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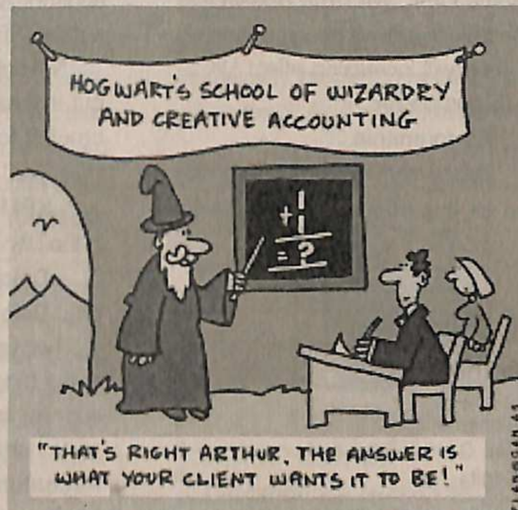
SYSTEMHOUSE

The monthly review of the financial performance of the UK software and IT services industry

LIES, DAMNED LIES AND AUDITED ACCOUNTS

A decade ago there was a series of jokes going the rounds about how certain professions would answer the Question *"What does 1 + 1 =?"*. The Auditor's response was *"What do you want the answer to be?"*.



"THAT'S RIGHT ARTHUR, THE ANSWER IS WHAT YOUR CLIENT WANTS IT TO BE!"

We used this as the introduction to a campaign in the early 1990s on the capitalisation of software development. Companies like **Sage** would write off all such development costs as and when incurred. On the other hand **QSP** would capitalise it and, indeed, take that to the P&L. So simple investors, and even simpler analysts like us, would think that QSP was more profitable than Sage – whereas on a like-for-like basis, QSP was making losses.

This debate got very heated but we undoubtedly played our part in the almost complete eradication of this practice. But, in fact, our argument was much more to do with having **one** standard so that straightforward comparisons between similar companies could be made.

Over the last few years (indeed we have commented on this before), a not dissimilar issue has arisen over the treatment of goodwill.

As you can see from the following table of the most highly valued S/ITS companies in the UK, there are at least four different policies on the amortisation of goodwill arising from acquisitions. These range from the most "conservative" of them all – **Misys** which writes off goodwill over just 5 years - to Sage who doesn't write it off at all!

Indeed, until 27th Feb. 02, many investors might have panicked at Misys' negative net asset position but feltvery reassured by the near £1 bn of shareholder funds at **CMG**. But much of this £1bn was represented by the £1.4bn that CMG paid for **Admiral** back at the very height of the IT boom in May 00. Given that Admiral had revenues of just £170m and PBT of £24m in calendar year 1999, we has pondered for some time what 'carrying value' the Admiral bit of CMG would now attract. Obviously CMG had the same concerns and decided at the end of Feb. 02 to write off an extra £564m of this goodwill thereby reducing net assets from £968m at 30th Jun. 01 to just £382m at 31st Dec. 01.

The spotlight should now turn to **Xansa** which many might consider to be the most conservative of companies. But the goodwill on its balance sheet resulting from its acquisitions – the largest being **Druid** – now almost equals Xansa's market capitalisation. Clearly another company requiring a goodwill review.

Just as in the capitalisation of software development, our argument is NOT that either the Sage or the Xansa position is wrong or right.

	Net assets	Goodwill on Balance Sheet	Date	Goodwill amortisation policy
Capita	£266m	£360m	30-Jun-01	Min. 5, Max. 20 years but reviewed after Year One and periodically to ensure carrying value can be recovered
CMG	£968m	£1,057m	30-Jun-01	Was 20 years...
	£328m	£468m	31-Dec-01	...still 20 years but after £564m exceptional goodwill write off.
Logica	£991m	£440m	30-Jun-01	20 years straight line
Misys	-£66 m	£366m	30-Nov-01	Five years
Sage	£539m	£836m	30-Sep-01	No amortisation as *"goodwill capitalised has an indefinite economic life"*
Xansa	£843m	£780m	31-Oct-01	20 years

Our point is that there should be **one** set of rules for similar companies so that, for example, EPS and Balance Sheet comparisons can be made on the same basis. What that rule is (one, five, 20 years, infinity) *might* be considered as of secondary importance.

But the crash in the valuations of IT companies in the last two years has raised the goodwill issue to the forefront. We would contend that the goodwill valuations of practically every company acquired in the heady days of 1998-2000 are now too high. In the US, analysts have reckoned that, in the TMT sector alone, such goodwill valuations are overstated by (wait for it) *"as much as a trillion dollars"*. Between 1998 and 2000, we estimate that around £250bn was spent by UK TMT companies on acquisitions. Since then valuations have declined by as much as 70%.

Goodwill very rarely gets adjusted

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except when an 'event' takes place – most usually when the acquired company is sold or goes bust. But we are now seeing more and more companies like CMG being forced into such write downs. Worldcom this month announced that it would write off up to $20bn of goodwill. Marconi wrote off £3.4bn of goodwill in 2001 and Vodafone some £4bn. We firmly believe that such write-offs will become endemic – and will increasing affect UK S/ITS companies.

Enronmania

Many readers will detect echoes in all this of the Enron debacle. Indeed investors are looking much more closely at how balance sheets are made up/backed up in the light of the Enron scandal.

But the Enron affair has had another immediate effect on our sector.

Most auditors also have considerable management consultancy practices where IT is by far the biggest revenue earner. Indeed **Andersen** earned $25m for auditing Enron books but another $27m from consultancy/IT work. In the UK, **PwC** earned £8m from audit fees at Unilever but another £38m from other consultancy work. Here, and at companies like CGNU (where **Ernst & Young** have a similar potential conflict), decisions have already been taken to limit 'non-audit' work given to auditors. At Airtours AGM this month, its relationship with auditors Andersen was attacked. Airtours spent £1.2m on audit fees...but another £6m for IT-related work.

Not only have there have been immediate calls to separate the two activities but, in the space of just one month, three such 'spin offs' have been announced/brought forward.

- PwC is to IPO its consultancy activities in the spring.

- **KPMG** is planning to sell its UK consultancy operations to its counterpart in the US which has already floated.

- **Deloitte**, also *"reluctantly"* announced a separation from its consulting arm, **Deloitte Consulting**.

Two years ago **Cap Gemini** bought **Ernst & Young**'s consultancy activities in the biggest acquisition the sector has seen. It has hardly proved a mega success and in a final ironic twist, CGEY is now considering dropping the EY bit of its name! Of course, Andersen Consulting was separated and floated as **Accenture**.

But, even if these separations take place, it will not really help the situation that much. It is reckoned that not more than half of 'non audit fees' are earned by the consulting arms of the 'Big Five' auditing firms. The auditing bits will still be left with lucrative fees from recruitment, M&A due diligence, business plan assistance, taxation advice and a myriad other non-audit services. The only way to get a truly independent audit is to ban all this work too. Indeed Andersen has taken steps this month to separate its 'external' from its 'internal' audit work. But all this means that not only would audits in themselves then become much more (many contend prohibitively) expensive, but businesses will still need that kind of business advice anyway but will have to pay for the learning process again from another company.

Something is rotten in the state of Denmark

Whatever, already in the first two months of 2002, more has been written about accounting/audit issues than perhaps we have seen in the last ten years put together. Sage and **Innovation Group** have come under attack for their revenue recognition policies. **Anite** has been criticised for not consolidating losses in minority-owned subsidiaries and, in the US, **Computer Associates** has seen its share price tumble and its credit rating reduce to near junk bond status on worries over its accounting policies.

Again the point is not what is the right or wrong thing to do. Revenue recognition has provided the fuel for some of the biggest scams in our industry over many years. It's about time there was one clear and universally observed rule.

All this is causing a major crisis of confidence. It is an issue which will not go away quickly. In our opinion it is going to change the face, and perhaps the balance sheets too, of our own industry quite dramatically.

Anything which aids transparency, boosts confidence and makes comparisons more straightforward is something we would greatly welcome.

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INDICES (changes in Feb. 01)

Holway SCS	**-8.3%**	**4056**
Holway Internet	**-2.8%**	**2810**
FTSE IT (SCS)	**-14%**	**695**
techMARK 100	**-11%**	**1198**
FTSE 100	**-1%**	**5101**
Nasdaq	**-12%**	**1359**

NO M'LUD (OR HOW TO AVOID LEGAL DISPUTES IN OUTSOURCING)

As you know by now (we have told you often enough) outsourcing is the main driver of the UK software and IT services market at the moment. Without it the sector would actually have been in recession last year. You will also have gathered, if you saw Holway at the Regent Conference or been briefed by any OH analyst recently, that BPO will add another dimension to the market in the coming years (we have just started work on a report to look at the opportunities more closely).

Clearly, though, it is a market fraught with danger for the unwary. High profile failures can severely damage reputations, let alone P&Ls and balance sheets. So it is one area where it is important to get it right.

Ovum Holway recently carried out some research for law firm Berwin Leighton Paisner specialising in the area looking at legal disputes in outsourcing and how to avoid them. It was a small survey – just seven companies – but between them they command half the revenue of the UK IT outsourcing market.

As you might expect, all of them have their own in-house teams of lawyers closely involved in all stages of drawing up the contracts. In general, a commercial team will put together the bid and the lawyers will dot the i's, cross the t's, and add the Terms and Conditions.

External lawyers aren't used for 'standard' contracts, but then what's standard? They do tend to be used for large and complex deals, such as government bids/PFI projects, very long term contracts or where there is some element of risk/reward. Given the increase in PFI and also the new areas that companies are becoming involved in through BPO, for example, some see a greater use of specialist lawyers ahead.

Expertise is also sought in some specialist areas of outsourcing, e.g. TUPE, where the law is seen as very changeable. Of course it's not just lawyers - other specialist consultants may be used, or banks for complex financial arrangements.

The impression from the press coverage - that outsourcing deals are failing left, right and centre – seems to be mostly about selling newspapers. It was not the experience of the companies we interviewed. The typical response was along the lines of, *"we have only had one or two serious disputes in the last ten years"* – a serious dispute being one that has warranted the need to seek legal advice or ended up in court.

On the other hand, there are a large number of *"skirmishes"*, as it was aptly put – *"they involve virtually all customers at some time or other"*.

These disputes, which were handled in-house, generally related to two main areas:

Service Level Agreements (SLAs) are, not surprisingly a great source of dispute, for several reasons. Firstly, the SLAs can bear little relationship to the business requirements. This is a problem which usually emerges early on in a contract, when the business unit disagrees with the SLAs originally specified by the IT department.

Even if the service levels are appropriate, their measurement is often a source of endless argument – how should it be measured, what should be included and what not? The SLA benchmark may be met but the client is still not happy, or conversely the client may be happy when the SLAs don't actually meet

the contracted levels.

Recompense relating to SLA failures is also itself a cause for disaffection. If a failure materially impacts the business, and hence the actual (or perceived) reputation of the client, then no amount of service credit is likely to make amends.

The other main area of dispute relates to managing changes in the client's business. Events occur, particularly mergers and acquisitions, that change company priorities and focus. If these changes cannot be handled within the contract, then disputes arise.

Although public sector disputes have been very high profile in recent years (**ITNET**/Hackney, **SBS**/ Passport Agency, etc) there were mixed views as to whether there were more disputes in this market. On the one hand, public sector projects are always on the basis of a bid, which increases the likelihood of a mismatch between price and service. Because it involves the public purse, lawyers are also likely to be called in at an early stage. In mitigation, there was thought to be a greater understanding and

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standardisation of approach to outsourcing in the public sector, compared to some areas in the private sector where clients can come up with *"weird"* ideas

(according to one respondent).

Whatever the industry, there will be disputes – these are very long relationships so there is bound to be disagreement at some time. But it is the fear of these reaching the courts that drives the efforts to resolve by negotiation; *"... disputes can poison a relationship and materially impact business"*. And it's not just the supplier that suffers - *"It reflects badly on both sides"*. But if you have to resort to the law, so be it.

However, the focus is primarily on resolution. Whereas in the US contracts are pretty basic and the lawyers are called in for the slightest problem, in the UK the effort goes into getting the contract right and resolving any ensuing problems round the table.

Apart from anything else, lawyers can harden positions and make settlement more difficult. If external lawyers are needed, then *"you need lawyers that are mature and can broker a compromise and keep the relationship with the customer"*.

So what are the lessons that these sages of outsourcing have learned over the years? Well it's as much good sense as any revelations:

- Strong account management is vital. There needs to be regular dialogue at senior executive level and joint planning with the client should be part of the relationship. (For one company the on-going project management team included one person whose role was to have an in-depth knowledge of the contract).
- Be very clear up-front about the specification of the service and price it properly. Ensure it matches the business need.
- Include measures of SLA achievement and include clearly defined benchmarks where possible.
- Include a dispute escalation/resolution process in the contract, including referral to arbitration. If the relationship is right then escalation to even the highest levels should be the norm. (And learn from problems that do arise).
- Get specialist legal advice where necessary, particularly in handling TUPE.
- Ensure that the contract/service levels can be reviewed for changing customer circumstances. Realign the contract as the client's business changes to make sure it is still relevant.

The bottom line is that it is better to re-negotiate the contract if it comes to the worst. *'Better to fix the marriage, rather than sue for divorce'*.

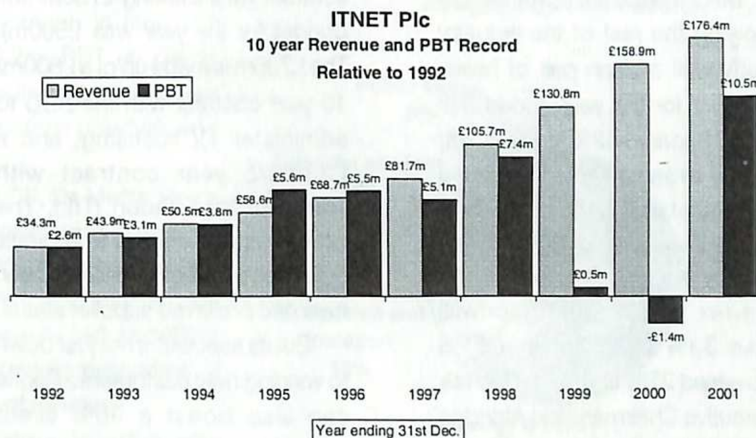
Unfortunately, though, there will always be some clients bent on litigation – the dot.coms in general (but not much of a problem now!). More relevant in a downturn, there may be some companies looking for a way out of a contract they can no longer afford (particularly in those industry sectors in the doldrums, such as telecoms and finance). Ultimately there may be no choice but to call in the legal team.

The research was carried out for Berwin Leighton Paisner – contact Quentin Solt (0207-760-4203; quentin.solt@berwinleightonpaisner.com) or Amanda Lewis (0207-427-1387; amanda.lewis@berwinleightonpaisner.com).

QUICK TO CUT COSTS AT ITNET

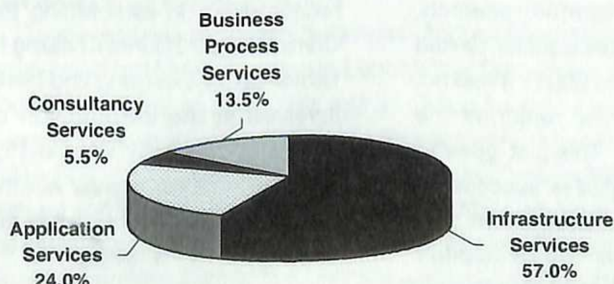
CE, Bridget Blow, was at ease as she presented a set of results this month, which illustrated a turnaround for **ITNET**. A year previously, the company had been suffering from problems encountered as a result of the early termination of ITNET's benefits contract with Hackney, and Bridget had been explaining the reasons for a pre-tax loss of £1.4m. It must have been a much more pleasurable job to report a pre-tax profit for the year to 31st Dec. 01 of £10.5m, and a diluted EPS of 9.12p (loss per share of 0.18p in 2000). This profit was on turnover of £176.4m, up 11% from the previous year. The area of the business over which Hackney cast a shadow was business process services (BPS), which saw revenues decline by 10% to £23.6m in the year.

Both ITNET's public sector and commercial business reported increases in turnover. Public sector revenues saw an increase of 14% in turnover to £86m. An even brighter picture is painted if Hackney is taken out of the equation – without Hackney, turnover would have increased by 29%. The company won 16 new government contracts in 2001 and in the last six months, the pipeline has increased by 38%. The consulting business, French Thornton, performed exceptionally well, as public sector clients scrambled to submit their e-government strategies. This is a far cry from the declines we have seen from the high-level consulting revenues of companies active in the commercial market. Boosting the government-related revenues further was the SAP implementation business and related outsourcing contracts. This area of the business was kick-started by ITNET's success at the London Borough of Enfield. SAP revenues were up 155% in 2001.

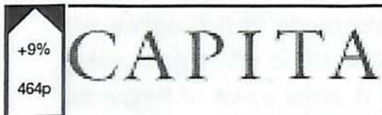


Commercial revenues increased by 9% to £90.4m. However, things were certainly not as rosy as in the public sector – the size of contracts has been much smaller and due to the "*shortage of contracts to bid for*", the order book at the end of 2001 was down compared to the end of 2000. In ITNET's favour, it won 10 new customers in 2001 so will benefit from a larger customer base when the upturn comes. The commercial sector has not been quite as keen on ASP, but there was a 24% increase in application services business revenues, including the provision of CRM services and Internet and Intranet technologies.

ITNET took actions to control its costs quicker than most when it recognised a slowing of the commercial market at the end of 2001, and as a result, it has seen margin rates continually increasing in all its primary revenue streams. The average headcount over the year was 2498 compared to 2619 in 2000. Margins also benefited from the termination of the loss-making Hackney contract, and the higher margins of the SAP business.



