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ovum HOLWAY

SYSTEMHOUSE

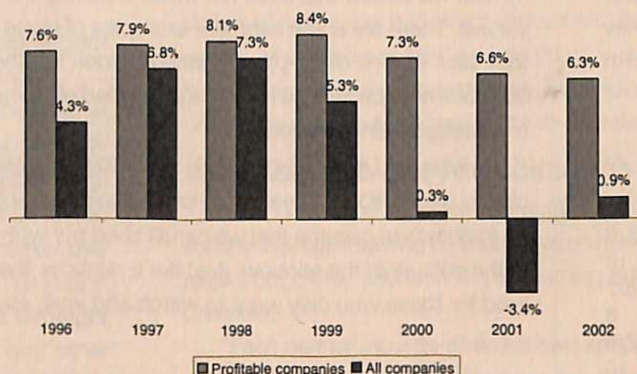
The monthly review of the financial performance of the UK software and IT services industry

LOOKING OVER THE RAINBOW

The truly dreadful market conditions of these past couple of years has driven many UK S/ITS companies into (sometimes staggering) losses. Indeed, 2001 saw the industry as a whole generate operating losses of some £500m and pre-tax losses of some £2.5bn. Needless to say, suppliers were forced – eventually – to bite the bullet and 'restructure their operations' (i.e. cut costs) to match the much reduced level of demand.

Now here's some good news.

As we highlighted in the August edition of SYSTEMHOUSE, **UK S/ITS suppliers returned a small operating profit in 2002**. We should point out, though, that pre-tax losses actually *widened* as the effect of restructuring charges and goodwill impairment continued to depress the bottom line. Nonetheless, even though more than 40% of UK S/ITS companies still made an operating loss last year, there was sufficient recovery in operating profits *across the board* to move the industry from an average margin of –3.4% in 2001 back 'above the line' to just under 1% in 2002.



But the combination of 'remedial actions' and declining demand has, for many players, seriously depleted their cash reserves. This leaves some suppliers precariously perched on a precipice with cashflow demands threatening to pull them over the edge.

Unfortunately, it's no longer easy to go back to investors to ask for cash to tide you through. Cash needs to be generated from *within* the business. OK, does that mean that the 60% of UK S/ITS companies that are now generating an operating profit can breathe a deep sigh of relief – assuming, of course, that they can actually turn the profits into cash?

We don't think so. After all, investors are going to insist that profits are driven upwards.

Where will future profits growth come from?

Well, most suppliers have now brought costs down broadly in line with revenues. OK, there's sure to be some 'nipping and tucking' still to do to improve productivity even further, but the law of diminishing returns plays a part here. Given (and we do think that it's a 'given') that customers will continue to ask for **'more for less'** from their suppliers, S/ITS companies will need to pedal faster and faster to become even more productive to reduce costs further and further. But each year will bring lower and lower productivity gains, until we reach a point – we think within the next 2-3 years – that cost cutting **by itself** won't be enough to give the returns to shareholders that they are looking for.

In the main, profit growth will need to be fuelled by revenue growth.

But market conditions will conspire to make this tricky. In particular:

- we have seen nothing to change our opinion that the UK S/ITS market will shrink again this year and remain flat in 2004. Indeed, just look at many of the interim results in this and recent issues to see how the top line is still suffering at many players

- offshore suppliers will continue to siphon off IT (and increasingly, BPO) services to distant lands while at the same time forcing fee rates down for work remaining in the UK.

So what can suppliers do to boost revenues?

Keeping it simple, there are three main options, each with its costs:

- **Eat your competitor's lunch**. In other words, win market share from other players. This strategy tends to directly hit the P&L as, in the current market, winning share generally means either increasing costs (e.g. R&D, sales and marketing, etc,) and/or reducing revenues (e.g. by 'bidding

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low' to win the deal).

- **Acquire a competitor**. If you can't beat them, buy them! This option hits the balance sheet first and the P&L later.

- **Enter new markets**. If the UK S/ITS market is stagnant, go find a market that is growing, either outside of the S/ITS sector and/or outside of the UK. This is often a high risk strategy which tends to hit both the P&L and balance sheet at the same time.

