of the strategic review that is underway, we will not be providing financial performance guidance at this time.

Management and the Board of Directors regularly review capital structure and the allocation of cash resources. As of this writing, parties owning more than 55 percent of the Company's outstanding shares have direct representation on the Board, which remains intently focused on maximizing shareholder value and generating returns for all shareholders. We are fortunate to have a highly engaged and talented group of Directors to counsel us on these matters.

Norman M. Phipps
Chief Executive Officer

## FINANCIAL REVIEW

### Financial Review of the Six Months Ended June 30, 2017

The Company's unaudited results for the six months ended June 30, 2017 are compared to the corresponding period of 2016 in the accompanying financial statements. BSG's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information.

### Certain Terms

***Revenues.*** Revenues are derived primarily from fees charged to wireline and wireless service providers for data clearing, financial settlement, information management, payment and financial risk management, third-party verification and customer service functions. During 2016, the Company introduced a direct billing service under which end-user consumers are invoiced directly by the Company, rather than through local exchange carriers ("LECs") as third-party billers. Revenue recognized under third-party billing includes the Company's service fees plus amounts necessary to compensate the LECs for their third-party billing services. Revenue for direct billing does not include any components other than the Company's service fees.

***Cost of Services and Gross Profit.*** Cost of services arises primarily in the Company's clearinghouse business for wireline transactions. Cost of services in the clearinghouse business includes billing and collection fees charged by LECs and other service providers for payment processing. Such fees are assessed for each record submitted and for each bill rendered to end-user consumers. BSG charges its customers a negotiated fee for billing and collection services. Accordingly, gross profit is generally dependent upon transaction volume, processing fees charged per transaction and any differential between the fees charged to customers by BSG and the related fees charged to BSG by LECs and other service providers.

***Operating Expenses.*** Operating expenses include all selling, marketing, customer service, facilities and administrative costs (including payroll and related expenses) incurred in support of operations, substantially all of which are settled through the payment of cash.

***Depreciation and Amortization.*** Depreciation expense applies to software, furniture and fixtures, telecommunications and computer equipment. Amortization expense relates to definite-lived intangible assets that are amortized in accordance with Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other*. These assets consist of contracts with customers and LECs. Assets are depreciated or amortized, as applicable, over their respective useful lives. Deferred finance costs are amortized over the term of the related loans.

***Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA").*** Earnings before interest, income taxes, depreciation and amortization, a non-GAAP metric, is a measurement of profitability often used by investors and lenders. The computation of EBITDA excludes other non-cash and non-recurring items as additions or deductions to earnings.

***Third-Party Payables.*** Third-party payables include amounts owed to customers in the ordinary course of clearinghouse activities and additional amounts maintained as reserves for retrospective charges from LECs and other parties. In its clearinghouse business, the Company aggregates call records received from its customers. It then submits the call records either to (i) LECs for billing to end-user consumers; or (ii) end-user consumers. The Company collects funds from LECs and directly-billed end-user consumers each day.

Under normal circumstances, funds collected from LECs are distributed to the Company's customers approximately ten days after receipt, under weekly settlement protocols. The Company withholds a portion of the funds received from LECs to pay (i) the Company's processing fees, (ii) billing and collection fees of LECs, (iii) sales and other taxes paid by the Company and (iv) an amount deemed necessary to serve as a reserve against retrospective charges from LECs.

Funds collected from directly-billed end-user consumers are credited to the Company's customers when received. The Company withholds a portion of the funds received from end-user consumers to pay (i) the Company's processing fees, (ii) sales and other taxes paid by the Company and (iii) an amount deemed necessary to serve as a reserve against retrospective charges from payment processors or other parties.

When LECs, payment processors and other parties make payments to the Company, they withhold funds to cover a variety of expenses and potential retrospective charges. As noted above, the Company similarly withhold funds from its customers to cover expenses and retrospective charges. The third-party payables balance is computed as the excess of (i) funds owed to the Company's customers, inclusive of reserves for retrospective charges, over the sum of (ii) amounts owed from the Company's customers and (iii) reserves withheld for retrospective charges by LECs, payment processors and other parties.

**Comparison of Results for the Six Months Ended June 30, 2017 to the Six Months ended June 30, 2016**

***Total Revenues.*** Total revenues of $11.0 million during the first half of 2017 were $5.2 million, or 32%, lower than the $16.2 million of revenues recorded during the first half of 2016. The $5.2 million decrease reflects lower transaction volumes across all clearing, settlement and customer service activities rendered for wireline service providers, the cessation of third-party billing by AT&T in December 2016 and the recognition of a lower revenue amount for each direct billing transaction compared to a third-party billing transaction, partially offset by higher managed fees from offerings to wireless service providers.