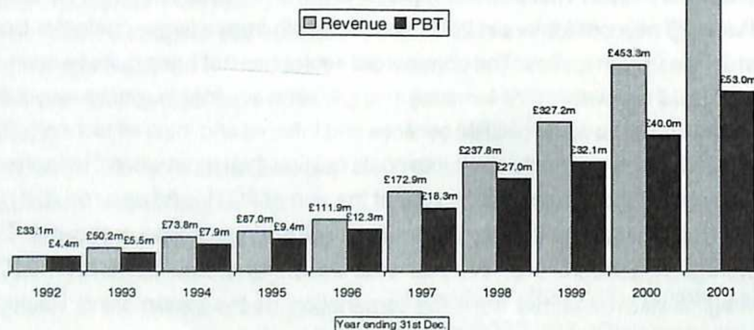
From what we can see, ITNET is in a strong position to put in a good performance in 2002. Its order book at the year-end was £276.4m, up from £270.6m at the end of 2000, and today, the order book stands at £295m – since the year-end it has bagged two renewals with a value of £14m, as well as one other large contract. Bridget Blow commented, "*the Group is confident in the outlook for the outsourcing market... public sector business is expected to continue its pattern of healthy growth while market uncertainties continue in the commercial sector*". ITNET is now in a good financial shape to benefit from the boom in the outsourcing market, whilst continuing to increase its strength in the commercial market so that it can take advantage of the upturn in when it comes.



CAPPING IT ALL OFF WITH A CONFIDENT TWO-YEAR OUTLOOK

BPO-meisters **Capita** are still showing the rest of the industry pretty well a clean pair of heels. Turnover for the year ended 31st Dec. 01 soared 52% to £691.2m; mostly organic. Total operating profit (post-goodwill) rose 30% to £58m, but pre-goodwill this was actually a 41% jump to £77.1m. Pre-tax profits (post-goodwill) rose 33% to £53m and EPS increased 25% to 4.67p. Capita's executive Chairman Rod Aldridge was much pleased: *"Record levels of new business secured in 2001 already underpin strong organic growth for 2002 and 2003. This visibility of earnings gives us confidence in our current estimate of £875m turnover for 2002."*

Capita Group Plc
10 year Revenue and PBT Record
Relative to 1992



Comment: Crikey! How many other players can pre-announce their 2002 results ***with confidence*** on the day they release 2001 numbers? Capita's confidence in its performance through to 2003 is understandable when we hear that in 2001, the Group exceeded its internal budget of £400m for major contracts (the actual total for the year was £744m). And this year, just two months in, it has already beaten its budget, with major contract wins totalling £730m (the budget for the year was £500m). The £730m is made up of a £500m/ 10 year contract with the BBC to administer TV licensing, and a £230m/5 year contract with Transport for London (TfL). The latter contract is subject to approval of the scheme, but Capita has been awarded preferred supplier status.

But its success is not just down to winning new customers. Capita can also boast a 95% client retention rate, with clients *"consistently renewing and extending contracts"*. The impressive performance is not isolated in the public sector. Capita has managed to buck the trend in the private sector. Clients with whom it has won or extended contracts include NatWest, Norwich Union, HBOS and Npower. Indeed, at the results briefing, Capita quoted from recent Romtec research, which, in the finance sector, ranked Capita at No.5 in 2001. It had not made it into the rankings the previous year. This just goes to show that Capita is succeeding where others are falling down.

Selectivity is one of Capita's keys to success, and in the process, it insists on a fair balance between risk and reward. In the central government market, where other companies point to lower margins than in the commercial sector, Capita is reporting the highest profit margins. A large number of the projects in central government are Greenfield projects with a high degree of risk, so Capita has ensured a high margin in return. In local government, the proportion of total revenue has reduced from 22% to 18%. This is a lower margin business (c10%) and the Group has been choosy in the projects it goes for. What is clear is, as Group Finance Director, Gordon Hurst, pointed out, Capita *"is simply not a business which is under margin pressure"*.

As well as its selectivity, there are many more reasons why Capita produces such excellent results year in year out...to go on about them again would be ***Boring*** of us. The only blip on Capita's record recently has been surrounding the Individual Learning Accounts (ILA). But from what we can see, it should also be the Government that takes heed. Capita admits that it *"should have been more robust in pointing out shortcomings in the specification"*, but it is also true that the Government makes it an incredibly long and arduous process to get specifications altered.

The ILA contract was a prime target for the press, and the same will be true for many of Capita's recent wins. In establishing the Criminal Record Bureau, helping to tighten up TV Licensing and being involved in the introduction of congestion charging in London (TfL), it may become less popular with the public.... but we can't see its shareholders complaining!

CHITTY CHITTY BANG BANG

Logica has announced its interim results for the six months ended 31st Dec. 01. They are pretty much in line with expectations, revenues up 19% to £600.2m, PBT up 6% to £61.6m (although before goodwill and exceptionals, the increase is 21%), diluted EPS down1% to 9p (before goodwill and exceptionals, up from 10.7p to 12.8p).

Commenting on the outlook, MD and CE, Dr Martin Read, said *"Having delivered strong growth in messaging during the first half, we expect growth in Mobile Networks in the second half, compared to last year, to be at best modest.... In services, we expect to see a solid performance in the second half, benefiting from our strong order backlog and an increasing proportion of longer term business giving better visibility of revenue."*

The biggest growth was in mobile networks – 28%, all organic – which accounted for 27% of business. Other telecoms business dragged the sector down, with a revenue fall of 10%, so that telecoms as a whole grew just 12% and now constitutes 40% of business, from 43%. Public sector revenue was up 23% (17% organic), and energy and utilities business grew 31%, most of this through acquisitions. Financial services was almost as bad as telecoms; revenue grew 13%, although if it hadn't been for acquisitions this would have been a 12% decline.

By client location it was the UK that let the side down, up just 4%, so the UK represents 38% of the total, down from 44%. US growth was 20%, although in fact the Americas operating unit itself showed a decline in revenue of 23% in H1 with no expectations of growth in H2. Continental Europe client revenue was up 30% and Asia/Pacific up 35%. In the UK it was the telecoms sector that did the damage, with a 22% fall to £29.7m, whilst public sector was the star with 44% growth to £39.4m. In other areas, energy and utilities was up 7% to £78.3m, industry, distribution & transport was down 5% to £50.8m and financial services was up 23% to £31.1m.

Perhaps the most interesting part is the revenue by business type for the group as a whole:

· Mobile Networks at £161.7m delivered 28% growth and saw its percentage share increase to 27% from 25%.

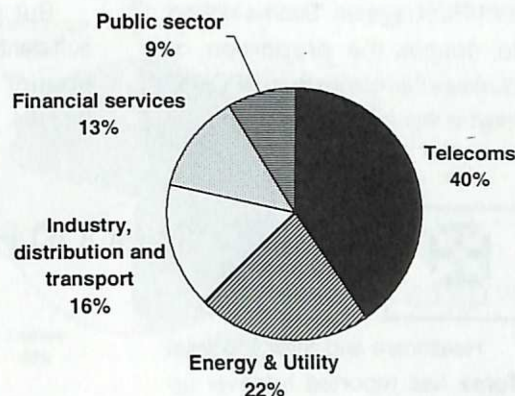
· But the STAR performer, in terms of revenue growth, was BPO (you better believe it!), which delivered a 92% increase to £87m and is now 14% of Logica's revenue.

· Consultancy/Professional services grew 22% to £171.4m, this includes the results of pdv, and now accounts for 29% of revenues.

· Systems Integration declined by 7% to £180.1m and saw its share of total revenue fall to 30% from 38%.

There were also some Board changes. Andrew Given (well respected and highly rated) has been promoted to Deputy Chief Executive, but will retire from Logica at the end of 2002. His role as Group Finance Firector is filled by Seamus Keating, who joins the Logica Board. Helmut Mamsch (ex-chairman VEBA AG) is appointed deputy chairman, he has been a NED since 1997. Richard Wakling, who has been a NED since 1995 is retiring from the Board at the end of March, whilst Richard North (Group Finance Director, Six Continents plc, and chairman of Britvic Soft Drinks) is appointed NED and will take over the audit committee when Richard Wakling retires.

Revenue by client sector



Comment - It's those cylinders again. Our running comment on Logica is that it never fires on all cylinders at once. Here it is again, but perhaps with more misfires than usual. You can understand the nervous market reaction (shares down 28% on the month and the company looking as if it may fall out of the FTSE100), with the news not good in the UK and the US, systems integration suffering and a warning that year-on-year growth in the Mobile Networks division over the second half will be *"at best modest"*, (assumed to mean c10%) against guidance given in Dec. 01 of 30% growth. It explains why Martin Read spent so long at the briefing explaining why there is still lots of growth left in the messaging market and how well Logica is placed to exploit it – without it the company would be looking much shakier.

Two areas of the business worthy of comment are the public sector operation, described as the 'Cinderella' business, where Logica's persistence has paid off. As well as central government projects, such as the £200m CPS deal, which accounts for the largest part of this business, Logica is also making inroads into the local government sector – the £13m win at Hackney

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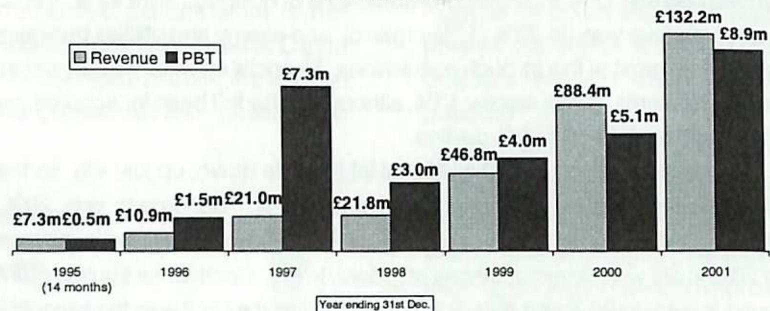
being an example.

And we can't leave it without a mention of the BPO business (previously known as Application Management), which grew a massive 92% and now accounts for 14% of revenue. Read is looking to double the proportion of business that comes from BPO and maybe this is where some of the shortfall in telco revenue will come from. There will be a massive BPO market out there in the future (see our forthcoming report) the question is, can Logica play with the big boys?

But prospects overall were sufficiently below expectations to prompt some warnings from brokers. It led Williams De Broe to note that *"It's not a question of whether there will be a profit warning, but when ...The balance sheet is deteriorating rapidly, as abysmal cash flow fails to support the increasing working capital requirements of the business (and) the management continues to be in strong denial"*.

TOREX - IN GOOD HEALTH

Healthcare and retail specialist **Torex** has reported turnover up almost 50% for the year to 31st Dec. 01 - £132.2m compared with £88.4m, with £8.4m of that attributable to acquisitions. PBT is up even more; £8.9m is an increase of 74% over the £5.1m of the previous year - the company had a record operating margin of 15.4%. EPS is up from 9.0p to 9.9p.

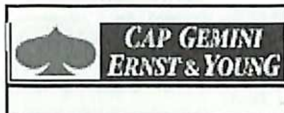


The (continental) European health business now represents 30% of Torex' revenue, whilst UK health is 43% and retail 27%. Most of the revenue growth came from the health business in continental Europe, due to the **Laufenberg Group** contribution for its first full year. But profit growth was most apparent in the UK health sector, where operating profit jumped by 160%. It's good repeat business, too - in the health market in the UK £27.5m of orders were received from existing customers during the year. It was a difficult year in the the retail sector, with revenue down 15%, but operating margin was up and the company managed to expand into new areas, geographically into Eire and into the fashion market.

Chris Moore, Chairman, commented, *"2002 has started with an unprecedented level of secured revenue of £89.1m. Another promising year lies ahead and we have no intention of relaxing our targets in any part of the business"*.

Comment - All good stuff from Torex, a company in the right place at the right time and continuing to move in the right direction. As we pointed out in our public sector report, the health market is a good place to be. In its briefing the company quoted Tony Blair; *"If the NHS is not basically fixed by the next election, then I am happy to suffer the consequences. I am quite willing to be held to account by the voter if we fail"* – that's pretty good support for your business!

The company is looking to expand in Europe, initially by acquisition (the preferred route for a number of years now) particularly in Austria, France and Scandinavia. Managed services and outsourcing are also a target (for both the health and retail business) and must surely be a substantial opportunity for Torex - maintenance and managed services accounting for 47% of business in 2001, up from 35%, with an expectation of it reaching more than 50% this year.



CAP UK GOES INTO THE RED

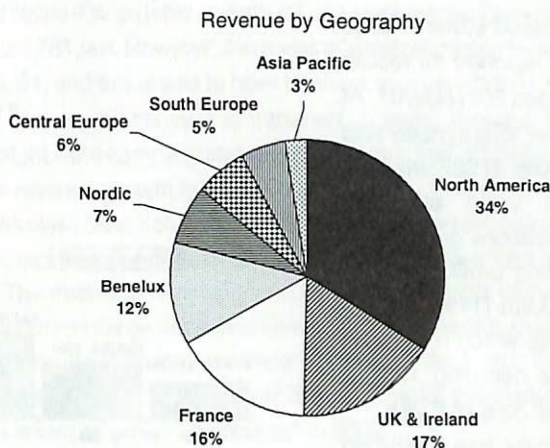
CGEY has released audited results for the year ended 31st Dec. 01 in line with predictions before the year-end. Revenue was up 21% to Euro8,416m (£5,141m), but on a pro forma basis (the Ernst and Young acquisition was approved in May 2001) revenue is actually down 1%. The problems CGEY has been having are revealed by the operating income, which on a pro forma basis is under half the previous year's figure at Euro423m (£258m), which is just 5% of revenue but includes Euro181m (£110m) of restructuring costs. EPS is 30% of last year's figure at Euro1.2 (73p).

UK revenue was Euro1,414m (c£862m), up almost 6%, but with an operating loss of Euro3m (c£1.8m).

Asia Pacific and the US saw the biggest pro forma revenue falls for the group, 6.9% and 6.1% respectively. Growth came from France (6.4%), Central Europe (6.4%), UK & Ireland (5.9%) and the Nordic countries (4.7%). Europe as a whole was up 4.3%, while the rest of the business was down a similar amount. North America now constitutes 34% of revenue and Europe 63%, led by the UK & Ireland (17%) and France (16%). Operating margin was 5% overall, higher in North America (6.3%) but Asia Pacific made a 4.6% loss.

By line of business, strategy and technology accounted for 15% of revenue, outsourcing 22% (20% in the first half and 24% in the second) and business solutions and technology 63%, of which the low-cost Sogeti business constituted 7%.

The Board of Directors noted, *"the Group has succeeded in remaining profitable in 2001 in what was an extremely difficult market, implementing restructuring measures which significantly reduced operating costs and prepared it to enter 2002 in the best possible condition. The business rebound is however expected to be deferred due to the low level of bookings in the second half of 2001. The fourth quarter in general benefits from a strong positive seasonal effect which did not occur this time. First quarter revenue will therefore be significantly lower than both the first and fourth quarters of 2001. The Group's objective is to recover growth and make significant improvement in operating margin as quickly as possible. In both cases, the real turnaround cannot be expected before the middle of this year."*



The new FY started with a headcount of c56,500, 3,000 less than on 1st Jan. 01.

Comment - The news here is the loss made in the UK. The company 'rationalised' in the UK early on and we would have expected to see the benefit coming through. Also, we understood that CGEY decided not to launch the Sogeti 'low-cost' services operation in the UK so as not to undermine existing margins – what margins?

Overall CGEY has been a major loser in the downturn in demand for people-based business, having bought E&Y at precisely the wrong time. It didn't get any better as the year progressed; revenue for H2 was 14% under the company's own forecast made at the halfway stage.

The company has also suffered from the slowdown in telecoms and finance sector business (along with the rest of the world) but energy and utilities, the public sector, health, the pharmaceutical industry are doing well (again, along with the rest of the world). The company said that outsourcing is progressing fast, but then it's growing from a relatively small base after CGEY's lack of focus on this market in recent years (which they must be bitterly regretting now). The plan is to grow outsourcing to 30% of the business within the next three years, but is it possible and is it enough?

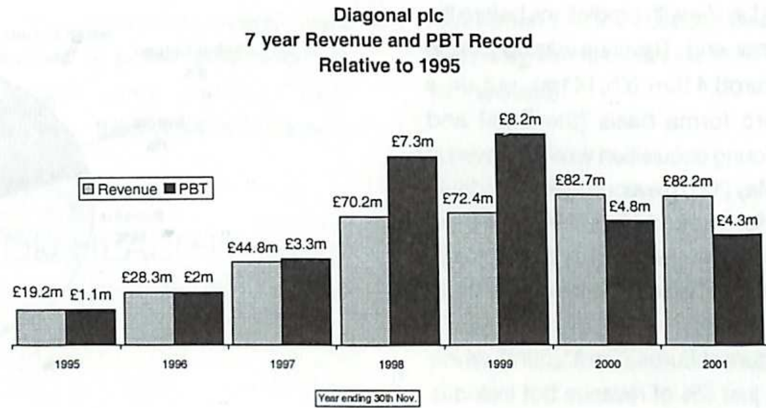
The company also said that *"the launch of SOGETI will enable a gain of market share in the professional services business"*, but this is very low margin body-shopping stuff at the bottom of the food chain.

The general conclusion was that *"After a period given over to cost adjustment in 2001, the Group will now concentrate its efforts on improving sales performance"*. We wonder if they can also chew gum at the same time.