This suggests that only companies that are *already* financially 'secure', or are *already* clearly heading in that direction (i.e. profitable and cash generative) are going to be in the strongest position. This favours (dare we say it again) companies with long-term customer relationships and recurring revenue streams – most notably outsourcing and managed services companies.

On the other hand, those suppliers most likely to slip over the precipice are likely to be:

- companies that are directly dependent on a resurgence in the 'time and materials' project services market, notably IT staff agencies. Indeed some not-so-small ITSAs like Plexian and, very recently, SBS, have already gone out of business and more will undoubtedly follow. However, suppliers with scale and financial wherewithal, like Spring and Hays, will be in the strongest position to survive and even prosper (well, compared to the rest).

- companies that are *indirectly* dependent on project work – notably training companies. Virtually all of the major players in the UK IT training market, like QA, Spring, Parity, Xpertise, are suffering badly. We see no relief for them in the foreseeable future. Indeed, we have openly suggested that 'mixed' businesses like Spring and Parity would do well to cut off their training arms before gangrene sets in.

- small generalist products companies that can't hope to compete with the major 'suite' players. Too many to mention, sad to say.

But we stress, this does not mean that only the 'biggest and ugliest' will survive. There are some excellent examples of niche players who – so long as they stick to their niche-player strategy – look like they will ride out the storm. Just look at Axon (whose results are reported elsewhere in this issue) and even tiny Intelligent Environments.

Maybe the UK S/ITS industry's return to profitability is a sign that the storm clouds are starting to break up to let the sun's rays shine through. If so, it would be foolhardy to assume that we can all shed our wet-weather gear and marvel at the colours of the rainbow. Just like a rainbow, the joy may be rather short-lived for those who only want to watch and wait. *(Anthony Miller)*

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INDICES (changes in Sep 03)		
Holway S/ITS	-1.28%	4430
Holway Internet	10.5%	3908
FTSE IT (SCS)	-0.5%	488
techMARK 100	-1.6%	894
Nasdaq Comp	-1.27%	1787

ORACLE SHOWS SERVICE REVENUES IMPORTANCE

In the month that it unveiled its latest '10g' enterprise software framework, Silicon Valley giant **Oracle** also announced results for the quarter to end August 03. Total revenues were up 2% at $2.07bn, compared to the three months to end Aug 02. Operating profits improved by just 0.6% to $616m. PBT was up 27%, reflecting investment losses registered in 02. EPS improved from 6 cents to 8 cents.

The headline PBT and EPS growth numbers - boosted by the effect of investment losses last year - slightly flattered Oracle's performance. The company's operating margin has actually fallen a tad (from 30% to 29%). Meanwhile, new licence sales fell 7% to $525m, underlining how weak the market for enterprise software products remains. Fortunately for Oracle, the 75% of its business derived from service revenues (including licence updates, product support and other services) grew by 6%. The 2% increase in total sales did, however, leave Oracle shy of analysts' estimates of $2.14bn.

All in all, however, these results show Oracle gaining strength - relative to most of the competition - in what remains a miserable enterprise software market. Whether or not its bid for Peoplesoft succeeds, Larry Ellison's company is firmly established as one of the world's top three independent software companies and will play a key role in industry consolidation in the coming years. *(Phil Codling)*

HOLWAY COMMENT

MULTISOURCING REVISITED

Back at the start of 2003 (see Feb. and March 03 **SYSTEM**HOUSE), we wrote a series of articles about the formation of consortia to bid for large outsourcing contracts – coining the terms Onesourcing and Multisourcing. We also introduced the 'Clerk of the Works' to describe the all-important PMO responsibilities in any multisourcing arrangement. Indeed we suggested that external consultancies might fill the bill.

Since then, this whole subject has become a really hot topic.

In February 03, the biggest IT-type consortium ever put together in the UK announced it was to bid to takeover the Inland Revenue c£4bn Aspire contract when the current deal with EDS ended in 2004. The Fusion Alliance was led by **BT's Syntegra** (as Clerk of the Works) and other consortia members included **CSC**, **SchlumbergerSema** and **BT Global Services Solutions**.

Then in March, Richard Granger at the NHS announced that **Kellogg Brown & Root** was to be awarded a £37m/3 year contract to act as the PMO for the £2.3bn National IT Programme. Indeed Granger greatly favoured the consortia approach. Many of the initial bids and the current shortlists are consortia. This approach has also been widely adopted in the bidding for other current, large public sector IT projects like MoD.