***Cost of Services and Gross Profit.*** Cost of services in the first half of 2017 was $4.6 million, compared to $7.7 million during the first half of 2016. The $3.1 million, or 40%, decrease in cost of services is largely attributable to lower LEC fees for billing and collection services associated with a reduced volume of third-party billing transactions, particularly from AT&T, which ceased to provide third-party billing services beginning in December 2016. The Company generated $6.4 million of gross profit in the first half of 2017 compared to $8.5 million in the same period of 2016. The gross margin of 58.2% in the first half of 2017 was 5.7 percentage points higher than the 52.5% margin achieved in the first half of 2016. The improved gross margin in 2017 resulted from a favorable mix of services provided within the wireline business and a larger percentage of revenue from the wireless business, which operates at a higher gross margin level than the wireline business.

***Cash Operating Expenses.*** Cash operating expenses were $5.6 million in the first half of 2017, compared to $5.5 million in the first half of 2016. The $0.1 million, or 2%, increase is largely attributable to a $0.3 million increase in legal and professional fees, offset by a $0.2 million decrease in compensation expense.

***Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA").*** The Company generated $0.8 million of EBITDA during the first half of 2017, compared to $3.0 million during the first half of 2016. A reconciliation of net income and EBITDA in each period is shown below:

| | Six Months Ended June 30 | |
|---|---|---|
| **$ millions** | **2017** | **2016** |
| Net income | $ 4.4 | $ 3.4 |
| Depreciation expense | 0.7 | 0.7 |
| Amortization of intangibles | 0.3 | 0.3 |
| Foreign currency transactions | 0.1 | (0.6) |
| Income tax expense | 1.9 | 0.8 |
| All other income, net | (6.6) | (1.6) |
| **EBITDA** | **$ 0.8** | **$ 3.0** |

***Depreciation and Amortization Expense.*** Depreciation and amortization expenses during the first half of 2017 totalled $1.0 million, which was the same as in the comparable period in 2016.

***Net Other Income***. The Company realized $6.6 million of net other income during the first half of 2017 compared to $1.6 million of net other income the first half of 2016. Net other income in the first half of 2017 was largely attributable to $6.1 million of adjustments to indemnification reserves related to class action litigation. During the first half of 2016, net other income arose largely from adjustments to indemnification amounts under the same class action litigation, offset by non-recurring expense in connection with severance payments made under a restructuring program in the Company's North America operations.

Other income arises from miscellaneous items typically of a non-recurring nature. Accordingly, other income items were not included as earnings for purposes of computing EBITDA.

***Change in Cash***. BSG's cash balance at June 30, 2017 was $16.0 million, compared to $15.1 million at December 31, 2016. The $0.9 million increase during the first six months of 2017 is largely attributable to $0.7 million of transfers from restricted cash to pay indemnification obligations, $0.5 million of cash provided by operating activities and $0.3 million of exchange rate differences, offset by $0.6 million of net cash used in investing activities.

***Change in Restricted Cash***. In the ordinary course of business, LECs withhold funds from their payments to the Company in order to create a reserve securing potential future obligations of the Company to the LEC. Through December 31, 2014, pursuant to a 2012 agreement with one LEC, the LEC released a net $14.3 million of cash reserves. The cash was transferred into a restricted Company bank account to be used for funding the Company's indemnification obligation under pending class action litigation against the LEC. Through December 31, 2016, a net amount of $12.6

million was transferred from the restricted cash account to satisfy indemnification obligations, reducing restricted cash at December 31, 2016 to $1.7 million. During the first six months of 2017, $0.7 million was released from the restricted cash account to satisfy indemnification obligations, reducing restricted cash to $0.9 million at June 30, 2017.

***Change in Third-Party Payables***. Third-party payables at June 30, 2017, inclusive of long-term liabilities, were $5.8 million, compared to $10.3 million at December 31, 2016. The $4.5 million decrease in third-party payables resulted largely from adjustments to customers' accounts in connection with their indemnification obligations to the Company under class action litigation and adjustments to other indemnification liabilities.

***Change in Accrued Liabilities.*** Accrued liabilities at June 30, 2017 were $4.6 million compared to $6.3 million at December 31, 2016. The $1.7 million decrease in accrued liabilities resulted primarily from $1.0 million of settlement payments to the Federal Trade Commission ("FTC") and $0.7 million of payments and adjustments to indemnification liabilities to LECs under pending class action litigation (see "*Change in Restricted Cash*" above). The balance owed under the Company's settlement with the FTC is included in accrued liabilities. The balance owed to the FTC at June 30, 2017 was $2.6 million.