A STRAIGHT LINE FOR DIAGONAL

Farnham-based system house **Diagonal** has reported its results for the year ended 30th Nov. 01. At the headline level, total turnover was in line with last year at £82.2m (from £82.7m last year) although continuing operations grew 8% to £79m. Operating profit, however, fell 15% to £3.9m (14% drop on continuing ops), which resulted in pre-tax profits declining 12% to £4.3m. EPS fell 32% to 2.26p.

Diagonal plc
7 year Revenue and PBT Record
Relative to 1995



Revenues in the core Consulting division rose 19% to £44.6m, gross profits rose 17% to £13.3m and operating margins (pre-goodwill) increased from 9.7% to 11.1%. But this is a division of two halves, so to speak. The SAP consulting business saw revenue up 30% to £36.4m, with an operating margin (before goodwill amortisation) of 11.1%, up on last year's 10.5%. By contrast, Enterprise Application Integration (EAI) consulting did not fare so well. Revenue dropped 14% to £8.1m, although operating margin jumped from 7.3% to 10.8% as the result of reductions in the cost base.

Consulting now accounts for 54% of the business, up from 45% in the previous financial year. SAP consultancy is increasingly a global occupation; Diagonal worked with clients in over 20 countries in 2001 – Asia, North America and Europe - new offices have been opened in Philadelphia and Singapore on the back of customer demand. For the group as a whole, though, almost 88% of business is in the UK. This is down from 2000 mainly due to an almost 10-fold increase in turnover outside the UK and Europe.

The rest of the business is primarily Secure Networks, which has been built out of a number of acquisitions in 1999 and 2000. Revenue from this division was up 5.4% to £21.4m, with an operating margin (before goodwill amortisation) of 9.8%. In fact the network infrastructure business took a dive and was replaced by higher-value projects, which improved margins in H2 (although still down from the 14.4% in the previous year)

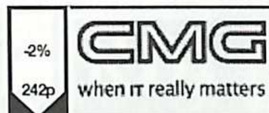
There is (or was) also resourcing. Although Diagonal sold off IT staff agency MAPP in Apr. 01, they still have some staffing activities, which turned in revenue of £13.4m, some 15% down on the previous year (about par for the course). Gross margins also fell from 19.4% to 16.9% (though many ITSAs would cut off their right arms for even these margins!). But Diagonal's resourcing operations have since been subsumed within the Consulting division.

Echoing what has become a fairly repetitive 'outlook' statement from most companies around this time of year, Diagonal's chairman Mark Samuels, believes the company is *"well placed to take advantage of market conditions when they improve."*.

Comment - Perhaps we shouldn't expect any more from Diagonal, caught in the middle of changing direction as the market turned bad. They have failed to realise any value from (i.e. sell) the remaining staff businesses, so have, instead, rolled the activities in with the existing SAP resourcing operation in the Consulting division. The brand names are being continued, though. This always leaves the opportunity to exploit the brands again when the market improves, but the current plan is for no separate reporting.

The rest of the business appears to be firming up, with consultancy day rates up from the first half of the year and utilisation rates holding steady (75% in SAP consulting and 61% in EAI). The network business is moving to higher margin work and the company is still looking to cross sell between divisions.

Looking ahead, the company sees the SAP business growing on the back of client retention *"better than anyone else by miles"* said Graham Creswick, Chief Executive, at the briefing. Growth will be primarily organic, although acquisitions are also on the cards for the right deal. The net result being the anticipation of no growth (over the previous year) in H1 2002, but a 15% growth across the business in H2.



SUBSTANTIAL GOODWILL WRITEDOWN...THE FIRST OF MANY IN THE S/ITS SECTOR?

In its financial year to 31st Dec 01, **CMG** has reported turnover growth of 13.6% to £920.4m (up 12% at constant currency) including the effect of acquisitions. Pre-tax loss before exceptional items was £15.9m, compared to a profit of £83.1m in 2000. Exceptional items included £56.3m of goodwill amortisation, £8.9m of exceptional restructuring costs, and a hefty £564m of exceptional goodwill impairment provisions in respect of **Admiral**, **Computer Answers** and other smaller acquisitions. This has left £468m of goodwill on the balance sheet compared to £1087m at the end of 2000.

CMG realises that the industry is now one where demand no longer always outstrips supply and that people are rationalising the suppliers that they use. This should be to CMG's advantage as many customers see the company as a "*trusted partner*". In order to see the company through to the economic upturn, the Group has also undertaken a cost-cutting exercise and achieved £40m of annualised cost savings in H2 01.

Also on CMG's side is its recurring revenues "*underpinned by outsourcing/managed services*" which achieved organic growth of 31% in 2001. Its Government business has also performed well, achieving 19% growth in the year. Managed services and the public sector accounted for one-third of the Group's ICT turnover in 2001. CMG also states that it has moved further into genuine Business Process Outsourcing (BPO).

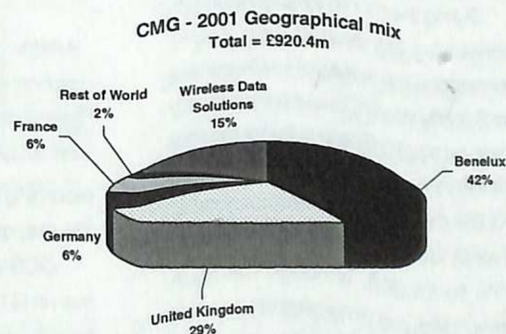
But apart from these areas, the rest of the results are a mixed bag, with the majority of the announcement making pretty depressing reading. 85% of CMG's turnover comes from ICT services, which achieved 7% organic growth (at constant exchange rates) resulting in turnover of £781.9m. However, there was a "*marked decline in utilisation levels*" from Sep. 01, and this is said to have been most severe in the UK industries of personal finance, insurance and transport. Looking forward, things are not looking bright – the company states that in the first half of 2002, it does not see scope for revenue growth over H2 01.

The Wireless Data Solutions (WDS) business saw revenue decline 11% to £138.5m, representing 15% of Group revenues. Full year loss before tax was £19.7m. The decline in revenues from telecoms products came as European operators incurred large debts and slowed their purchasing. Business from the rest of the world was unable to compensate for the declines in these revenues. But CMG is eternally optimistic about the potential for this market and expects overall revenues to grow "*significantly*" in 2002.

Geographically, Benelux is still CMG's biggest market, generating 42% of Group revenues and growing revenues by 15% to £386m (11% organic growth). Margins declined in H2 01 as a result of lower utilisation, and PBT was static at £62.9m.

The UK achieved a 28% increase in turnover to £264.2m, and a 34% decrease in PBT to £13.9m. Revenues grew organically in H1 at 11% but a flat performance in H2 led to full year organic growth of just 5%. The Group believes that the UK will return to higher levels of profitability than H2 01 in the first half of 2002, but not higher than the comparable period in 2001.

Looking forward for the Group as a whole, a familiar comment came from Chairman, Cor Stutterheim, "*We are not immune to economic cycles and performance in 2002 will be determined to a considerable extent by the arrival of an economic upturn*".



Comment - Our front page article, highlights our concerns surrounding the different treatment of the amortisation of goodwill on S/ITS company balance sheets. We particularly picked on CMG as an example of where its carrying value of goodwill looked well out of line with actual worth. Much of this had arisen from the purchase of Admiral in May 2000 for £1.4bn. CMG as a whole is only capitalised at that now!

So we were particularly interested to read that a review of the carrying value of goodwill at CMG *"has resulted in an exceptional charge to operating costs of £564.0 million ...The bulk of this write down relates to the acquisition of Admiral in May 2000, which was principally financed by shares (at a share price of £9.33). Admiral continues to be an important contributor to the group, giving critical mass in the UK and creating significant cross-selling opportunities. The remaining goodwill of £468.0 million will be amortised in accordance with the group's accounting policies."*

Now that's quite a write off and we await to see how the others with high goodwill and long amortisation periods react to CMG's decision.

SERVICES PROP UP LONDON BRIDGE

London Bridge Software has announced its preliminary results for the year ended 31st Dec. 01. Revenue (including acquisitions) rose 31% to £74.1m, (8% organic), PBT rose just 1% to £4.7m but EPS fell 6.5% to 1.73p.

Overall it's another mixed bag of results from London Bridge, both in terms of revenue generated through the different geographies, and through its activities. The US had a *"satisfactory year"* with mixed results from its various product lines, overall sales increased by 62% to £49m and the operation returned to profitability (£1.1m). The US now accounts for 66% of total sales but only 24% of profit. European and Asian operations performed *"below expectations"*, revenues fell by 4% to £22.7m and profitability was down 6% to £9m, the rest of the world generated £2.8m, 8% down on the previous year.

As we have seen with many software companies this year revenue generated through licence fees fell, in LBS case, down 11% to £21.5m, but on the good news front services revenues increased-

- Development, installation, training and consultancy fees up 8% to £26.6m
- Maintenance income up 46% to £16.3m
- E-commerce service income up 42% to £9.7m

Good to see London Bridge making inroads into the US market but profitability over there needs to increase. The rise in its percentage of recurring revenues is more reassuring. However, the small increase in profit is disappointing, this was bought down by amortisation of goodwill, which accounted for £6.2m, and 'other administrative expenses' which increased 34% to £26m. Although the company reports a strong Group financial position with net cash of £20.9m, cash at hand and in the bank has halved to £24m over the year.

Q4 SEES RETURN TO GROWTH FOR MANAGEMENT CONSULTANCIES

During the month the Management Consultancies Association (MCA) announced the results of its Q4 survey, confidently titled *"Consultancy industry back on track"*. The survey found that Q4 fee income had risen 4%, following a 3.8% decline in the previous quarter. Overall fee income for the year grew 15% to £4.3bn, although the MCA gave no figures on profitability.

The MCA's members provide a breakdown of revenue into management consultancy services (MCS), IT consultancy (IT) and outsourcing consultancy (OCS), and the Q4 survey reveals that no one line of business showed consistent growth during 2001.

IT Consultancy enjoyed a rally in Q4, with a rise of 10.6% to £230m, but that followed a dramatic fall of 21.5% in the previous quarter. MCS also picked up in the last quarter, with a rise of 2.6% to £590m, having dipped almost 7% in Q3. But outsourcing consultancy, unsurprisingly, proved to be the real engine of growth during the year,

Activity	Q101 revenue (£m)	Change on previous quarter	Q201 revenue (£m)	Change on previous quarter	Q301 revenue (£m)	Change on previous quarter	Q401 revenue (£m)	Change on previous quarter
MCS	630	7.3%	617.0	-2.1%	575.0	-6.8%	590.0	2.6%
IT	257	2.4%	265.0	3.1%	208.0	-21.5%	230.0	10.6%
OCS	205	-2.4%	224.0	9.3%	281.0	25.4%	287.0	2.1%
Total	**1,092**	**4.2%**	**1,106**	**1.3%**	**1,064**	**-3.8%**	**1,107**	**4.0%**

recording 9% growth in Q2 and 25% growth in Q3. By comparison, Q4 saw a modest 2% rise, quarter-on-quarter.

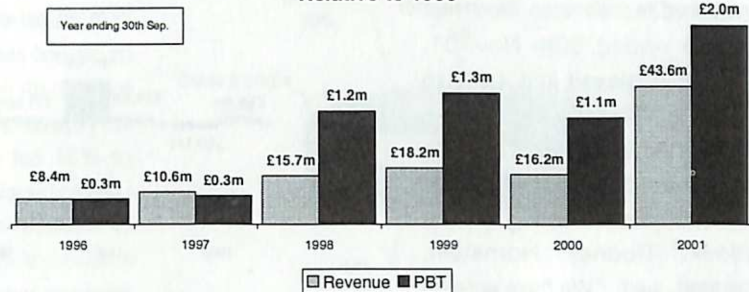
OCS was the only line of business to end the year generating more revenue in Q4 than in Q1. At the year-end, the MCA's members were getting 22% of total revenues from IT-related consulting, and close to 23% from outsourcing consultancy.

The survey concludes, *"all the indicators are that the worst of the economic slowdown could be over for the consultancy"*. Members are reported to be *"more optimistic"* about prospects for the industry, with order books having stabilised. Positive growth is expected from (you've guessed it) the public sector, in addition to financial services and overseas.

We expected the management consultancies to suffer during 2001, as high-level strategy projects were shelved. And of course the financial sector, which used to be one of the strongest growth sectors in the S/ITS industry, saw its traditional IPO and M&A activity dry up during the year, resulting in redundancies and cut backs in IT spend.

The MCA asked its members whether they had seen a shift in the type of consulting work coming through - almost a quarter of members commented that there had been a considerable increase in the amount of projects related to cost cutting! Of course, one of the key drivers behind outsourcing is cost reduction, so the consultancies will be looking to ride that wave for as long as possible. As for whether the consultancy industry is *"back on track"*, with Q4 revenue almost exactly the same as Q2, it's probably a bit premature to be saying that the worst is over.

RDL'S ACQUISITION STRATEGY PROVES *"AN ENORMOUS SUCCESS"*



RDL Group, the AIM-listed ITSA, reported turnover growth of 169% to £43.6m for the year to 30th Sep. 01, and a PBT of £2.0m after deducting goodwill amortisation of £677K. This compared to PBT of £1.09m for the previous year. Diluted EPS increased by 18% to 7.93p. Andy Richards, Chairman and MD, commented on the current trading, *"Early indications for trading in the second quarter suggest that income has stabilised and the benefits arising from the cost-cutting programme are starting to appear. While it is too early to predict the outcome for the full year it is unlikely that the Group will match the pre-tax profits achieved last year"*.

Comment - From the headline figures, it would be easy to conclude that RDL was one of the fastest growing ITSAs in 2001. However, what is more interesting is the information that RDL has chosen not to reveal. The figures include a full year's contribution from **M3**, the privately-owned ITSA business acquired in Aug. 00. Yet, RDL has not revealed the underlying organic revenue growth. Prior to being acquired by RDL, M3 made revenues of £21.3m in the year to 30th Nov. 99 - equivalent to c50% of RDL's revenue in this period. Readers will remember that RDL went on to make another acquisition in Sep. 01 - that of AIM-listed **Systems International** Group (SIG). SIG will make a full contribution to the figures for FY02.

But let's not be churlish – RDL's acquisition strategy has delivered not just revenue growth, but, more importantly, an 82% increase in PBT (post amortisation), and an improved EPS. RDL also deserves some praise for keeping its house in order: unlike many ITSAs, it did not incur any significant bad debt during the period, and it tightened up on debtor days. All sound stuff, given the inevitable exposure that suppliers of contract staff have.

During the period, RDL also benefited from M3's *"large proportion of overseas business"* in countries where conditions were not as difficult as in the UK. Indeed, RDL now generates 57% of total sales from its overseas client base, with contractors supplied through a combination of overseas offices (in the Netherlands, Switzerland and Hong Kong), and 'export' from the UK.

Going forward, RDL is looking to drive further cost savings through the integration of SIG, but the downturn in demand has led to RDL incurring a operating loss in Q1.

EPIC FOCUSES ON THE MORE ROBUST SECTORS

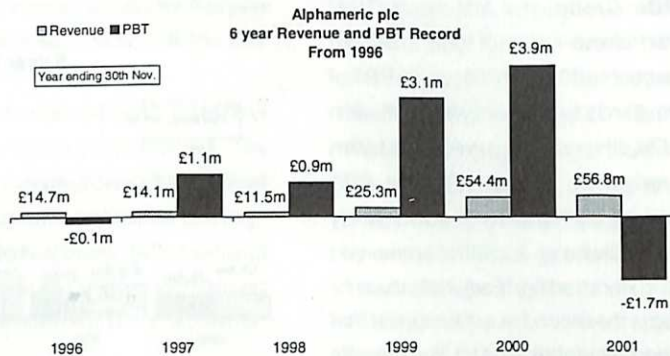
Epic, the AIM-listed developer of bespoke e-learning content, and provider of e-learning consultancy and services, announced interim results for the six months to 30th Nov. 01. Revenue has dipped 11% to £3.3m compared to the same period in 2000 (down 23% on H2 2001), PBT has fallen more (64%) to £205K, and EPS has declined from 2.2p to 0.7p. Commenting on the results, Chairman Michael Inwards said, *"Our flexibility is shown in the range of consultancy, content development, services and innovative products that we deliver in response to changing demands from customers in this rapidly developing market. Profitable market leadership continues to be our business strategy"*.

Comment: Unsurprisingly, players like Epic in the e-learning space are finding it tough going at the moment. Expenditure on e-learning, just like any other form of corporate/business training, is likely to be scrutinised very closely in the current climate. However, Epic develops bespoke e-learning solutions for a wide range of customers, including the public sector (its largest market) and financial services. The government's online initiatives, product training in the financial services sector, as well as essential training (such as health and safety), continue to provide Epic with a stable order book.

Despite its fall in revenue in the period, and its high operational gearing Epic managed to remain in profit at the operating level, helped by a £179K contribution from interest receivable. It's good to see the company saying that *"profitable leadership"*, not just leadership, continues to be the goal.

LESSONS LEARNT AT ALPHAMERIC

Alphameric, a supplier of software and services to the retail, betting and gaming industries, announced its preliminary results for the year ended 30th Nov. 01. Turnover increased just 4.5% to £56.8m, a PBT of £3.9m became a LBT of £1.7m and an EPS of 1.96p was converted into a loss per share of 2.39p. Commenting on the outlook, Rodney Hornstein, Chairman, said: *"We have entered the new financial year with a strong balance sheet and a healthy order book. While the timing of our product development cycles will result in year on year fluctuations, we look forward to a resumed period of strong, sustained revenue growth this year and beyond"*.