But last month the Fusion Alliance failed to win a place on the shortlist for Aspire. Two 'onesourcer' bidders – **EDS** and **CGE&Y** – will now fight it out.

This, and many other discussions over the last nine months, have certainly led us to refine our views on multisourcing. Hence the need to revisit this hugely important topic for our sector.

MULTISOURCING THE NORM IN THE PRIVATE SECTOR

Ovum's CIO Survey, earlier this year, found that every one of the major private sector spenders on IT in Europe used multisourcing. The norm was to outsource as much of the IT process – indeed now much of the business process too – to external companies. **But never to just one supplier**. Different processes were outsourced to different players in different geographies. Sometimes dozens of separate outsourcing contracts and relationships existed. The CIOs interviewed all said that they would outsource everything they possibly could. They also considered that it was their *raison d'etre* to act as the PMO/Clerk of the Works for their companies.

But this is very different from the consortia approach. In every case the individual outsourcer had direct contact with the user/CIO. In turn, the CIO knew exactly which *"arse to kick"* if/when things went wrong. The CIO also hoped he had a choice in such circumstances. By dividing the tasks into smaller units, any one outsourcer could be replaced with less disruption.

MARRIAGE GUIDANCE FOR CONSORTIA PARTNERS

When we came to review the quotes from our meetings with CEOs of ITS companies, commenting on their views on how to choose and maintain a partner relationship, they sounded like something out of a Relate Marriage Guidance pamphlet.

"Each partner must be given his own space"

"Don't be promiscuous. Choose a small group of preferred partners and stick with them"

"Remember partnerships are based on trust"

"Customers do not want to see a different 'Marriage of Convenience' on each job".

We could be facetious and remark that such advice has not stopped 40% (and increasing) of real marriages to fail. So why should IT consortia-type marriages stand any better chance of success?

SKIN IN THE GAME

What seems to have emerged from all our discussions, and the post-mortem on the Fusion Alliance bid, is that in any outsourcing contract there has not only to be one party who takes the prime responsibility but that party must have enough *"skin in the game"* to really, really care.

This therefore favours either the current private sector multisourcing approach of dividing up the outsourcing contracts or of ensuring, in mega outsourcing contracts, that there is one strong prime contractor with all the other 'partners' operating as little more than subcontractors.

It is not good enough for the prime contractor just to take a management role or a financial guarantor role. Those placing the contracts on behalf of the users want to ensure that the prime:

- will really feel the pain financially if things go wrong
- will have the financial resources to put things right regardless of the pain

but most importantly:

- will have the strength and depth of in-house management available to throw

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at the problem regardless of whether that problem is of its own making or, more significantly, that of another partner in the consortium.

PRIME CONTRACTOR

The "problem" is that there are very few companies with the *"strength and depth of in-house management"* required to prime these mega outsourcing deals. The list starts to look pretty thin once you have gone through the 'usual suspects' of IBM Global Services, EDS, **Accenture**, CSC and CGE&Y. What these companies are increasingly asking is *"If the user requires us to take responsibility for, AND sort out the problems with, all the other partners, why should we involve any other ITS players at all?"*

This is, of course, much closer to the Accenture 'Rebel Alliance' approach. Sure Accenture will have discrete partners like **Microsoft, Sun, HP, BEA Systems, EMC,** BT, **Computercenter** etc., where in no way could or would Accenture compete. But Accenture would never consider partnering with another ITS or BPO outsourcer.

THE OUTLOOK

The multisourcing/consortia approach to mega deals was greeted with much enthusiasm by the mid-sized ITS players. Increasingly (as you might have seen in the 'comparable-size' chart in last month's **SYSTEMHOUSE**) consolidation is likely to create a few huge/global players largely by those players acquiring those of medium size. We have long and oft said that mid-sized S/ITS players are a dying breed.

Being part of a consortia was seen by many (like Syntegra, **Xansa, Sema, LogicaCMG**) as being a way of taking part in the current gold rush in mega public sector outsourcing deals without succumbing to being either a mere subcontractor or worse – being gobbled up by one of the 'Big Boys'.

If the evidence emerging this year is anything to go by, such aspirations may be misfounded.