***Capital Expenditures.*** During the first half of 2017, the Company invested $0.6 million in capital expenditures, primarily for capitalized software development costs. During the first half of 2016, capital expenditures were $0.3 million.

**Cash Flows for the Six Months Ended June 30, 2017**

***Cash flow from operating activities***. Net cash provided by operating activities was $0.5 million during the first half of 2017. Net cash provided was principally attributable to $4.4 million of net income, a $1.3 million increase in the provision for deferred taxes, $1.0 million of depreciation and amortization and a $0.7 million increase in income tax payable, offset by a $4.5 million reduction in third-party payables, a $1.7 million reduction in accrued liabilities and a $0.5 million reduction in trade accounts payable.

***Cash flow from investing activities***. Net cash used in investing activities was $0.6 million, primarily reflecting $0.6 million of capital expenditures.

***Cash flow from financing activities***. Net cash provided from financing activities was $0.7 million, largely attributable to transfers from restricted cash.

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A copy of this statement is available on the Company's website (*www.bsgclearing.com*) and copies are available from BSG's Nominated Advisor at the address below:

**Billing Services Group Limited**
c/o finnCap Limited
60 New Broad Street
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United Kingdom

**Forward Looking Statements**

***This report contains certain "forward-looking" statements and information relating to the plans, objectives, expectations and intentions of the Company that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "projects," "could," "should," "will" and words or phrases of similar meaning are intended to identify forward-looking statements. Forward-looking statements reflect the Company's current views with respect to future events and financial performance. Such statements, including certain information set forth herein under "Financial Review" that is not historical fact or statement of current condition, reflect management's assessment of the current risks, uncertainties and assumptions related to certain factors including, without limitation, the competitive environment, general economic conditions, customer relations, relationships with local exchange carriers and other vendors, availability of credit, borrowing terms, interest rates, foreign exchange rates, litigation, governmental regulation and supervision, capital expenditures, product development, product acceptance, technological change and disruption, changes in industry practices, one-time events and other factors described herein. Based upon changing conditions or circumstances arising from any one or more of these risks or uncertainties, or should any underlying assumptions prove incorrect, actual results may vary materially from historical or anticipated results as described herein.***

***Readers are cautioned not to place undue reliance on forward-looking statements. The Company does not intend to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.***

Billing Services Group Limited

Consolidated Balance Sheets
*(In thousands, except shares)*

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| | (Unaudited) | (Derived from Audited Financial Statements) | (Unaudited) |
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 16,003 | $ 15,111 | $ 8,786 |
| Restricted cash | 937 | 1,655 | 4,962 |
| Accounts receivable | 4,155 | 4,323 | 5,312 |
| Purchased receivables | 736 | 744 | 2,263 |
| Income tax receivable | - | - | 209 |
| Prepaid expenses and other current assets | 627 | 355 | 600 |
| Total current assets | 22,458 | 22,188 | 22,132 |
| | | | |
| Property, equipment and software | 49,255 | 48,593 | 48,123 |
| Less accumulated depreciation and amortization | 45,218 | 44,462 | 43,913 |
| Net property, equipment and software | 4,037 | 4,131 | 4,210 |
| | | | |
| Intangible assets, net of accumulated amortization of $75,540, $75,229 and $74,430 at June 30, 2017, December 31, 2016 and June 30, 2016, respectively | 6,206 | 6,427 | 6,865 |
| Goodwill | 25,275 | 25,275 | 25,277 |
| Other assets | 65 | 65 | 65 |
| Total assets | $ 58,041 | $ 58,086 | $ 58,549 |

*Continued on following page*

Billing Services Group Limited

Consolidated Balance Sheets (continued)
*(In thousands, except shares)*

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| | (Unaudited) | (Derived from Audited Financial Statements) | (Unaudited) |
| **Liabilities and shareholders' equity** | | | |
| Current liabilities: | | | |
| Trade accounts payable | $ 1,726 | $ 2,206 | $ 2,509 |
| Third-party payables | 5,744 | 10,284 | 7,923 |
| Accrued liabilities | 4,577 | 6,270 | 17,394 |
| Income tax payable | 731 | 22 | - |
| Term loan note payable | 150 | 178 | - |
| Total current liabilities | 12,928 | 18,960 | 27,826 |
| | | | |
| Deferred taxes – noncurrent | 3,223 | 1,923 | 408 |
| Other liabilities | 93 | 89 | 89 |
| Total liabilities | 16,244 | 20,972 | 28,323 |
| | | | |
| **Commitments and contingencies** | | | |
| | | | |
| Shareholders' equity: | | | |
| Common stock, $0.59446 par value; 350,000,000 shares authorized; 282,415,748 shares outstanding | 167,885 | 167,885 | 167,771 |
| Additional paid-in capital (deficit) | (175,561) | (175,577) | (175,477) |
| Retained earnings | 50,134 | 45,779 | 38,311 |
| Accumulated other comprehensive loss | (661) | (973) | (379) |
| Total shareholders' equity | 41,797 | 37,114 | 30,226 |
| Total liabilities and shareholders' equity | $ 58,041 | $ 58,086 | $ 58,549 |