The group attributed its poor performance to a period of *"difficult trading"* in its retail betting and finance division. Technical and implementation difficulties, and the knock on effects of the foot and mouth crisis, resulted in turnover for the year falling 9.4% to £20.9m, and the division reported an operating loss of £889K (£3.15m operating profit in 2000).

The retail division *"performed satisfactorily"*, with revenue up c29% to £33m. Operating profit, pre exceptional items and amortisation of goodwill, was down 11% to £4.2m, and after, went from profit to loss.

Meanwhile, the Customer Services division, which was split and the relevant parts merged into the group's two other divisions back in Apr. 01, couldn't even claim to be operating profitably, pre exceptionals! It lost £253K on revenues of £2.9m.

The logistics division made *"encouraging progress"* during the year, but no figures were disclosed.

Comment - After a flurry of acquisitions in 2000, Alphameric made just two in 2001 and its ambitions of moving into the US and Europe have been tempered this year. The group, quite rightly, is now focusing on growing the proportion of higher margin software, increasing business with existing clients, and growth (organic and acquisitive) in the UK and selected continental European markets.

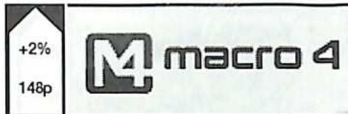
Chairman, Rodney Hornstein, said that lessons have been learned from the technical and implementation difficulties experienced with Alphabet, its bet capture system. The problems resulted in *"inflated costs"*; fortunately, no orders were lost due to early teething problems. *"Important changes"* have been made to the way Alphameric monitors projects, but we have to ask why the company's review process and protocols were not robust enough in the first place!

Whatever the lessons learned, Alphameric goes into 2002 expecting to resume strong, sustained revenue growth, *"this year and beyond"*.

A RELATIVELY OPTIMISTIC OUTLOOK

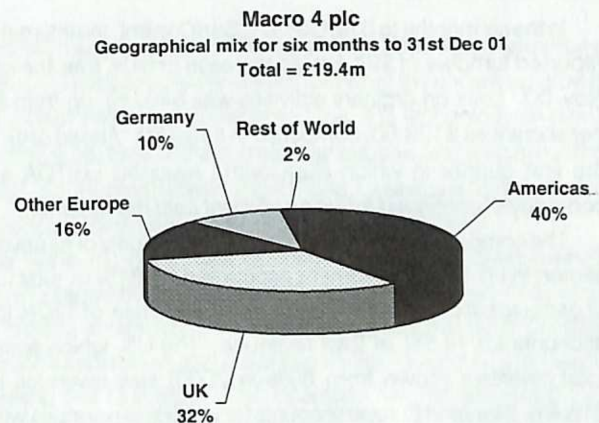
Compel announced its interim results for the six months ended 31st Dec. 01. Last year's results included revenue from **Compelsource**, the desktop business that it sold to **SCH** in Mar. 01, so comparisons are pretty meaningless but nevertheless...Turnover was £32m, (£163m), LBT was £258K (£1.9m) and loss per share was 0.9p, (4.7p).

Comment: Compel now has two businesses, Compelsolve (enterprise solutions) and Hamilton Rentals (rental solutions). It's really too early to tell if Compel has successfully transitioned from the role of desktop supplier to a solutions business. Compel's services business was fairly well established in its own right before the sell-off. However, many corporate customers still like the one-stop shop approach, i.e. desktop supply and lower end services from the same source. So Compel will have spent the last few months trying to retain the service customers that it already had, reviewing its cost base and seeking out new opportunities. The company presents a relatively optimistic outlook, but realistically, it will be the year end results that will highlight how successful this initiative has been.



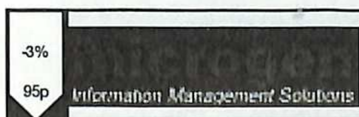
MACRO 4 FINDS LITTLE SALVATION IN DOCUMENT MANAGEMENT

Veteran system utilities vendor – and now document management software company – **Macro 4** has announced its interim results for the six months to 31st Dec. 01. Turnover fell 12% to £19.4m, a pre-tax profit of £1.6m for the comparable period in 2000 was converted into a pre-tax loss of £3.5m and an EPS of 16.4p became a loss per share of 15.6p. Revenues from the core systems management products (SMP) business fell 16% to £12.7m but the new business information logistics (BIL) unit managed better with just a 3% drop in revenues to £6.7m. Overall, licence sales fell 27% to £7m and licence rentals fell 17% to £4.5m. Although maintenance revenues did increase 21% to £5.6m, its contribution to overall revenues is obviously not yet large enough to make up the shortfalls. The UK was the only region that saw growth, up 20% to £6.1m. Continental Europe (excluding Germany) fell 26% to £3.1m, and Germany fell 31% to £1.9m.



CEO Ronnie Wilson had few words of optimism to offer: *"Although the group has moved back into profitability (in second quarter), it is considered unlikely that second half profits will reach the levels achieved in the same period last year."* But of course, *" ... the Group remains well placed to take advantage of any economic upturn"*.

Comment: A disappointing set of results, as presaged in their Jan. 01 profits warning. Q1 was badly affected by a downturn in revenues from the US, its largest market, though this cannot be put down entirely to the effects of 11th September. Although there was some recovery in Q2, this was not enough to stop the fall into loss at the half year. The company is still trying to lessen its dependence upon its legacy solutions business that comes under the umbrella of its SMP Division. Indeed, SMP still accounts for 66% of total revenues and sales. Although part of the fall in SMP revenues was expected through declining sales of its VM/VSE products, new licence sales also fell. The new document management (BIL) business is its bright hope for the future – but appears to have stalled. The quicker Macro 4 can reduce its reliance on its mainframe products and broaden into new growth areas, the better – but this is a tall order.



A WELCOME RETURN TO PROFITABILITY

Microgen has announced results for the year to 31st Dec. 01, showing revenue down 17% to £21m (continuing operations down 7%), last year's LBT of £3.1m is now a PBT of £251K, and loss per share of 5.2p now an EPS of 2.8p. Commenting on the results, Executive Chairman Martyn Ratcliffe said: *"The benefits from Microgen's disciplined management approach are clearly evident in the results for 2001. In a much more difficult IT market environment, the Group has delivered a strong performance, at the upper end of expectations"*.

Microgen also announced the acquisition of **OST Business Rules Ltd**, an enterprise application integration solutions company. Maximum consideration is £19.6m, of which an initial £13.9m is made up of cash/loan notes (£6.6m), and £7.3m in shares. A further £5.7m is dependent on performance. The statement says OST has been consistently profitable since it was formed in 1998, and made a PBT of £0.9m on revenue of £9.3m, in the year to Dec. 01.

Comment: Microgen's transformation from legacy services into e-businesses services is complete. The decline in revenue was due to the continuing reduction in legacy print services, which was partially offset by growth in Microgen's strategic business operations. Going forward Microgen will comprise three divisions, of broadly similar size:

· Microgen-Telesmart - billing, payment and hosted database management, incl. B2B e-billing

· Microgen-Kaisha - data warehousing and application integration consultancy

· and the newly acquired Microgen-OST - enterprise application integration.

We continue to be impressed with Ratcliffe's strategy for Microgen, and the execution of it. The results mark a welcome return to profitability.

MANAGING ITS WAY TO PROFITABILITY

In the six months to 31st Dec. 01, **SurfControl**, the internet filtering company, reported turnover of $24.4m, an increase of 51% over the six months to 30th Nov. 00. Loss on ordinary activities was $40.0m, up from $38.4m, and loss per share was $128.60, compared to $134.60. Ahead of its forecast, Q2 was the first quarter in which SurfControl reported EBITDA as a result of the company's *"continued focus on efficient cost management"*.

The company continues to attribute the majority of turnover to the corporate sector; in H1 02, this segment accounted for 81% of total turnover. In terms of geographic breakdown, the UK reported a rise of 120% to $3.5m and now accounts for 14.5% of total revenues. The US, which accounts for 75% of total revenues (down from 80% in 2000) saw revenues increase 60% to $18.4m. Mainland Europe accounts for just 6% of revenues with $1.5m revenue, although a 54% rise. The ROW accounted for the remaining 4%.

Comment - There are several drivers for growth in SurfControl's marketplace - not least the increased need for Internet security and protection from e-mail borne viruses - areas of increased focus for many companies. The company also claims that its product offers short-term Return on Investment (ROI). As a result, companies are willing to purchase SurfControl's products despite, and indeed as a result of, the economic slowdown.

In order to maintain growth, whilst containing costs, the company needs to expand its indirect channel, which the company encouragingly reports is a *"major focus"* for the business. Indeed the indirect channel now accounts for 35% of revenues.

With the company moving towards profitability (and helping its customers to do the same), it seems that SurfControl may be one Internet success story. However, despite, moving into EBITDA profitability ahead of expectations, the market is still wary of internet stocks and the share price has fallen 2% to 608p.

INTERX - IN TROUBLE

InterX announced its interim results for the period to 30th Dec. 01 showing revenue down at £0.9m (the nearest comparable six months are to 2nd Feb. 01 when revenue was £3.9m), and down 13% quarter-on-quarter. LBT is a staggering £167.9m and diluted loss per share is 535.53p.

Commenting on the results, Simon Barker, Chief Executive, said, *"We are sorry to advise shareholders that the continuing malaise in the IT industry is severely impacting our ability to convert prospects into profitable software licence sales........we are reviewing all options available to protect our cash reserves........discussions are being held concerning the licensing of our technology for resale and consultation with our employees has begun in anticipation of significant redundancies. The Board will report back to shareholders when these matters have been concluded"*.

InterX has been on a roller coaster ride for the past couple of years, although more recently, for the fairground minded amongst you, it seems more like Oblivion than Corkscrew. Its story is typical of the many companies set up to exploit the internet potential. InterX started as a profitable distributor, **Ideal Hardware**. It sold the distribution business in Jul. 00 for £30m to focus on becoming an Internet s/w business and acquired **Cromwell Media** in Apr. 00, a software company making tool kits to build web sites. Sales didn't go as planned and production of the software tools stopped in Mar. 00. The company then focused on its new software solution, that enabled an organisation's various internet services to communicate with one another. The figures speak for themselves, InterX found that it could not compete with the big boys.

For those wanting the gory details, InterX's huge losses include £10.2m restructuring charges, £20.4m amortisation of goodwill, and £122.7m impairment of goodwill (arising from the acquisition of Cromwell Media). With just £6.2m cash, at the end of 2001, and a monthly cash burn of £1m a month, the company is now looking to shed staff, licence its technology for resale and exit its head office, which would free up c£5.5m rent deposit, in a desperate bid to survive. InterX's problems are compounded by the fact that Diligenti - a portal for the life sciences industry - in which InterX has a 34% stake, and to which it lent £16m (due for repayment 31st Dec. 01), has itself failed to get third round funding. InterX reckons it has sufficient cash, without the return of the rent deposit, to see it through to Aug. 02.

With just one new licence sale converted from 20 prospects, during the period, and none since, InterX has discovered that customers are becoming more wary of committing to a supplier whose survival is in doubt. The future is not looking good.

QUANTICA ENVISAGES DIFFICULT FIRST HALF

Multi-line staffing company **Quantica** seems to be bucking the trend compared to other recruitment companies. Turnover for the year ended 30th Nov. 01 rose 40% to £33.4m, although operating profit fell 18% to £3.4m (but still a healthy 10% margin). Pre-tax profits fell 24% to £2.9m and EPS dropped 28% to 4.93p. Quantica reported that its IT staffing activities actually saw revenue rise 60% and operating profit also increased 18% - no mean feat in today's market. To be fair, Quantica's ITSA division has benefited from a series of acquisitions in 2000 (**Business Consulting Resources**, **Brave New World** and **Compro**) and we are not told what the underlying growth was. Les Lawson, Chief Executive, commented that the technology division's customers are "*taking advantage of the current over supply...and are attempting to squeeze margins*". So, in common with most ITSAs, Quantica is "*concentrating on writing new business where improved margins can be achieved*".

Star performer within the group was Quantica's Healthcare division which doubled in size. Encouraged by the success of this division (formed three years ago), Quantica is looking at replicating its 'start-up' approach in other potential growth markets, such as education and the public sector. Given this, it comes as all the more surprising that Quantica's ITSA operation has not secured S-CAT status, for the supply of contractors to government.

Looking ahead, Chairman Tony Gartland envisages "*a difficult first half... (but) we still expect to improve our performance over the coming year as a whole*".

NOT ALL BAD NEWS

How can **Morse**'s share price rise c25% after announcing results for the six months to 31st Dec. 01, that revealed a pre-tax loss of £3.4m, compared to a profit of £13.8m for the comparable six months in 2000, turnover down 27% to £226m and diluted loss per share of 4.8p compared to EPS of 6.3p in 2000? Well it helps that the company exceeded analysts expectations, but when you drill down it isn't all bad.

	Turnover		(Loss)/profit before tax	
	Six months to 31st Dec 2001	Six months to 31st Dec 2000	Six months to 31st Dec 2001	Six months to 31st Dec 2000
	£K	£K	£K	£K
UK	164,523	235,716	2,525	14,047
Germany	28,373	30,932	-1,382	956
France	26,304	41,338	-4,014	-1,199
Spain	6,801		-514	
	226,001	307,986	-3,385	13,804

The disappointing PBT was largely affected by Morse's aggressive amortisation policy which sees goodwill written off over three years. Staff costs also contributed, as numbers in its professional services division increased by 50% to 694, although in the infrastructure division headcount fell by 7% to 395. Overall numbers are up 22% on the comparable period in 2000.

As expected, following its Oct. 01 trading update, revenue was pulled down by the infrastructure business, which reported a 34% decline in sales to £175.1m (77.5% of total revenues). Within that division Sun sales fell 44% to £181.4m (68% of infrastructure revenues), HP fell 39% to £57.4m but IBM rose 112% to £13.7m.

In its professional services business, turnover rose 24% to £50.9m and now accounts for 22.5% of total revenue. However, organic growth was static, with Delphis, the IT service provider acquired in Apr. 01, providing the growth.

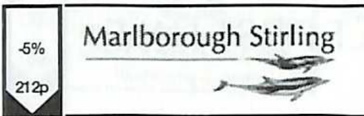
In terms of revenue by vertical market, Morse had been trying to move away from its dependence upon the financial sector. But beggars can't be choosers and it disregarded this policy to get business wherever it could. Whilst revenues from its financial market fell 10% to £103.1m, its actual percentage share of total revenues increased to 46% from 37%. In the other divisions, telecoms was down 39% to £59.8m, commercial was down 32% to £44.8m and media, energy and others fell 40% to £18.3m (media suffering the largest fall).

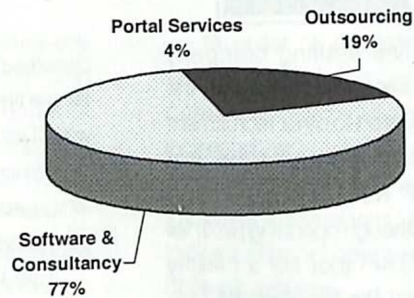
Morse, like many companies, is having a torrid time, but is doing all the right things to re-assure shareholders, that when the upturn comes, it will be ready.

The company is still aiming for a 50/50 split between services and infrastructure. Obviously it still has a way to go, but with a £60m cash position, a few well targeted acquisitions could help the company reach its goal sooner rather than later.

Morse has sought to lessen its dependence upon Sun, through adding HP and IBM to its range, but there is only so much the company can do. It now sells the top three infrastructure solutions. The benefits of adding a fourth or fifth would have to be weighed up against the investment required and the timescales involved. Now wouldn't be a good time to go down that route. In the meantime Morse's geographic spread could play to its advantage, not all the countries have such a reliance upon Sun as the UK.

Lastly, although admitting that confidence is still "*very fragile*", Morse sent analysts on their way with a feel good factor, by reporting early signs of increased activity and a "*cautious optimism*" for the future.





Marlborough Stirling, a provider of software and services to the mortgage, life, pensions and investment markets has announced results for the year to 31st Dec. 01. Turnover rose 47% to £73.4m (organic growth was 27%), PBT rose 11% to £9.2m and diluted EPS was 2.9p.

Graham Coxell, CE, commented, *"Our presence right across the life and pensions industry's infrastructure value chain, covering distribution (Exchange portal and front office software) and manufacturing (back office software) combined with outsourcing, should bring a unique range of opportunities in the months and years ahead."*

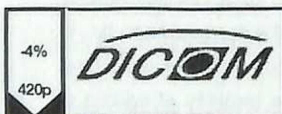
Comment - Marlborough Stirling won some brownie points from us as they reported a transparent set of results, revealing a company that has performed exceptionally well in 2001. Not only that, but with 70% of budgeted revenues in the bag for 2002, we can be pretty sure of good news for the next few years.

Marlborough Stirling operates in the financial services sector; a sector that has been in the doldrums recently, so what's the secret to its 'sterling' success? Well, for a start, it's a company with a clear understanding of the needs in its market. Not surprisingly, as in all markets, the overriding wish recently has been for solutions that can offer a significant return on investment - something that Marlborough is able to demonstrate.

In addition, in 2001, outsourcing revenues grew by 42% to £13.8m and represented 19% of total revenues. With the target being for 30% of revenues to come from outsourcing in 2002, Marlborough Stirling is experiencing increasing visibility in its revenues. It recently won its biggest ever contract with Sun Life Financial of Canada; a BPO contract worth more than £95m over five years.

But it's not just outsourcing that's doing well. Software and consultancy revenues were up 40% (27% organic growth) on 2001 to £56.5m, and represented 77% of revenues. This business offers the highest margins for the company. In another example of the increasing size of contracts, the company recently won its biggest software contract with AXA Sun Life, worth c£25m over five years.