However, for those who can forge good relationships with the onesourcers AND have non competing activities – BT Global Services Solutions and Computacenter would be good examples – the future could indeed be promising.

Accenture says it would NOT partner with competing IT or Business Process outsourcers

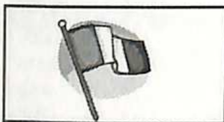
accenture

Leading the Rebel Alliance

Microsoft Sun hp bea EMC

BT Computacenter

But happily partners with non-competing "black box" suppliers



VIVE LA FRANCE! ATOS BULKS UP ...

Less than a fortnight after announcing a pretty uninspiring set of interim results, **Atos Origin** stunned the market by announcing it is to buy most of the juicy bits of **SchlumbergerSema**, the ailing and flailing progeny of the ill-fated marriage between oilfield services giant **Schlumberger** and 'Anglo-French' IT services company **Sema**. The deal is expected to close in Jan. 04 subject to shareholder and EC approval.

But first, let's take a quick look at how 'old' Atos Origin performed in the first half of the year. Revenues for the six months ended 30th Jun. 03 rose 4% to eur1.54bn. However, operating income fell 9% to eur122.6m bringing margins down from 9.1% in H1 02 to 7.9%. Net income (before goodwill etc) fell 14% to eur110.3m and 'real' net income was slashed by 60% down to eur24.3m after goodwill amortisation et al took its toll. Atos Origin's UK business more than doubled from eur71m to eur171m due to the acquisition of KPMG Consulting's UK operations. CEO Bernard Bourigeaud reckoned they were now seeing *"some signs of a market recovery, although this is unlikely to occur before 2004"*. Nonetheless, they are still expecting full year revenue growth and are aiming for operating margins of over 8%.

Our comment at the time was that 4% revenue growth is actually not good at all as it included a full six months contribution from KPMG Consulting UK & NL in 2003 (nil in 2002), and therefore shows how tragic the consulting & SI market still is. Indeed Bourigeaud reported that C&SI markets continue to experience price pressure although *"volume declines ... have levelled off"*. Managed operations is the engine of growth and now contributes 55% of group revenues. Given the relatively lower margins of outsourcing vs C&SI, we thought they're going to have a tough time increasing operating margins in H2 without more cost cutting.

And this will be one of the key issues on which the success of the 'new' Atos Origin will depend, given that Sema was operating at an operating margin of 2.2% in H1 03.

But we get ahead of ourselves.

Let's look more closely at the proposed deal.

Atos Origin will acquire the *"core*

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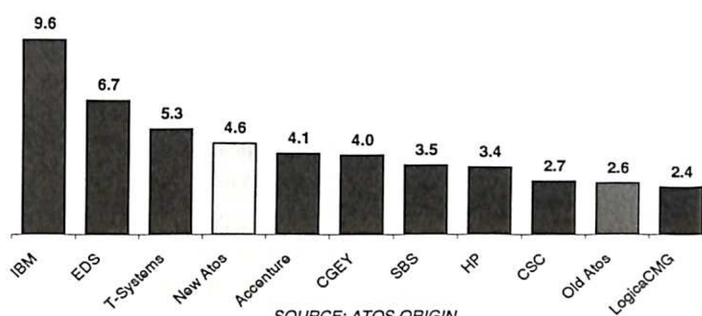
IT services activities" of SchlumbergerSema (Sema). The deal values Sema at eur1,287m of which eur400m will be in cash and the rest in (19.3m) Atos Origin shares. After the transaction, Schlumberger will reduce its shareholding in Atos Origin to 19%. The transaction will reduce Philips' (Origin's previous owner) shareholding from 44.7% to 32.0%. As part of the deal, Atos Origin has also signed a long-term contract to supply IT services to Schlumberger *"with minimum revenues of eur700m"*.



Bernard Bourigeaud remains CEO of the new company. Xavier Flinois, who currently heads up Sema, will run the merged business in the UK (ousting the apparently none-too-popular Jeremy Anderson, the KPMG Consulting UK head who took over all of Atos' UK operations after that acquisition), as well as the Americas, and Asia Pacific. Flinois will also 'coordinate' global markets and Sema's key accounts including its flagship contract with the Olympics. Sounds like COO in all but name. A Schlumberger veteran (well, since 1985), Flinois took over running Sema earlier this year after he served as president of Schlumberger Network & Infrastructure Solutions. The other key appointment was that of Dominique Illien, who will manage home market France and Central Europe, and will 'coordinate' Atos' all-important managed operations (i.e. outsourcing) activities worldwide. Illien currently runs Atos' operations in France, Italy and Iberia /Latin America.