*See accompanying notes.*

Billing Services Group Limited

Consolidated Statements of Operations
*(In thousands, except per share amounts)*

| | Six Months Ended June 30, 2017 (Unaudited) | Six Months Ended June 30, 2016 (Unaudited) |
|---|---|---|
| Operating revenues | $ 10,987 | $ 16,237 |
| Cost of services | 4,597 | 7,717 |
| Gross profit | 6,390 | 8,520 |
| Selling, general, and administrative expenses | 5,554 | 5,544 |
| EBITDA | 836 | 2,976 |
| Depreciation and amortization expense | 973 | 1,044 |
| Non-recurring expense | - | 269 |
| Stock-based compensation expense | 15 | 15 |
| Operating (loss) income | (152) | 1,648 |
| Other income (expense): | | |
| Interest income | 16 | 43 |
| Foreign currency transactions | (89) | 645 |
| Other income, net | 6,440 | 1,907 |
| Total other income, net | 6,367 | 2,595 |
| Income from operations before income taxes | 6,215 | 4,243 |
| Income tax expense | (1,860) | (798) |
| Net income | 4,355 | 3,445 |
| Other comprehensive income (loss) | 312 | (54) |
| Comprehensive income | $ 4,667 | $ 3,391 |
| Net income per basic and diluted share: | | |
| Basic net income per share | $ 0.02 | $ 0.01 |
| Diluted net income per share | $ 0.02 | $ 0.01 |
| Weighted average shares outstanding | 282,416 | 282,416 |

*See accompanying notes.*

Billing Services Group Limited
Consolidated Statements of Cash Flows
*(In thousands)*

| | Six Months Ended June 30, 2017 (Unaudited) | Six Months Ended June 30, 2016 (Unaudited) |
|---|---|---|
| **Operating activities** | | |
| Net income | $ 4,355 | $ 3,445 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 662 | 724 |
| Amortization of intangibles | 311 | 320 |
| Stock-based compensation expense | 15 | 15 |
| Changes in operating assets and liabilities: | | |
| Decrease in accounts receivable | 168 | 407 |
| Decrease in income taxes receivable | - | 325 |
| Increase in other current assets and other assets | (272) | (256) |
| Decrease in trade accounts payable | (480) | (425) |
| Decrease in third-party payables | (4,536) | (1,617) |
| Decrease in accrued and other liabilities | (1,693) | (6,799) |
| Increase in income tax payable | 708 | - |
| Provision for deferred taxes | 1,300 | 1,008 |
| Net cash provided by (used in) operating activities | 538 | (2,853) |
| **Investing activities** | | |
| Purchases of property, equipment and software | (568) | (321) |
| Net receipts on purchased receivables | 8 | 14 |
| Translation adjustment in intangible assets | (89) | 218 |
| Net cash used in investing activities | (649) | (89) |
| **Financing activities** | | |
| Payments on long-term debt | (28) | - |
| Restricted cash | 719 | 4,355 |
| Net cash provided by financing activities | 691 | 4,355 |
| Effect of exchange rate changes on cash | 312 | (54) |
| Net increase in cash and cash equivalents | 892 | 1,359 |
| Cash and cash equivalents at beginning of period | 15,111 | 7,427 |
| Cash and cash equivalents at June 30 | $ 16,003 | $ 8,786 |

*See accompanying notes.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Billing Services Group Limited ("BSG" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

## NOTE 2 NET INCOME PER COMMON SHARE

Basic and diluted net income per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the relevant periods.

Diluted net income per share includes the effect of all dilutive options exercisable into common stock, unless the effect of such inclusion would be anti-dilutive.

## NOTE 3 COMMITMENTS AND 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 or proceedings to which the Company is a party will have a material adverse effect on the Company's financial position. Due to the inherent uncertainty of litigation and regulatory proceedings, however, 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 occurred.

The Company's subsidiary's federal tax returns for 2014 through 2016 remain subject to examination by the federal tax authority. Most state tax returns for the 2014 through 2016 tax years remain open for examination by the relevant tax authorities.