So what now for the company that has increased its market capitalisation by £210m since it floated just 10 months ago? It already claims the entire top 20 UK life and pensions providers, and 19 out of the 20 UK lenders as clients. However, it reckons that it has only penetrated about 10% of the market so there is plenty of scope for the future. The company intends to deepen penetration in its existing markets, enter new vertical market sectors (as it did with Exchange FS), exploit international opportunities (already making inroads in Canada and South Africa) and continue to increase market share in the outsourcing market (it has already made progress with its Sun Life contract and a joint venture with Egg). Definitely one for us (and Marlborough Stirling's competitors such as Misys) to watch!



LOOKS TO BE IN PRETTY GOOD SHAPE

Dicom, a provider of electronic data and document capture (EDC) products and services, has announced results for the six months to 31st Dec. 01. Turnover is up 12% to £75.6m, PBT has grown 13% to £4.2m and EPS is up 11% from 11.1p to 12.3p. Commenting on the results, Otto Schmid, Chairman and Chief Executive said, *"With strong demand for our products and services in Europe and the US and our increasing share in the EDC market, the cutbacks in information technology spending and slowdown in the world economy have had a minimal effect on current trading........the EDC division's current double digit growth trading performance, supported by continuing strong order intake in early calendar 2002, enables the Directors to view the Group's outlook with optimism."*

Comment: Dicom's results make refreshing reading at a time when so many S/ITS companies are reporting disappointing results, and an uncertain outlook. PBT growth in line with revenue growth - now there's a sight to behold!

Dicom's two divisions, EDC (sale of its own and 3rd party products, and associated services) and SGA (multimedia visualisation products) reported very different performance. EDC delivered 26% growth (23% being organic), with revenue from services up close to 50% to £8.4m. It's good to see Dicom increasing its services revenue, both overall, and as a proportion of total turnover. SGA saw revenues fall 10%, but Dicom goes on to say that after a slow Q1 revenue is on the up again.

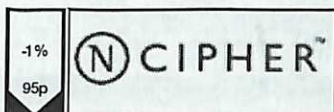
Outgoing CEO Otto Schmid, who is stepping down in Jul. 02 (remaining non-executive Chairman), hands over the reins to Arnold von Buren at a time when the company looks in pretty good shape.

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
CGI Ltd (investment fund)	Baltimore Technologies Japan	e-security	43%	£4.7m	Baltimore has reduced its holding in its Japanese operation to 19%. BTJ has a 12 year exclusive licence to distribute Baltimore products in Japan.
Intec Telecom Systems	ICL's mediation & interconnect product businesses	Billing software	100%	max £3.75m	Intec paid £2.85m up front, with £0.9m dependent on performance, for ICL's SIMS and Prospero products.
Itris Maintenance AG	Synstar Computer Services AG	Synstar's Swiss operations	100%	c£520K	Itris paid cash for Synstar's Swiss operations which made losses of £0.7m on turnover of £6m in FY01. The sale includes a mutual support agreement.
Jobs.co.uk	E-cruitnow Ltd	Internet-based recruitment software	100%	£2.6m	Jobs.co.uk paid with £50K cash and 15m shares for the privately-owned company. Peter Gold, founder of e-cruitnow will become CEO of Jobs.co.uk
Jobs.co.uk	Halcyon	Recruitment software	100%	£728K	Halcyon's shares were withdrawn from OFEX in Dec. 01. The all share deal values Halcyon at c£728K.
Microgen	OST	Financial solutions	100%	£19.6m	Microgen paid an initial £13.9m (shares, loan notes and cash) with the balance based on performance to Dec. 02. Microgen placed 5.1m shares at 84p raising
Register.com	Virtual Internet	Web hosting/other internet services	100%	£11.9m	Virtual Internet made losses of £19.6m on revenue of £9.3m in year to 31st Oct. 01.
RM	Intellectual property of Helicon Publishing Ltd from WH Smith	Electronic reference books and databases	100%	£0.7m	Helicon publish print, cd rom and online reference material, some of which is currently licensed to RM for use in its Living Library product. Eight staff will relocate to RM's Abingdon site.
Tribal Group	FD Learning Ltd	IT solutions for the education sector	99%	max. £12.4m	FDL works with F/E colleges and was one of the lead developers of learndirect (the e-learning network)
Tribal Group	Hipkins	Quantity surveying & property services	100%	£700K	Hipkins works primarily in the education sector and will become part of Tribal Property Services.

Forthcoming IPOs

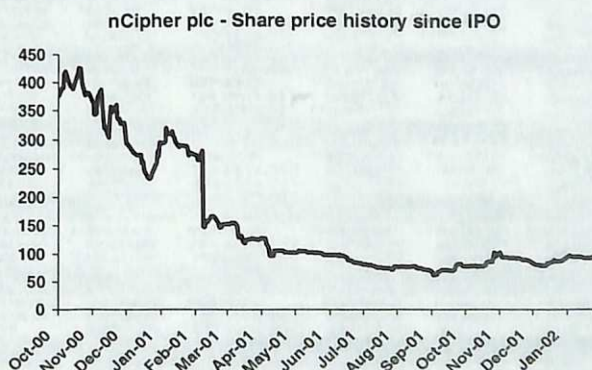
Name	Activity	SCS or Dotcom Index	Index Class	Market	Issue Price	Est Mkt Cap.	IPO Date
Digital Brain	Online Education Service	SCS	CS	TBA	tbc	£36.0m	Q1 2002
Immersive Education	Education Software developer	SCS	SP	TBA	tbc	£12.5m	Early 2002
Kinetic Information Systems	Financial Software	SCS	SP	MAIN	tbc	tbc	2002
McClaren	IT Consultancy	SCS	CS	TBA	tbc	£25.0m	2002
Pilat Media	Software for TV companies	SCS	SP	AIM	tbc	tbc	Q1 2002
Profectus	Consultancy to 3G Maintenance	SCS	CS	TBA	tbc	£100.0m	2002
System-C Healthcare	Healthcare IT Solutions	CSC	SP	TBA	tbc	tbc	2002
theoilsite.com	e-procurement exchange	Dotcom	B2B	AIM	tbc	£5.0m	Q1 2002
Xchanging	Support Services	SCS	CS	MAIN	tbc	£1.0bn	2002



NCIPHER STILL SITTING PRETTY ON CASH PILE

nCipher, a provider of cryptographic IT security software, announced its preliminary results for the year ended 31st Dec. 01. Turnover (using the more conservative US GAAP) increased 7% to £14.4m, pre-tax losses deepened to £3.8m (£2m in 2000) and loss per share also increased to 3.2p from 2.2p. Operating losses also increased substantially from £3.2m to £9.1m, although this was offset to no small degree by a £4m increase in interest income to £5.3m. nCipher ended the year with £103m in the bank.

nCipher plc - Share price history since IPO



CEO Alex van Someren commented that the company, *"(does) not expect to see any significant improvement in our trading conditions before the second half of this year... (though) the emerging markets of network and database security will contribute to revenues in 2002"*.

Comment: Founded in Cambridge in 1996 by brothers Alex and Nicko van Someren, nCipher markets encryption and security software, destined for B2B and B2C applications. The firm targets e banking and financial institutions, e-retailers, service providers (ISP/ASPs) and Government agencies.

The company completed its IPO on the LSE in Oct. 00 at 375p, valuing the company at approximately £350m and raised £104m net (including proceeds from a private fund raising a couple of months earlier). In Nov. 01 the European Technology Forum awarded nCipher the accolade of being the 'IPO with the Best Long Term Growth Prospects' but by Mar. 01, the company's market value had more than halved! Like many companies in the security market, nCipher has found it tough going. But unlike some of its high profile peers (i.e. Baltimore) it has been getting on with the day to day business and has avoided the pitfalls of costly acquisitions to fuel growth, although the company doesn't rule out possible future acquisitions. With a sizeable cash pile left over from its IPO, they can really pick and choose both their time and their target.

Quoted Companies - Results Service

Note: Highlighted Names Indicate results announced this month.

AFA Systems plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£2,172,000	£4,291,000	£4,077,000	+87.7%
PBT	-£420,000	-£2,609,000	-£1,417,000	Loss both
EPS	-2.20p	-11.90p	-5.60p	Loss both

Affinity Internet Holdings Plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£4,138,000	£11,312,000	£10,796,000	+160.9%
PBT	-£3,436,000	-£26,050,000	-£14,944,000	Loss both
EPS	-20.40p	-125.80p	-56.20p	Loss both

AIT Group plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£14,218,000	£33,882,000	£22,346,000	+57.2%
PBT	£2,003,000	£5,109,000	£2,676,000	+33.6%
EPS	6.49p	16.22p	8.56p	+31.9%

Alphameric plc
	Find - Nov 00		Find - Nov 01	Comparison
REV	£54,408,000		£56,848,000	+4.5%
PBT	£3,891,000		-£1,677,000	Profit to loss
EPS	1.96p		-2.39p	Profit to loss

Alterian plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£606,000	£2,078,000	£1,803,000	+197.5%
PBT	-£569,000	-£3,592,000	-£4,753,000	Loss both
EPS	-2.10p	-10.71p	-12.20p	Loss both

Anite Group plc
	Interim - Oct 00	Find - Apr 01	Interim - Oct 01	Comparison
REV	£85,665,000	£192,418,000	£95,220,000	+11.2%
PBT	£3,041,000	£7,096,000	£1,964,000	-35.4%
EPS	0.20p	0.40p	-0.50p	Profit to loss

Argonaut Games
	Find - Jul 00		Find - Jul 01	Comparison
REV	£4,359,000		£4,396,000	+0.8%
PBT	-£636,000		-£3,131,000	Loss both
EPS	-0.83p		-3.35p	Loss both

Autonomy Corporation plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£45,118,620		£36,271,000	-19.6%
PBT	£14,270,344		£9,146,896	-35.9%
EPS	8.00p		5.00p	-37.5%

Aveva Group Plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£12,936,000	£28,100,000	£14,034,000	+8.5%
PBT	£2,335,000	£5,225,000	£1,130,000	-51.6%
EPS	9.29p	20.39p	4.26p	-54.1%

Axon Group plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£17,210,000	£42,737,000	£22,590,000	+31.3%
PBT	£2,803,000	£7,174,000	£3,566,000	+27.2%
EPS	3.40p	8.60p	4.40p	+29.4%

Azlan Group plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£261,700,000	£591,608,000	£298,300,000	+14.0%
PBT	£5,400,000	£16,132,000	£8,000,000	+48.1%
EPS	3.30p	10.20p	5.30p	+60.6%

Baltimore Technologies plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£25,704,000	£74,224,000	£39,432,000	+53.4%
PBT	-£20,659,000	-£94,185,000	-£550,334,000	Loss both
EPS	-5.50p	-23.10p	-110.80p	Loss both

Bond International Software plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£4,519,000	£9,376,878	£5,698,000	+26.1%
PBT	£141,000	£1,031,979	£443,000	+214.2%
EPS	0.55p	5.02p	2.17p	+294.5%

Business Systems Group Holdings plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£17,602,000	£37,707,000	£13,061,000	-25.8%
PBT	-£145,000	-£148,000	-£4,539,000	Loss both
EPS	-0.26p	-0.37p	-5.47p	Loss both

Capita Group plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£453,348,000		£641,940,000	+41.6%
PBT	£39,974,000		£53,026,000	+32.7%
EPS	3.75p		4.67p	+24.5%

Cedar Group plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£18,357,000	£73,260,000	£50,776,000	+176.6%
PBT	-£5,800,000	-£24,443,000	-£53,730,000	Loss both
EPS	-8.80p	-33.80p	-69.80p	Loss both

Charteris Plc
	Find - Jul 00		Find - Jul 01	Comparison
REV	£6,716,000		£13,276,000	+97.7%
PBT	£371,000		£828,000	+123.2%
EPS	0.85p		1.52p	+78.8%

Clarity Commerce
	Interim - Sep 00	Find - Sep 01	Interim - Sep 01	Comparison
REV	£1,448,000	£3,552,000	£2,428,000	n/a
PBT	-£502,000	-£1,111,000	-£276,000	n/a
EPS	-8.40p	-14.75p	-2.84p	n/a

Clinical Computing plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£1,331,000	£2,259,201	£1,176,000	-11.6%
PBT	£157,000	-£328,673	-£498,000	Profit to loss
EPS	0.60p	-1.30p	-1.99p	Profit to loss

CMG plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£810,400,000		£920,400,000	+13.6%
PBT	£83,100,000		-£588,800,000	Profit to loss
EPS	7.80p		-99.60p	Profit to loss

Comino Group plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£9,447,000	£21,436,000	£9,310,000	-1.5%
PBT	£1,499,000	£3,233,000	-£1,441,000	Profit to loss
EPS	7.20p	16.30p	-6.50p	Profit to loss

Compass Software Group plc
	Find - Nov 00		Find - Nov 01	Comparison
REV	£2,383,095		£4,266,677	+79.0%
PBT	£442,911		£356,253	-19.6%
EPS	3.71p		1.61p	-56.6%

Compel Group plc
	Interim - Dec 00	Find - Jun 01	Interim - Dec 01	Comparison
REV	£162,688,000	£235,731,000	£32,003,000	-80.3%
PBT	-£1,866,000	-£13,367,000	-£258,000	Loss both
EPS	-4.70p	-47.00p	-0.90p	Loss both

Computacenter plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£927,487,000	£1,990,620,000	£1,175,570,000	+26.7%
PBT	£19,187,000	£55,571,000	£29,259,000	+52.5%
EPS	7.10p	20.80p	10.60p	+49.3%

DCS Group plc
	Find - Dec 99		Find - Dec 00	Comparison
REV	£164,910,000		£140,010,000	-15.1%
PBT	£8,129,000		-£14,451,000	Profit to loss
EPS	18.98p		-55.46p	Profit to loss

Delcam plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£8,302,280	£17,011,059	£9,004,030	+8.5%
PBT	£611,162	£1,642,845	£734,661	+20.2%
EPS	8.10p	19.60p	8.90p	+9.9%

Diagonal plc
	Find - Nov 00		Find - Nov. 01	Comparison
REV	£82,735,000		£82,182,000	-.7%
PBT	£4,840,000		£4,256,000	-12.1%
EPS	3.30p		2.26p	-31.5%

Dicom Group Plc
	Interim - Dec 00	Find - Jun 01	Interim - Dec 01	Comparison
REV	£67,530,000	£140,290,000	£75,622,000	+12.0%
PBT	£3,735,000	£7,471,000	£4,216,000	+12.9%
EPS	11.10p	22.80p	12.30p	+10.8%

Dimension Data Plc
	Find - Sep 00		Find - Sep 01	Comparison
REV	£1,281,383,000		£1,474,501,000	+15.1%
PBT	-£33,441,000		-£1,152,888,000	Loss both
EPS	-96.70p		-11.15p	Loss both

DRS Data & Research Services plc
	Interim - Jul 00	Find - Dec 00	Interim - Jul 01	Comparison
REV	£6,973,000	£11,653,000	£5,235,000	-24.9%
PBT	£313,000	£563,000	£315,000	+0.6%
EPS	0.72p	1.12p	0.68p	-5.6%

Easynet Plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£41,742,000		£71,276,000	+70.8%
PBT	-£12,113,000		-£292,667,000	Loss both
EPS	-44.98p		-440.50p	Loss both

ECsoft Group plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£34,705,000	£73,204,000	£34,119,000	-1.7%
PBT	£447,000	£1,370,000	£2,763,000	+518.1%
EPS	-4.20p	-4.80p	8.40p	Loss to Profit

Eidos plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£37,414,000	£169,767,000	£31,046,000	-17.0%
PBT	-£82,348,000	-£96,358,000	-£27,435,000	Loss both
EPS	-65.40p	-93.90p	-21.80p	Loss both

Electronic Data Processing plc
	Find - Sep 00		Find - Sep 01	Comparison
REV	£8,353,000		£10,408,000	+24.6%
PBT	£1,115,000		-£306,000	Profit to loss
EPS	2.73p		-1.14p	Profit to loss

Epic Group plc
	Interim - Nov 00	Find - May 01	Interim - Nov 01	Comparison
REV	£3,712,000	£8,041,000	£3,308,000	-10.9%
PBT	£567,000	£1,569,000	£205,000	-63.8%
EPS	2.20p	6.05p	0.70p	-68.2%

Eurolink Managed Services plc
	Find - Mar 00		Find - Mar 01	Comparison
REV	£7,596,000		£8,269,000	+8.9%
PBT	£340,000		£390,000	+14.7%
EPS	2.19p		2.57p	+17.4%

Eyretel Plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£18,945,000	£39,362,000	£24,151,000	+27.5%
PBT	-£2,461,000	-£2,325,000	£146,000	Loss both
EPS	-2.14p	-2.19p	n/a	Not comparable

Financial Objects plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£8,874,000	£18,369,000	£8,711,000	-1.8%
PBT	-£1,573,000	-£887,000	£937,000	Loss to Profit
EPS	-3.33p	-2.61p	1.22p	Loss to Profit

Flomerics Group plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£11,763,000		£12,875,000	+9.5%
PBT	£1,182,000		£308,000	-73.9%
EPS	6.00p		1.72p	-71.3%

Focus Solutions Group plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£828,000	£2,273,000	£2,285,000	+63.8%
PBT	-£1,224,000	-£2,437,000	-£1,426,000	Loss both
EPS	-4.90p	-9.70p	-5.70p	Loss both

Gladstone Plc
	Find - Jun 00		Find - Jun 01	Comparison
REV	£3,887,375		£6,022,092	+54.9%
PBT	-£3,664,681		-£16,336,496	Loss both
EPS	-21.29p		-47.45p	Loss both