Our first reaction to this deal was rather guarded. You'll remember that only last month we wrote a front page article entitled 'Acquisition Indigestion and the Holway Test'. Basically we said that you shouldn't acquire any company >50% your own size. It doesn't take a genius to work out that this deal spectacularly fails this test. Atos Origin has roughly eur3bn in revenues and is acquiring about eur2.6m of Sema's revenues. Atos Origin has 28,000 employees and Sema 22,000.

And let's not forget, it was Sema's ill-advised and ill-timed acquisition of US-based 'pure-play' telecoms software player LHS for $4.7bn in Mar. 00 – almost to the day that the bubble burst – that eventually forced it into Schlumberger's open arms (Did you recall that LHS revenues were a mere $263m? Oh the folly of those dotcom deals!). By the way, Atos is NOT buying LHS, thank goodness! And we were of course critical about the Schlumberger acquisition of Sema right from the start. It not only failed the 'Holway Test' but was another in a long string of ventures by non-S/ITS companies into S/ITS that have failed. Indeed, we can't currently think of one such venture that has ever worked!

On the other hand, only a year back, Atos Origin had acquired KPMG Consulting in the UK and Netherlands, This was a deal that we positively supported as it passed the 'Holway Test' – KPMG Consulting being only about 20% of the size of Atos Origin at the time.

And Atos Origin *has* done a 'biggie' before. Just three years ago, Atos acquired Origin, a larger company, and seems to have digested it well. In fact, Atos' acquisition record has been pretty good so far.

It ain't going to be easy, but actually we think they **can** make it work. For one thing, as demoralised as Sema employees must feel, being passed from pillar to post, we reckon they will see Atos as a much safer haven than Schlumberger ever was or could ever be, so they will try very hard to make *this* deal work.

Indeed, **we really do hope they can make it work** because, with total proforma revenues of around eur5bn (actually eur5.6bn, but Atos want to sell off a few bits) and European revenues of eur4.6bn, Atos Origin will become the largest 'independent' European 'full service' company (we don't count T-Systems as independent) and a true Tier 1 player in the European market. Atos also claimed that the new company will rank fourth in the UK market. Oh no it won't! With UK revenues of about eur1bn, this puts the merged company at the very bottom of our Top Ten. But, hey, it's still the Top Ten!

The bit that really surprised us in the announcement, though, was that they are thinking of selling off their BPO

RANK	COMPANY	HQ	UK IT Services Rev (2002)
1	EDS	US	£2,360m
2	IBM	US	£2,085m
3	Accenture	US	£1,178m
4	Fujitsu Services	J	£1,032m
5	CSC	US	£995m
6	Hewlett Packard	US	£800m
7	Cap Gemini Ernst & Young	F	£749m
8	BT	UK	£690m
9	LogicaCMG	UK	£675m
10	**NEW ATOS**	**F**	**£635m**

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business (mainly US & UK) as the margins aren't high enough (c5%). We think it would be crazy to sell off the UK BPO business (prime central government contracts) as it would leave them as just another infrastructure services player in an already (over)crowded market. Different for the US BPO business, by the way, as this is basically glorified meter reading – very asset-intensive and not really strategic.

The other thing that worries us are the margins. Bourigeaud wants the new Atos to become a 10%+ margin company, at least in the major countries. Given current performance of both companies, this will be a challenge. Not impossible – but a challenge.

But let's not sit on the fence. If this deal turns out to be an exception to the 'Holway acquisition test', then great, as **we think this is the right move for Atos and the right home for Sema.**

FUJITSU ... WHILE FUJITSU LOSES A BOOKING

By the way, Atos now looks like a shoe-in for the NHS's e-booking contract. According to a report from Government Computing News, **Fujitsu** has been dropped from the final stages of the bidding process leaving just SchlumbergerSema in the race. The news follows last week's rumours that **EDS** had been dropped from the competition. While no formal announcement on the subject has been made by the National Programme, the contract was due to be awarded by the end of this month so it would be logical for the NP team to be focusing their efforts on negotiating the best terms with the successful supplier at this stage.