Glotel Plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£81,358,000	£165,367,000	£60,142,000	-26.1%
PBT	£3,524,000	£757,000	-£2,054,000	Profit to loss
EPS	5.90p	1.40p	-3.90p	Profit to loss

Gresham Computing plc
	Interim - Apr 00	Find - Oct 00	Interim - Apr 01	Comparison
REV	£11,206,000	£23,325,000	£12,864,000	+14.8%
PBT	-£2,723,000	-£4,273,000	-£721,000	Loss both
EPS	-6.06p	-9.38p	-1.71p	Loss both

Guardian IT plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£33,277,000	£86,397,000	£58,313,000	+75.2%
PBT	£2,823,000	£3,857,000	-£1,733,000	Profit to loss
EPS	2.56p	13.70p	-4.63p	Profit to loss

Harrier Group Plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£4,868,437	£11,163,749	£10,214,100	+109.8%
PBT	-£309,858	-£1,325,523	-£412,077	Loss both
EPS	-1.26p	-2.69p	-1.29p	Loss both

Harvey Nash Group plc
	Interim - Jul 00	Find - Jan 01	Interim - Jul 01	Comparison
REV	£93,190,000	£226,249,000	£126,359,000	+35.6%
PBT	£5,756,000	£12,971,000	-£1,103,000	Profit to loss
EPS	12.25p	24.63p	-3.79p	Profit to loss

Highams Systems Services Group plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£10,262,000	£20,662,000	£9,717,000	-5.3%
PBT	-£1,744,000	-£2,032,000	-£370,000	Loss both
EPS	-2.38p	-10.43p	-1.43p	Loss both

Horizon Technology Group Plc
	Find - Jun 00		Find - Jun 01	Comparison
REV	£180,417,000		£249,091,000	+38.1%
PBT	£6,915,000		-£10,037,000	Profit to loss
EPS	7.86c		-15.30c	Profit to loss

Host Europe Plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£1,080,000	£4,160,000	£4,174,000	+286.5%
PBT	-£2,735,000	-£14,364,000	-£9,763,000	Loss both
EPS	-0.39p	-1.78p	-0.99p	Loss both

iRevolution Plc
	Find - Apr 00	17mths to Sep 01	Comparison
REV	£1,997,000	£6,433,000	Not comparable
PBT	£308,000	-£4,153,000	Not comparable
EPS	1.00p	-14.50p	Not comparable

I S Solutions plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£6,529,000	£11,237,000	£5,904,000	-9.6%
PBT	£482,000	£547,000	-£161,000	Profit to loss
EPS	1.35p	1.17p	-0.73p	Profit to loss

ICM Computer Group plc
	Find - Jun 00		Find - Jun 01	Comparison
REV	£49,535,000		£66,678,000	+34.6%
PBT	£4,513,000		£4,668,000	+3.4%
EPS	15.40p		16.00p	+3.9%

IDS Group plc
	Find - Dec 99		Find - Dec 00	Comparison
REV	£13,614,000		£12,509,000	-8.1%
PBT	£1,125,000		-£28,596,000	Profit to loss
EPS	6.15p		-108.74p	Profit to loss

Innovation Group plc (The)
	Find - Sep 00		Find - Sep 01	Comparison
REV	£9,564,000		£57,754,000	+503.9%
PBT	£3,176,000		£3,073,000	-3.2%
EPS	2.40p		-1.30p	Profit to loss

Intelligent Environments Group plc
	Interim - Jun 00	Find - Dec 00	Interim Jun 01	Comparison
REV	£4,721,000	£8,810,556	£1,948,000	-58.7%
PBT	-£801,000	-£2,523,413	-£3,623,000	Loss both
EPS	-1.90p	-5.97p	-8.30p	Loss both

Intercede Group plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£1,140,000	£2,014,000	£471,000	-58.7%
PBT	-£313,000	-£1,125,000	-£1,190,000	Loss both
EPS	-2.90p	-8.80p	-7.30p	Loss both

IQ-Ludorum Plc
	Interim - Jun 00	Find - Dec 00	Interim Jun 01	Comparison
REV	£2,123,000	£2,146,000	£1,836,000	-13.5%
PBT	-£1,840,000	-£1,859,333	-£2,230,000	Loss both
EPS	-0.02	-3.85p	-0.04	Loss both

ISOFT Group plc
	Interim - Oct 00	Find - Apr 01	Interim - Oct 01	Comparison
REV	£11,124,000	£31,131,000	£22,763,000	+104.6%
PBT	£1,340,000	£5,310,000	£3,491,000	+160.5%
EPS	0.72p	3.06p	2.04p	+183.3%

ITNET plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£158,873,000		£176,446,000	+11.1%
PBT	-£1,423,000		£10,467,000	Loss to profit
EPS	-0.18p		9.12p	Loss to profit

Izodia Plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£671,000	£2,697,000	£2,730,000	+306.9%
PBT	-£9,966,000	-£35,997,000	-£61,363,000	Loss both
EPS	-19.66p	-66.15	-139.63	Loss both

Jasmin plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£1,653,000	£3,982,000	£3,233,000	+95.6%
PBT	-£490,000	-£449,000	£325,000	Loss to profit
EPS	-10.37p	-9.50p	6.72p	Loss to profit

K3 Business Technology Group Plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£8,729,000	£14,250,000	£3,449,000	-60.5%
PBT	-£1,463,000	-£5,191,000	-£881,000	Loss both
EPS	-11.90p	-29.20p	-2.30p	Loss both

Kewill Systems plc
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£33,160,000	£68,737,000	£24,399,000	-26.4%
PBT	£2,098,000	£3,279,000	-£55,069,000	Profit to loss
EPS	1.40p	0.50p	-71.90p	Profit to loss

Keystone Solutions Group
	Interim - Sep 00	Find - Mar 01	Interim - Sep 01	Comparison
REV	£1,989,000	£4,477,000	£2,841,000	+125.1%
PBT	-£3,173,000	-£8,408,000	-£2,026,000	Loss both
EPS	-7.70p	-13.40p	1.61p	Loss both

Knowledge Management Software plc
	Interim - Dec 00	Find - Jun 01	Interim - Dec 01	Comparison
REV	£2,947,556	£6,054,760	£4,110,971	+39.5%
PBT	-£5,773,764	-£12,771,898	-£6,200,776	Loss both
EPS	-5.51p	-12.20p	-5.39p	Loss both

Knowledge Support Systems Group plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£895,739	£2,803,736	£512,658	-42.8%
PBT	-£425,722	-£2,116,580	-£4,582,815	Loss both
EPS	-0.60p	-3.00p	-6.20p	Loss both

Logica plc
	Interim - Dec 00	Find - Jun 01	Interim - Dec 01	Comparison
REV	£505,000,000	£1,133,200,000	£600,200,000	+18.9%
PBT	£57,900,000	£136,200,000	£61,600,000	+6.4%
EPS	9.10p	20.60p	9.00p	-1.1%

London Bridge Software Holdings plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£56,702,000		£74,070,000	+30.6%
PBT	£4,662,000		£4,725,000	+1.4%
EPS	1.85p		1.73p	-6.5%

Lorien plc
	Find - Nov 00		Find - Nov 01	Comparison
REV	£111,588,000		£139,028,000	+24.6%
PBT	-£2,718,000		£1,997,000	Loss to profit
EPS	-12.10p		8.10p	Loss to profit

Macro 4 plc
	Interim - Dec 00	Find - Jun 01	Interim - Dec 01	Comparison
REV	£21,952,000	£47,100,000	£19,393,000	-11.7%
PBT	£1,554,000	£5,034,000	-£3,505,000	Profit to loss
EPS	1.00p	9.40p	-15.60p	Profit to loss

Manpower SoftWare plc
	Find - May 00		Find - May 01	Comparison
REV	£1,611,619		£2,769,667	+71.9%
PBT	-£2,790,867		-£740,126	Loss both
EPS	-27.73p		-5.10p	Loss both

Marlborough Stirling Plc
	Find - Dec 00		Find - Dec 01	Comparison
REV	£50,080,000		£73,369,000	+46.5%
PBT	£8,337,000		£9,277,000	+11.3%
EPS	2.80p		2.90p	+3.6%

MERANT plc
	Find - Apr 00		Find - Apr 01	Comparison
REV	£227,283,000		£215,433,000	-5.2%
PBT	-£35,369,000		-£50,046,000	Loss both
EPS	-24.90p		-37.90p	Loss both

Mettoni Group Plc
	14 Feb - 31 Dec 00		Interim - Jun 01	Comparison
REV	£3,962,000		£13,593,000	Not comparable
PBT	-£1,398,000		-£1,444,000	Not comparable
EPS	-2.30p		1.10p	Not comparable

Microgen plc
	Interim - Jun 00	Find - Dec 00	Interim - Jun 01	Comparison
REV	£13,760,000	£25,344,000	£11,020,000	-19.9%
PBT	-£2,808,000	-£3,086,000	£59,000	Loss to Profit
EPS	-4.70p	-5.20p	0.10p	Loss to Profit

Note: The companies listed on pages 20-23 are those companies in our S/ITS index with revenue of >£2m. Also included in our index are: **Actinic, Atlantic Global, BSoftB, Earthport, Easyscreen, Ffastfil, I-Document Systems, Internet Business Group, Knowledge Technology Solutions, Myratech.net, Netcall, PC Medics Group, Software for Sport, Stilo International, Systems Integrated, Systems Union, Ultrasis Group**

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Minorplanet Systems Plc

	Final - Aug00	Final - Aug01	Comparison
REV	£17,300,000	£52,900,000	+205.8%
PBT	£700,000	£5,300,000	+657.1%
EPS	0.78p	7.89p	+911.5%

Mission Testing Plc

	Final - Jun00	Final - Jun01	Comparison
REV	£6,048,205	£10,515,000	+73.9%
PBT	£500,000	£967,000	+93.4%
EPS	3.31p	4.43p	+33.8%

Misys plc

	Interim - Nov00	Final - May01	Interim - Nov01	Comparison
REV	£413,000,000	£858,500,000	£480,200,000	+16.3%
PBT	£37,400,000	£97,100,000	£2,300,000	-93.9%
EPS	4.70p	13.00p	-0.10p	Profit to loss

MMT Computing plc

	Final - Aug00	Final - Aug01	Comparison
REV	£37,734,000	£31,112,000	-17.5%
PBT	£5,976,000	-£2,792,000	Profit to loss
EPS	32.20p	-19.40p	Profit to loss

Mondas plc

	Interim - Oct00	Final - Apr01	Interim - Oct01	Comparison
REV	£881,263	£2,702,141	£1,729,088	+96.2%
PBT	-£466,426	-£1,504,042	-£1,184,379	Loss both
EPS	-3.40p	-9.50p	-5.90p	Loss both

Morse Holdings plc

	Interim - Dec00	Final - Jun01	Interim - Dec01	Comparison
REV	£307,986,000	£586,076,000	£226,001,000	-26.6%
PBT	£13,804,000	£19,194,000	-£3,385,000	Profit to loss
EPS	6.30p	7.70p	-4.80p	Profit to loss

MSB International plc

	Interim - Jul00	Final - Jan01	Interim - Jul01	Comparison
REV	£75,040,000	£157,760,000	£83,627,000	+11.4%
PBT	£25,000	£2,584,000	£416,000	+1564.0%
EPS	0.1p	7.50p	1.1p	+1000.0%

Ncipher Plc

	Final - Dec00	Final Dec01	Comparison
REV	£13,455,000	£14,367,000	+6.8%
PBT	-£1,790,000	-£3,237,000	Loss both
EPS	-2.18p	-2.80p	Loss both

NetBenefit plc

	Final - Jun00	Final - Jun01	Comparison
REV	£7,520,100	£6,353,000	-15.5%
PBT	-£4,591,000	-£21,663,000	Loss both
EPS	-0.32p	-134.40p	Loss both

Netcentric Systems Plc

	Interim - Mar00	Final - Sep00	Interim - Mar01	Comparison
REV	£2,243,000	£2,705,000	£466,000	-79.2%
PBT	-£929,000	-£4,160,000	-£3,237,000	Loss both
EPS	-1.00p	-3.24p	-1.27p	Loss both

Netstore plc

	Interim - Dec00	Final - Jun01	Interim - Dec01	Comparison
REV	£1,152,321	£3,563,923	£1,733,293	+50.4%
PBT	-£5,425,820	-£11,829,902	-£3,775,783	Loss both
EPS	-6.14p	-13.32p	-4.23p	Loss both

Nettec plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£7,737,000	£17,311,000	£9,413,000	+21.7%
PBT	-£8,582,000	-£8,582,000	-£21,353,000	Loss both
EPS	-2.80p	-8.00p	-19.00p	Loss both

Northgate Information Solutions plc

	Interim - Oct00	Final - Apr01	Interim - Oct01	Comparison
REV	£55,681,000	£107,194,000	£44,628,000	-19.9%
PBT	-£1,255,000	£2,200,000	£4,102,000	Loss to Profit
EPS	-0.43p	0.55p	1.39p	Loss to Profit

NSB Retail Systems plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£18,822,000	£40,930,000	£48,220,000	+156.2%
PBT	£2,150,000	-£7,700,000	-£39,407,000	Profit to loss
EPS	0.41p	-4.26p	-9.77p	Profit to loss

OneclickHR Plc

	Final - Dec00	Final - Dec01	Comparison
REV	£4,083,781	£5,818,605	+42.5%
PBT	-£2,366,348	-£2,114,778	Loss both
EPS	-5.20p	-4.10p	Loss both

Orchestream Holdings plc

	Final - Dec00	Final - Dec01	Comparison
REV	£2,746,200	£14,784,000	+438.3%
PBT	-£10,541,300	-£35,017,000	Loss both
EPS	-10.40p	-30.70p	Loss both

Parity plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£139,241,000	£269,228,000	£130,367,000	-6.4%
PBT	£6,538,000	£12,810,000	-£1,468,000	Profit to loss
EPS	2.73p	5.53p	-0.48p	Profit to loss

Patsystems plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£1,091,000	£2,524,000	£2,617,000	+139.9%
PBT	-£3,835,000	-£9,612,000	-£5,502,000	Loss both
EPS	-3.50p	-8.30p	-4.00p	Loss both

Planit Holdings plc

	Interim - Oct00	Final - Apr01	Interim - Oct01	Comparison
REV	£9,119,000	£19,070,000	£9,766,000	+7.1%
PBT	£980,000	£2,720,000	£916,000	-6.5%
EPS	0.80p	2.00p	0.70p	-12.5%

Protogana plc (was Recognition Systems)

	Final - Sep00	Final - Sep01	Comparison
REV	£8,620,000	£8,766,000	+1.7%
PBT	-£4,749,000	-£10,238,000	Loss both
EPS	-5.40p	-9.00p	Loss both

PSD Group plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£41,132,000	£88,549,000	£41,974,000	+2.0%
PBT	£10,011,000	£21,385,000	£5,529,000	-44.8%
EPS	27.30p	57.00p	13.80p	-49.5%

QA plc (was Skillsgroup)

	Final - Nov00	Final - Nov01	Comparison
REV	£140,700,000	£55,300,000	-60.7%
PBT	-£17,400,000	£1,200,000	Loss both
EPS	-18.40p	-0.80p	Loss both

Quantica plc

	Final - Nov00	Final - Nov01	Comparison
REV	£23,753,000	£33,418,000	+40.7%
PBT	£3,768,000	£2,860,000	-24.1%
EPS	6.80p	4.93p	-27.5%

Raft International Plc

	Final - Oct00	Final - Oct01	Comparison
REV	£9,173,000	£9,468,000	+3.2%
PBT	£171,000	-£826,000	Profit to loss
EPS	0.19p	-1.32p	Profit to loss

Rage Software plc

	Final - Jun00	Final - Jun01	Comparison
REV	£3,331,000	£5,731,000	+72.1%
PBT	-£6,736,000	-£17,054,000	Loss both
EPS	-2.40p	-5.28p	Loss both

RDL Group Plc

	Final - Sep00	Final - Sep01	Comparison
REV	£16,246,000	£43,618,000	+168.5%
PBT	£1,092,000	£1,990,000	+82.2%
EPS	6.70p	7.93p	+18.4%

Retail Decisions plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£7,198,000	£17,674,000	£10,699,000	+48.6%
PBT	-£1,671,000	-£2,292,000	-£548,000	Profit to loss
EPS	-1.27p	-1.64p	-0.48p	Profit to loss

RexOnline plc

	Interim - Oct00	Final - Apr01	Interim - Oct01	Comparison
REV	£923,000	£2,006,000	£1,338,000	+45.0%
PBT	-£70,000	£216,000	-£874,000	Loss both
EPS	1.10p	2.80p	-7.00p	Profit to loss

Riversoft Plc

	Final - Dec00	Final - Dec01	Comparison
REV	£5,168,843	£6,515,238	+26.0%
PBT	-£26,641,044	-£39,415,841	Loss both
EPS	-39.90p	-16.30p	Loss both

RM plc

	Final - Sep00	Final - Sep01	Comparison
REV	£207,560,000	£241,916,000	+16.6%
PBT	£9,528,000	£15,207,000	+59.6%
EPS	7.90p	11.20p	+41.8%

Rolfe & Nolan plc

	Final - Feb00	Final - Feb01	Comparison
REV	£22,856,000	£25,592,000	+12.0%
PBT	£1,838,000	-£1,013,000	Profit to loss
EPS	9.30p	-7.50p	Profit to loss

Royalblue Group plc

	Final - Dec00	Final - Dec01	Comparison
REV	£57,383,000	£66,253,000	+15.5%
PBT	£6,918,000	£4,197,000	-39.3%
EPS	13.70p	6.00p	-56.2%

Sage Group plc

	Final - Sep00	Final - Sep01	Comparison
REV	£412,153,000	£484,137,000	+17.5%
PBT	£108,748,000	£121,317,000	+11.6%
EPS	5.92p	6.59p	+11.3%

SBS Group plc

	Interim - Feb00	Final - Aug00	Interim - Feb01	Comparison
REV	£22,866,000	£46,444,000	£23,106,000	+1.0%
PBT	£124,000	£285,000	-£388,000	Profit to loss
EPS	0.90p	2.10p	-3.20p	Profit to loss

Science Systems plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£21,298,000	£49,624,000	£32,970,000	+54.8%
PBT	£1,251,000	£2,732,000	£2,599,000	+107.8%
EPS	3.40p	6.50p	6.40p	+88.2%

SDL plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£11,578,000	£29,730,000	£16,747,000	+44.6%
PBT	£269,000	£1,059,000	-£2,770,000	Profit to loss
EPS	0.09p	0.93p	-6.50p	Profit to loss

ServicePower Technologies plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£1,151,000	£3,292,000	£1,351,000	+17.4%
PBT	-£2,697,000	-£3,928,000	-£1,991,000	Loss both
EPS	-5.88p	-8.10p	-3.90p	Loss both

Sherwood International plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£24,097,000	£54,277,000	£26,847,000	+11.4%
PBT	£2,548,000	£6,634,000	-£1,445,000	Profit to loss
EPS	5.10p	13.00p	-2.60p	Profit to loss

Sirius Financial Plc (was Policy Master Group)

	Interim - Jun00	Final - Dec00	Interim Jun01	Comparison
REV	£8,100,000	£17,135,457	£9,093,000	+12.3%
PBT	£29,000	£727,215	£115,000	+296.6%
EPS	0.10p	4.40p	0.20p	+100.0%

Smartlogik Plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£12,707,000	£57,642,000	£1,738,000	-86.3%
PBT	-£910,000	-£131,694,000	-£10,438,000	Loss both
EPS	-0.60p	-79.20p	-6.00p	Loss both

Sopheon plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£3,098,000	£7,763,000	£6,068,000	+95.9%
PBT	-£3,387,000	-£11,945,000	-£12,565,000	Loss both
EPS	-9.90p	-33.40p	-32.50p	Loss both

Spring Group plc

	Interim - Oct00	Final - Apr01	Interim - Oct01	Comparison
REV	£191,929,000	£374,448,000	£171,483,000	-10.7%
PBT	-£4,862,000	-£3,547,000	-£8,252,000	Loss both
EPS	-2.73p	-2.39p	-5.65p	Loss both

Staffware plc

	Final - Dec00	Final - Dec01	Comparison
REV	£37,857,000	£38,230,000	+1.0%
PBT	£3,042,000	-£3,250,000	Profit to loss
EPS	10.60p	-26.00p	Profit to loss

StatPro Group plc

	Final - Dec00	Final - Dec01	Comparison
REV	£3,172,000	£6,174,000	+94.6%
PBT	-£4,879,000	-£4,742,000	Loss both
EPS	-18.40p	-15.30p	Loss both

Superscape plc (nb. Change of financial year end)

	Interim - Jul00	6mths to Jan01	Interim - Jul01	Comparison
REV	£1,445,000	£1,418,000	£1,343,000	-7.1%
PBT	-£3,920,000	-£4,318,000	-£4,607,000	Loss both
EPS	-11.80p	-12.00p	-12.60p	Loss both

SurfControl plc

	Interim Nov00	Final - Jun01	Interim - Dec01	Comparison
REV	£10,682,000	£27,839,000	£16,725,000	+56.6%
PBT	-£25,234,000	-£60,940,000	-£27,067,000	Loss both
EPS	-88.78p	-207.78p	-89.31p	Loss both

Synstar plc

	Final - Sep00	Final - Sep01	Comparison
REV	£235,911,000	£238,198,000	+1.0%
PBT	£4,954,000	-£21,296,000	Profit to loss
EPS	0.60p	-13.80p	Profit to loss

Telecity Plc

	Final - Dec00	Final - Dec01	Comparison
REV	£14,053,000	£32,628,000	+132.2%
PBT	-£12,686,000	-£35,392,000	Loss both
EPS	-21.80p	-25.20p	Loss both

Telework Systems plc

	Interim - Sep00	Final - Mar01	Interim - Sep01	Comparison
REV	£10,409,000	£21,947,000	£8,343,000	-19.8%
PBT	£2,757,000	£4,173,000	-£1,800,000	Profit to loss
EPS	1.09p	1.36p	-0.80p	Profit to loss

Terence Chapman Group plc

	Final - Aug00	Final - Aug01	Comparison
REV	£30,917,000	£32,020,000	+3.6%
PBT	£4,136,000	£8,124,000	+96.4%
EPS	4.66p	6.30p	+35.2%

Tikit Group plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£4,877,000	£9,310,000	£4,704,000	-3.5%
PBT	£505,000	£876,000	£450,000	-10.9%
EPS	3.40p	5.48p	3.10p	-8.8%

Torex plc

	Final - Dec00	Final - Dec01	Comparison
REV	£88,425,000	£132,206,000	+49.5%
PBT	£5,133,000	£8,915,000	+73.7%
EPS	9.00p	9.90p	+10.0%

Total Systems plc

	Interim - Sep00	Final - Mar01	Interim - Sep01	Comparison
REV	£1,584,209	£3,849,292	£2,838,066	+79.1%
PBT	£156,071	£717,337	£772,911	+395.2%
EPS	1.04p	4.90p	5.11p	+391.3%

Totalise Plc

	Final - Apr00	Final - Apr01	Comparison
REV	£870,217	£4,284,893	+392.4%
PBT	-£1,946,395	-£4,359,241	Loss both
EPS	-15.35p	-11.25p	Loss both

Touchstone Group plc

	Interim - Sep00	Final - Mar01	Interim - Sep01	Comparison
REV	£5,490,000	£11,807,000	£6,121,000	+11.5%
PBT	£410,000	£1,481,000	£606,000	+47.8%
EPS	2.50p	9.80p	3.80p	+52.0%

Trace Group plc

	Interim - Nov00	Final - May01	Interim - Nov01	Comparison
REV	£8,328,000	£15,656,000	£10,475,000	+25.8%
PBT	£1,085,000	£3,183,000	£771,000	-28.9%
EPS	5.25p	17.12p	3.12p	-40.6%

Transeda Plc

	Interim- Dec00	Final - Jun01	Interim - Dec01	Comparison
REV	£2,413,000	£6,510,000	£3,528,000	+46.2%
PBT	£46,000	£592,000	-£259,000	Profit to loss
EPS	0.08p	0.66p	-0.43p	Profit to loss

Transware Plc

	Interim - Dec00	Final - Jun01	Interim - Dec01	Comparison
REV	£4,313,635	£10,417,322	£6,284,764	+45.7%
PBT	£452,647	£1,550,188	£622,147	+37.4%
EPS	1.11p	3.59p	1.40p	+26.1%

Triad Group plc

	Interim - Sep00	Final - Mar01	Interim - Sep01	Comparison
REV	£25,003,000	£52,783,000	£24,182,000	-3.3%
PBT	£1,265,000	£4,511,000	£1,519,000	+20.1%
EPS	3.41p	11.74p	4.10p	+20.2%

Tribal Group Plc

	Interim -Sep00	Final - Mar01	Interim - Sep01	
REV	£4,086,000	£24,088,000	£15,344,000	+275.5%
PBT	£177,000	£2,841,000	£761,000	+329.9%
EPS	n/a	4.00p	3.95p	n/a

Ultima Networks plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£3,889,000	£6,952,000	£2,768,000	-28.8%
PBT	-£496,000	-£865,000	-£599,000	Loss both
EPS	-0.26p	-0.45p	-0.31p	Loss both

Universe Group Plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£21,963,000	£48,477,000	£27,281,000	+24.2%
PBT	£111,000	£577,000	£431,000	+288.3%
EPS	-0.60p	-0.4	0.10p	Loss to Profit

Vega Group plc

	Interim - Oct00	Final - Apr01	Interim - Oct01	Comparison
REV	£18,249,000	£35,661,000	£17,572,000	-3.7%
PBT	-£1,332,000	-£5,882,000	-£332,000	Loss both
EPS	-5.79p	-26.87p	-1.90p	Loss both

VI Group plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£2,699,000	£5,642,000	£3,083,000	+14.2%
PBT	£259,000	£465,000	£324,000	+25.1%
EPS	0.68p	1.05p	0.94p	+38.2%

Virtual Internet Plc

	Interim - Apr00	Final - Oct00	Interim - Apr01	Comparison
REV	£2,539,924	£6,259,257	£3,975,209	+56.5%
PBT	-£4,247,334	-£7,998,119	-£4,594,660	Loss both
EPS	-19.71p	34.81p	-18.58p	Loss both

Vocalis Group plc

	Interim - Sep00	Final - Mar01	Interim - Sep01	Comparison
REV	£2,008,000	£2,701,000	£1,223,000	-39.1%
PBT	-£2,478,000	-£7,144,000	-£1,968,000	Loss both
EPS	-5.60p	-15.82p	-4.25p	Loss both

Warthog Plc

	Final - Mar00	Final - Mar01	Comparison
REV	£2,406,039	£3,782,386	+57.2%
PBT	£214,212	£314,150	+46.7%
EPS	0.50p	0.65p	+30.0%

Wealth Management Software plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£7,320,000	£15,533,000	£6,356,000	-13.2%
PBT	-£215,000	-£251,000	-£3,246,000	Loss both
EPS	-0.87p	-0.67p	-7.85p	Loss both

Xansa plc

	Interim - Oct00	Final - Apr01	Interim - Oct01	Comparison
REV	£182,212,000	£391,235,000	£269,230,000	+47.8%
PBT	-£5,746,000	£652,000	£848,000	Loss to Profit
EPS	-3.35p	-4.22p	-3.46p	Loss both

XKO Group plc

	Interim - Sep00	Final - Mar01	Interim - Sep01	Comparison
REV	£20,197,000	£38,211,000	£20,433,000	+1.2%
PBT	-£2,311,000	-£19,611,000	-£4,777,000	Loss both
EPS	-10.10p	-85.30p	-25.30p	Loss both

Xpertise Group plc

	Interim - Jun00	Final - Dec00	Interim - Jun01	Comparison
REV	£2,919,000	£5,758,000	£2,936,000	+0.6%
PBT	-£228,000	-£4,000,000	-£231,000	Loss both
EPS	-0.76p	-0.08p	-0.74p	Loss both

Note: The companies listed on pages 20-23 are those companies in our S/ITS index with revenue of >£2m. Also included in our index are: **Actinic, Atlantic Global, BSoftB, Earthport, Easyscreen, Ffastfil, I-Document Systems, Internet Business Group, Knowledge Technology Solutions, Myratech.net, Netcall, PC Medics Group, Software for Sport, Stilo International, Systems Integrated, Systems Union, Ultrasis Group**

Holway/SYSTEMHOUSE SCS Share Prices and Capitalisation

	SCS Cat.	Share Price 28-Feb-02	Capitalisation 28-Feb-02	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 28-Feb-02	Share price move since 31-Jan-02	Share price % move in 2002	Capitalisation move since 31-Jan-02	Capitalisation move (£m) in 2002
AFA Systems	SP	£0.83	£19.3m	Loss	4.50	688	-17.50%	-9.84%	-£4.10m	-£2.42m
Affinity Internet Holdings	CS	£2.44	£73.6m	Loss	6.51	18731	-20.16%	-19.50%	-£17.51m	-£8.04m
AIT Group	CS	£5.13	£105.4m	26.5	3.11	3417	-29.07%	-38.62%	-£41.29m	-£64.12m
Alphameric	SP	£0.99	£100.4m	55.2	1.77	452	-9.63%	-9.63%	-£10.71m	-£10.75m
Alterian	SP	£0.64	£24.8m	Loss	11.96	318	-12.41%	-13.61%	-£3.55m	-£3.95m
Anite Group	CS	£1.31	£388.8m	19.8	2.02	766	-22.94%	-23.17%	-£115.71m	-£100.51m
Argonaut Games	SP	£0.55	£53.2m	Loss	12.09	573	1.85%	-12.00%	£3.57m	-£4.18m
Autonomy Corporation	SP	£3.26	£410.7m	Loss	11.32	100	-6.79%	-0.23%	-£29.96m	-£1.01m
Aveva Group	SP	£3.63	£61.4m	18.9	2.18	1813	-11.37%	-17.89%	-£7.85m	-£13.33m
Axon Group	CS	£1.70	£87.2m	14.4	2.04	971	-9.33%	-2.86%	-£8.98m	-£2.55m
Azlan Group	R	£1.33	£144.5m	10.4	0.24	576	-5.36%	-0.75%	-£8.16m	-£1.05m
Baltimore Technologies	SP	£0.10	£48.6m	Loss	0.66	974	-17.39%	-37.70%	-£10.31m	-£29.54m
Bond International	SP	£0.73	£10.4m	10.8	1.11	1115	-14.71%	-3.33%	-£1.83m	-£0.33m
Business Systems	CS	£0.09	£7.6m	Loss	0.20	76	-23.40%	-33.33%	-£1.94m	-£3.32m
Capita Group	CS	£4.64	£3,056.4m	59.3	4.76	125429	9.18%	-5.35%	£256.67m	-£173.80m
Cedar Group	SP	£0.06	£4.2m	Loss	0.06	52	10.00%	37.50%	£0.38m	£1.15m
Charteris	CS	£0.83	£30.1m	44.2	2.26	917	-4.62%	-6.78%	-£1.51m	-£2.21m
Clarity Commerce	SP	£0.80	£11.1m	Loss	3.07	636	-3.64%	-13.11%	-£0.42m	-£1.58m
Clinical Computing	SP	£0.38	£9.4m	Loss	4.17	302	22.95%	25.00%	£1.75m	£1.88m
CMG	CS	£2.42	£1,479.8m	59.2	1.61	6662	-1.73%	-0.62%	-£26.46m	-£9.47m
Comino	SP	£1.03	£14.2m	21.0	0.66	788	-16.33%	-39.71%	-£2.70m	-£9.34m
Compass Software	SP	£0.82	£9.5m	26.8	2.21	547	7.19%	-10.87%	£0.63m	-£1.20m
Compel Group	R	£0.83	£25.6m	Loss	0.11	660	11.49%	-2.37%	£2.62m	-£0.60m
Computacenter	R	£3.29	£608.8m	12.2	0.31	490	-8.75%	-4.78%	-£58.40m	-£30.65m
DCS Group	CS	£0.21	£5.1m	Loss	0.04	342	-14.58%	-28.07%	-£0.87m	-£2.01m
Delcam	SP	£1.55	£9.4m	7.4	0.55	596	-3.13%	8.39%	-£19.55m	£0.65m
Diagonal	CS	£0.92	£80.8m	40.7	0.98	1330	-10.73%	-10.73%	-£9.65m	-£9.63m
Dicom Group	R	£4.20	£87.5m	12.4	0.62	1288	-4.00%	-0.94%	-£3.59m	-£0.85m
Dimension Data	R	£0.64	£824.3m	8.4	0.56	114	-27.27%	-24.26%	-£308.74m	-£263.74m
DRS Data & Research	SP	£0.14	£4.8m	12.7	0.59	127	-1.75%	-8.20%	-£0.09m	-£0.43m
Easynet	CS	£1.48	£91.5m	Loss	2.19	41	-20.27%	-44.13%	-£23.27m	-£72.22m
ECSoft Group	CS	£4.00	£46.8m	42.7	0.72	221	-26.61%	-21.18%	-£16.92m	-£12.52m
Eidos	SP	£1.38	£191.4m	Loss	1.13	6897	-19.30%	-23.33%	-£45.67m	-£58.21m
Electronic Data Processing	SP	£0.41	£10.3m	Loss	0.99	1255	-1.20%	-18.00%	-£0.10m	-£2.30m
Epic Group	CS	£0.72	£18.2m	15.1	2.26	686	-11.66%	-17.71%	-£2.41m	-£3.90m
Eurolink Managed Services	CS	£0.45	£4.7m	17.5	0.56	450	1.12%	0.00%	-£42.41m	£0.00m
Eyretel	SP	£0.69	£104.8m	Loss	2.66	685	-6.16%	-22.60%	-£19.85m	-£31.35m
Financial Objects	SP	£0.63	£24.5m	13.2	1.33	272	-14.97%	-24.70%	-£4.31m	-£8.11m
Flomerics Group	SP	£0.62	£8.9m	36.0	0.69	2365	-21.15%	-23.13%	-£2.38m	-£2.68m
Focus Solutions Group	SP	£0.86	£21.6m	Loss	9.50	441	-15.27%	-16.10%	-£3.87m	-£4.10m
Gladstone	SP	£0.10	£3.4m	Loss	0.57	250	-4.76%	-27.27%	£0.17m	-£1.29m
Glotel	A	£0.65	£24.5m	46.4	0.15	335	59.26%	57.32%	£9.19m	£8.99m
Gresham Computing	CS	£0.24	£11.8m	Loss	0.50	261	-7.62%	-5.83%	-£0.94m	-£0.72m
Guardian iT	CS	£0.47	£32.8m	3.6	0.38	184	-54.15%	-69.68%	-£38.66m	-£75.29m
Harrier Group	CS	£0.40	£11.3m	Loss	1.01	307	-1.25%	-22.55%	-£2.61m	-£2.91m
Harvey Nash Group	A	£0.60	£18.1m	4.6	0.08	343	-36.17%	-50.00%	-£10.35m	-£17.76m
Highams Systems Services	A	£0.09	£1.8m	Loss	0.09	250	-37.93%	-38.98%	-£1.08m	-£1.13m
Horizon Technology	R	£0.26	£14.9m	12.9	0.06	94	-32.00%	-19.05%	-£6.40m	-£3.50m
Host Europe	CS	£0.02	£17.1m	Loss	0.07	618	2.64%	-9.79%	-£1.30m	-£3.00m
I S Solutions	CS	£0.31	£7.6m	22.4	0.68	1137	0.00%	-6.15%	£0.00m	-£0.50m
ICM Computer Group	CS	£2.22	£43.8m	13.1	0.66	1231	-11.40%	-26.17%	-£5.67m	-£15.52m
IDS Group	SP	£0.75	£42.9m	Loss	3.43	833	10.29%	56.25%	£3.95m	£15.42m
Innovation Group	SP	£2.43	£461.1m	Loss	7.98	1059	-29.71%	-32.64%	-£178.92m	-£206.74m
Intelligent Environments	SP	£0.04	£2.1m	Loss	0.24	37	-12.50%	-33.33%	-£0.30m	-£1.04m
Intercede Group	SP	£0.40	£6.5m	Loss	3.25	667	-20.79%	-27.93%	-£1.72m	-£2.54m
IQ-Ludorum	SP	£0.05	£3.8m	Loss	1.77	63	-17.39%	-61.22%	-£0.80m	-£6.00m
iRevolution	CS	£0.20	£9.1m	20.0	4.57	449	0.00%	-2.44%	£0.00m	-£0.22m
iSOFT Group	SP	£2.77	£325.3m	41.3	10.45	2514	-12.64%	7.38%	-£47.04m	£22.34m
IT NET	CS	£2.31	£165.4m	18.2	0.94	660	-0.86%	-7.04%	-£1.38m	-£12.49m
Izodia (was Infobank)	SP	£0.33	£19.0m	Loss	7.03	5159	10.17%	3.17%	£1.74m	£0.57m
Jasmin	SP	£2.43	£11.4m	29.8	2.86	1617	8.50%	-3.77%	£0.88m	-£0.51m
K3 Business Technology	SP	£0.13	£6.3m	Loss	0.44	96	4.17%	-7.41%	£0.00m	-£0.51m
Kewill Systems	SP	£0.27	£20.6m	Loss	0.30	534	-28.95%	-37.57%	-£8.33m	-£12.42m
Keystone Solutions Group	SP	£0.08	£9.4m	Loss	2.10	92	-21.43%	-41.07%	-£2.57m	-£6.56m
Knowledge Management Software	SP	£0.11	£12.7m	Loss	2.09	85	-8.33%	-6.38%	-£1.19m	-£0.90m
Knowledge Support Systems Group	SP	£0.13	£9.6m	Loss	4.37	59	0.00%	-26.76%	-£0.00m	-£3.53m
Logica	CS	£3.85	£1,720.3m	14.0	1.52	5273	-27.90%	-39.84%	-£665.93m	-£1,139.79m
London Bridge Software	SP	£1.66	£280.8m	96.0	3.79	4138	12.20%	-7.28%	£30.51m	-£22.09m
Lorien	A	£0.75	£14.7m	9.3	0.11	750	1.35%	19.05%	£0.20m	£2.40m
Macro 4	SP	£1.48	£30.7m	14.9	0.65	595	1.72%	-41.58%	£0.56m	-£21.80m
Manpower SoftWare	SP	£0.14	£3.4m	Loss	1.21	144	-30.00%	-44.00%	-£1.43m	-£2.63m
Marlborough Stirling	SP	£2.12	£481.5m	73.1	6.56	1511	-5.16%	3.17%	-£26.14m	£14.80m
MERANT	SP	£1.07	£144.4m	11.7	0.67	517	-0.47%	-3.17%	-£0.73m	-£4.75m
Mettoni Group	CS	£0.14	£5.9m	Loss	1.39	129	-15.15%	-31.71%	-£1.89m	-£2.73m
Microgen	CS	£0.95	£48.4m	16.8	1.91	406	-2.56%	-7.32%	-£1.24m	-£3.74m