Of course, the Atos/Sema deal is bad news for Fujitsu anyway, and others besides. In particular, Fujitsu Services will struggle to maintain its lead in the rankings over 'new' Atos while so long as it remains a 'dis-integrated' IT services company only 'joined at the brand' with sibling consulting arm Fujitsu Consulting.

steria ... AND STERIA GETS UPSTAGED

Somewhat overshadowed by the goings-on at compatriot IT services player Atos Origin, **Steria** confirmed its interim results which it had presaged in August. Revenues for the six months to 30th Jun. 03 dropped 3% to eur478.5m, though operating profit jumped by 51% to eur14.2m, lifting margins from 1.9% to 3.0%. The revenue figure excludes the company's UK outsourcing activities (i.e. Integris as was) in Q1 03. On a like-for-like basis, revenues actually declined by 10%. In Steria's two main countries, France saw revenues decline by 7% to eur203m with margins halving to 3%, but UK revenues increased 26% to eur129m boosting margins from 5.5% to 7.1%. Steria believes it detected *"initial signs of recovery"* in US and European economies which *"suggest an upturn in the European IT services sector could be on the cards for 2004"*. As a result, Steria expects flat revenues in H2 03 and intends to *"strengthen its Top 10 position in Europe"*.

Comment: Oh dear! Of course, all this was prepared before Atos Origin dropped its 'spoiler' (the timing of Atos'announcement was purely coincidental we assume!) and completely changed the rules of the game in the European IT services marketplace. Atos was already about three times the size of Steria in total revenue terms and, with a single leap, has shot further up the European rankings. If it gets the Sema bit sorted, Atos will emerge an even stronger player across Europe and especially in the UK, where Steria is currently No.24 in the rankings with UK IT services revenues of £190m. We are a bit nervous about Steria's reading of the tea-leaves on future market conditions in Europe – we forecast a flat S/ITS market in the UK in 2004, (OK, an 'upturn' of sorts). While there may well be room for another European-owned IT services 'powerhouse', we are not convinced that its name is Steria. Game on!

... WHILE CGE&Y STILL TRIES TO SEW IT ALL TOGETHER

Cap Gemini Ernst & Young (CGE&Y) has taken a bit of drubbing on its revenues in the first half of 2003 but did improve its profitability. Total revenues for the six months ended 30th Jun. 03 fell by 19% to eur3.0bn (c£2.07bn), although this was 'only' a 12.5% drop at constant currency. However, operating income rose substantially from eur10m to eur81m, which boosted margins from a meagre 0.3% to a still very slender 2.7%. Nonetheless, CGE&Y were left with a pre-tax loss (even before goodwill amortisation) of eur29m, still a vast improvement on the eur132m loss in H1 02. Net post-tax losses also improved from eur256m to eur90m.

At the country level, North America (CGE&Y's largest market) saw revenues drop by 7% to eur933m, UK & Ireland revenues fell 9% to eur522m (c£360m) and revenues in France declined 14% to eur568m. It was the Benelux region that turned in the most profit (and margin), though, at eur33m (8.4% margin). Margins in UK & Ireland returned to positive territory (2.9%) though margins in France declined from 5.3% to 3.3%. North America improved margins from 0.2% to 3.0%. The main problem was in Southern Europe where CGE&Y lost eur14m on revenues of eur153m (-9.2% margin). CGE&Y management are aiming to improve operating margins to 5% in H2 which, if successful, would bring margins for the full year to a tad over 4%.

Needless to say, outsourcing *"continues to be a growth segment"* and now represents 28% of total revenues (up from 27%). But even so, bookings were down 44% compared to H1 02. Consulting *"still suffers from the general economic climate and companies overall lack*

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of interest for investment", and is now 23% of revenues (was 25%). Bookings were down 24% compared to H1 02.

Other highlights included:

- **Sogeti** (the CGE&Y body-shop operation) was the most profitable part of the company

- CGE&Y is rapidly building its offshore capability (not just India though they will open in Bangalore in Q4 to add another 500 to the 1,000 staff they already have in Mumbai).