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Category Codes: CS= Computer Services SP = Software Product R = Reseller A = IT Agency O = Other

Holway/SYSTEMHOUSE SCS Share Prices and Capitalisation

	SCS Cat.	Share Price 28-Feb-02	Capitalisation 28-Feb-02	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 28-Feb-02	Share price move since 31-Jan-02	Share price % move in 2002	Capitalisation move since 31-Jan-02	Capitalisation move (£m) in 2002
Minorplanet Systems	SP	£2.62	£181.6m	27.1	3.43	5340	-23.43%	-12.40%	-£52.93m	-£24.13m
Mission Testing	CS	£0.83	£14.2m	12.9	2.85	302	-2.94%	-49.23%	-£0.36m	-£13.69m
Misys	SP	£2.62	£1,505.9m	18.5	1.75	3253	-18.66%	-19.54%	-£345.99m	-£365.77m
MMT Computing	CS	£0.92	£11.1m	Loss	0.36	545	1.67%	-16.82%	£0.17m	-£2.22m
Mondas	SP	£0.23	£4.5m	Loss	1.67	300	-19.64%	-18.18%	-£1.10m	-£1.00m
Morse	R	£1.76	£225.4m	13.1	0.38	704	11.75%	-7.37%	£23.72m	-£17.88m
MSB International	A	£0.76	£15.4m	20.6	0.10	397	-6.79%	-10.65%	-£1.09m	-£1.80m
Ncipher	SP	£0.95	£119.6m	Loss	8.33	378	-0.53%	18.87%	-£0.67m	£19.03m
NetBenefit	CS	£0.12	£1.9m	Loss	0.30	60	-5.88%	-7.69%	-£0.12m	-£0.16m
Netcentric Systems	SP	£0.01	£1.2m	Loss	0.45	21	5.26%	-3.85%	£0.00m	-£0.13m
Netstore	CS	£0.17	£15.7m	Loss	4.41	110	11.86%	-17.50%	£1.60m	-£1.98m
Nettec	CS	£0.08	£9.2m	Loss	0.53	31	-9.09%	-31.82%	-£0.35m	-£4.32m
Northgate Information Solutions	CS	£0.23	£65.1m	7.1	0.61	88	-21.55%	-32.09%	-£17.86m	-£30.73m
NSB Retail Systems	SP	£0.22	£68.1m	9.6	1.66	1870	-11.34%	-12.24%	-£8.66m	-£9.50m
OneclickHR	SP	£0.36	£19.0m	Loss	3.27	900	20.00%	-14.29%	£3.14m	-£3.14m
Orchestream	SP	£0.06	£7.9m	Loss	0.53	32	-41.46%	-70.73%	-£5.56m	-£18.95m
Parity	A	£0.38	£57.5m	12.1	0.21	6250	-14.77%	-23.47%	-£9.99m	-£17.63m
Patsystems	SP	£0.08	£10.1m	Loss	3.98	72	-11.43%	-26.19%	-£1.28m	-£3.60m
Planit Holdings	SP	£0.45	£37.4m	14.6	1.96	1875	-2.17%	-18.18%	-£0.77m	-£8.30m
Protagona (was Recognition)	SP	£0.03	£11.3m	Loss	1.28	46	-13.33%	-18.75%	-£1.83m	-£2.70m
PSD Group	A	£3.53	£88.5m	7.5	1.00	1602	-16.07%	-22.95%	-£16.90m	-£26.31m
QA (was Skillsgroup)	CS	£0.47	£41.0m	Loss	0.29	209	2.20%	1.09%	£0.83m	£0.42m
Quantica	A	£0.61	£23.8m	12.4	0.71	488	3.42%	10.00%	£0.81m	£2.20m
Raft International	SP	£0.08	£5.3m	Loss	0.55	127	-23.81%	-21.95%	-£1.64m	-£1.47m
Rage Software	SP	£0.05	£18.8m	Loss	3.28	183	-24.00%	-40.63%	-£5.93m	-£12.27m
RDL Group	A	£0.47	£9.0m	4.1	0.21	517	-20.51%	-13.89%	-£2.29m	-£1.49m
Retail Decisions	SP	£0.12	£34.5m	Loss	1.95	165	-22.22%	-35.53%	-£9.78m	£5.26m
RexOnline	A	£0.31	£4.0m	58.7	2.00	363	-10.29%	-23.75%	-£0.47m	-£1.26m
Riversoft	SP	£0.09	£21.1m	Loss	3.24	93	-10.26%	-27.08%	-£2.47m	-£7.89m
RM	SP	£0.74	£69.0m	5.9	0.29	2100	-68.04%	-69.05%	-£146.87m	-£153.91m
Rolfe & Nolan	SP	£0.68	£9.6m	Loss	0.37	810	-16.56%	-17.58%	-£1.93m	-£2.01m
Royalblue Group	SP	£5.78	£175.9m	96.3	2.66	3397	2.67%	-5.71%	£4.66m	-£8.48m
Sage Group	SP	£2.07	£2,625.2m	31.2	5.42	79712	-13.91%	-9.30%	-£424.66m	-£269.33m
SBS Group	A	£0.19	£1.7m	14.3	0.04	185	5.71%	-13.95%	£0.09m	-£0.28m
Science Systems	CS	£4.10	£103.4m	23.4	2.08	3178	-9.39%	-21.15%	-£10.64m	-£27.64m
SDL	CS	£0.58	£31.1m	73.2	1.05	387	-5.69%	-14.71%	£5.18m	£2.40m
ServicePower	SP	£0.18	£8.9m	Loss	2.72	175	-12.50%	-22.22%	-£1.28m	-£2.56m
Sherwood International	SP	£1.13	£51.3m	Loss	0.95	3748	-16.67%	-14.77%	-£10.31m	-£7.75m
Sirius Financial (was Policymaster)	SP	£0.93	£15.6m	8.8	0.91	617	0.00%	-5.13%	£0.02m	£0.02m
Smartlogik	SP	£0.01	£2.9m	Loss	0.05	9	-20.00%	-50.00%	-£0.74m	-£2.94m
Sopheon	SP	£0.19	£15.8m	Loss	2.04	266	-24.49%	-36.21%	-£5.05m	-£8.93m
Spring Group	A	£0.62	£93.1m	Loss	0.25	689	-4.62%	-20.00%	-£4.45m	-£23.25m
Staffware	SP	£4.03	£57.9m	Loss	1.52	1789	-7.47%	20.15%	-£4.72m	£9.76m
StatPro Group	SP	£0.45	£14.5m	Loss	2.36	563	45.16%	4.65%	£4.54m	£0.65m
Superscape VR	SP	£0.26	£9.3m	Loss	4.31	129	-1.92%	-10.53%	-£0.22m	-£1.11m
SurfControl (was JSB)	SP	£6.08	£183.2m	Loss	10.95	3038	-2.02%	23.35%	-£3.78m	£34.70m
Synstar	CS	£0.62	£100.7m	Loss	0.42	376	-16.78%	-10.14%	-£20.31m	-£11.36m
Telecity	CS	£0.12	£23.1m	Loss	1.64	15	-14.81%	-11.54%	-£4.00m	-£3.00m
Telework Systems	SP	£0.23	£40.6m	33.2	1.85	0	-28.57%	-44.44%	-£16.30m	-£32.52m
Terence Chapman Group	CS	£0.27	£18.7m	Loss	0.58	196	-23.19%	-35.37%	-£5.60m	-£10.25m
Tikit Group	CS	£1.15	£13.3m	19.4	1.43	996	0.00%	0.00%	£0.00m	£0.00m
Torex Group	CS	£7.43	£326.9m	75.1	2.48	14417	2.77%	2.06%	£8.80m	£6.60m
Total Systems	SP	£1.45	£15.1m	16.0	3.92	2736	0.00%	11.11%	£0.06m	£1.51m
Totalise	CS	£0.05	£3.2m	Loss	0.75	214	0.00%	5.88%	£0.00m	£0.18m
Touchstone Group	SP	£1.29	£13.0m	8.8	1.10	1229	22.86%	-3.73%	£2.42m	-£0.50m
Trace Group	SP	£0.79	£12.0m	6.6	0.70	628	-4.85%	-16.93%	-£0.55m	-£2.41m
Transeda	SP	£0.20	£13.4m	18.9	2.06	390	-27.78%	-20.41%	-£5.13m	-£3.37m
Transware	CS	£0.41	£14.6m	9.8	1.41	529	-7.87%	-8.89%	-£2.16m	-£0.86m
Triad Group	CS	£0.73	£18.5m	5.6	0.35	537	9.02%	-22.46%	£1.56m	-£5.30m
Tribal Group	CS	£2.85	£126.0m	34.6	5.23	1727	-10.94%	-12.31%	-£15.52m	£7.60m
Ultima Networks	R	£0.02	£4.3m	Loss	0.62	55	0.00%	0.00%	£0.00m	£0.00m
Universe Group	SP	£0.35	£10.4m	Loss	0.21	1556	-1.41%	-9.09%	-£0.70m	-£1.00m
Vega Group	CS	£1.20	£22.1m	Loss	0.62	984	-12.73%	-14.29%	-£3.16m	-£3.68m
VI group	SP	£0.24	£5.0m	13.6	0.89	470	-31.88%	-21.67%	-£3.81m	-£2.57m
Virtual Internet	CS	£0.45	£11.5m	Loss	1.76	643	87.50%	91.49%	£6.37m	£6.48m
Vocalis Group	SP	£0.04	£5.2m	Loss	1.93	39	-25.00%	-46.43%	-£1.73m	£1.98m
Warthog	SP	£0.47	£19.6m	Loss	5.18	1093	-14.55%	10.59%	-£3.39m	£1.79m
Wealth Management Software	SP	£0.15	£6.2m	Loss	0.40	113	-1.67%	-4.84%	-£0.10m	-£0.31m
Xansa (was F.I. Group)	CS	£2.99	£975.4m	Loss	2.49	7667	0.50%	-15.54%	£5.05m	-£179.16m
XKO Group	SP	£0.40	£10.8m	Loss	0.28	267	-17.53%	-21.57%	-£2.20m	-£2.90m
Xpertise Group	CS	£0.05	£3.6m	Loss	0.63	200	-9.09%	0.00%	-£0.36m	£2.05m

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AUDITING CONCERNS PUSH INDICES LOWER

In a month where the news has been dominated by stories of a crisis in confidence in company accounting principles, all indices including our own S/ITS index have fallen this month. The FTSE IT SCS Index was the worst hit with a 14% fall to 695. Across the water. the Nasdaq also performed badly with a 12% fall to 1359.

In the Holway S/ITS index, no one type of company escaped. The falls ranged from the resellers, down an average of 3.4% to the software products companies with their share price down an average of 8.4%.

28-Feb-02		
	SCSI Index	4056.03
	FTSE IT (SCS) Index	695.04
	techMARK 100	1197.50
	FTSE 100	5101.00
	FTSE AIM	842.30
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap	2459.97

Changes in Indices	SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/02/02 to 28/02/02)	-8.32%	-1.24%	-11.11%	-14.21%	-2.99%	-2.65%
From 15th Apr 89	+305.60%	+148.39%				
From 1st Jan 90	+340.82%	+115.96%				
From 1st Jan 91	+472.99%	+136.11%				
From 1st Jan 92	+288.19%	+104.60%				
From 1st Jan 93	+154.52%	+79.20%				+77.31%
From 1st Jan 94	+142.94%	+49.22%				+31.64%
From 1st Jan 95	+170.55%	+66.40%				+40.86%
From 1st Jan 96	+79.59%	+38.26%	+51.73%		-11.65%	+26.70%
From 1st Jan 97	+51.49%	+23.86%	+30.92%		-13.71%	+12.68%
From 1st Jan 98	+33.64%	-0.67%	+25.52%	-30.50%	-15.09%	+6.34%
From 1st Jan 99	+2.91%	-13.29%	-17.75%	-51.93%	+5.08%	+18.79%
From 1st Jan 00	-64.64%	-26.39%	-68.32%	-81.31%	-56.42%	-20.59%
From 1st Jan 01	-51.56%	-18.02%	-53.32%	-64.34%	-41.42%	-22.72%
From 1st Jan 02	-15.47%	-2.23%	-18.69%	-17.68%	-6.18%	-4.62%

End Feb 02	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move since 1st Jan 02	Move in Feb 02
System Houses	-7.6%	-64.0%	-51.6%	-12.7%	-7.4%
IT Staff Agencies	-65.5%	-70.0%	-52.2%	-13.7%	-6.5%
Resellers	25.4%	-39.6%	-20.1%	-11.0%	-8.0%
Software Products	48.3%	-64.3%	-74.1%	-16.6%	-8.9%
Holway Internet Index	181.0%	-65.8%	-49.8%	-9.1%	-2.8%
Holway SCS Index	2.9%	-64.6%	-51.5%	-15.5%	-8.3%

Looking at the individual companies, **Virtual Internet** had the best month, seeing its share price rise by 88% to 45p. Following its results, it announced that it had reached agreement on a recommended bid for the company from **Register.com** (UK) valuing the company at about £12m. Also announcing results this month were **London Bridge Software** (p.12) and **Morse** (p.17). Their share prices rose 12.2% and 11.8% respectively.

Some longstanding names were amongst the worst share price performers this month. Suffering the most was **RM** with a share price fall of 68% to 74p, as it released a trading update referring to difficulties in the education market. **Guardian IT** and **Harvey Nash** also suffered, down 54% and 36% respectively. The former issued a profits warning whilst the latter, announced its intention to raise c£14.3m in an underwritten placing and open offer. Logica's share price has fallen 28% following its results announcement, knocking c£666m off its valuation. It now risks being dropped from the FTSE100.

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