- Big focus on BPO - especially Finance & Admin ... and later SCM and CRM *(a bit ironic, seeing as CGE&Y sold off its UK BPO operations to Vertex a year or two back. We said that was a big mistake at the time.)*

- Still a *"very high residual cost structure"* in the US from the E&Y consulting acquisition. Need to change culture *"from farmers to hunters"*.

- *"Attrition is back"* - sounded like around 20%. They are losing staff to clients and boutique consultancies - but are poaching them from the likes of **Accenture**.

- Italy is a shambles.

- As part of their continued cost-cutting programme CGE&Y will outsource their network (data, voice and image).

Comment: These results simply mirror the rest of the UK – indeed European – S/ITS market. However, we are most concerned about the drop in outsourcing bookings, which will affect CGE&Y's recurring revenue stream in H2 and beyond. This makes winning the competition for the UK Inland Revenue ASPIRE contract even more critical for CGE&Y. Nonetheless, it is good to see the UK business profitable again.

But it's been over three years since Cap Gemini acquired the consulting operations of Ernst & Young (May. 00) and they've *still* got indigestion. Anyway, they put ex-EDS exec. John McCain in charge of the Yanks in Jul.03 so if he can't shake them out of their complacency, then we're not quite sure who can.

The big question is, with Atos+Sema potentially the new powerhouse in Europe, can CGE&Y 'sew it all together' faster than they unravel at the seams? It's now too close to call! *(Anthony Miller)*

COMPEL DRAWS LINE UNDER SCH DISPUTE

Compel's preliminary results for the year ended 30th Jun. 03. revealed that turnover had declined by 17% to £52.9m (2002: £63.9m) but pre-tax losses had lessened to £407K from £1.7m in 2002 (largely because of the £985K it received from SCH in final settlement for the sale of Compelsource). Operating losses (before exceptional items of £1.2m) were higher than LBT at £1.5m. Last year's loss per share of 3.2p became an EPS of 1.3p.

As usual, Compel has not provided a breakdown of its figures between its two remaining businesses, Compelsolve (enterprise solutions) and IT rental solutions provider Hamilton Rentals. We understand that revenues at both divisions were down on last year *"in line with the market"*, but Compel claims both Compelsolve and Hamilton Rentals have strengthened their market position, particularly in the second half.

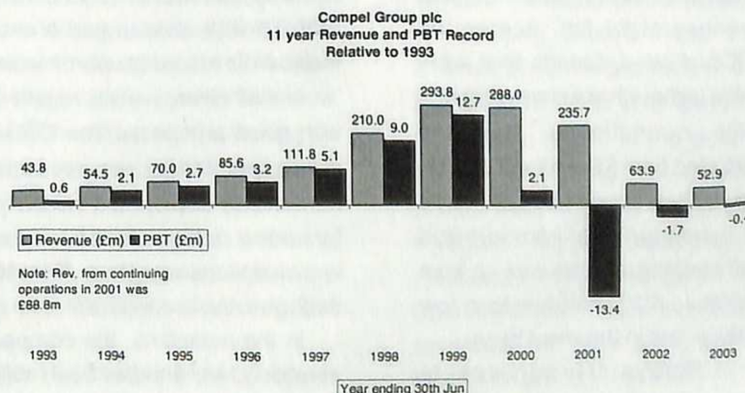
Revenues did improve in the second half to £28.1m (compared to £24.8m in H1), which Compel attributes to a slowing rate of decline in the markets it addresses and the normal seasonal balance in its business. But second half revenues were still 12% below the same period last year.

Commenting on the outlook, Sir Michael Bett, Chairman, said: *"We do not expect market conditions to worsen further, nor are we placing any reliance upon their improvement. Our business is now positioned and orientated to perform and succeed irrespective of any such improvement, and this is exactly what we intended to do"*.

We would still like to see more granularity in Compel's numbers to shed some light on how its move from reseller to solutions provider is progressing. There are some indications that higher margin services revenues are assuming greater importance, however. In percentage terms gross margins have continued to improve - they were 26.4% in 2003, compared to 25.3% in 2002 and 23.8% in 2001.

It is also good to see a line drawn under the disposal of Compelsource and the dispute with SCH, which must have been an

Compel Group plc
11 year Revenue and PBT Record
Relative to 1993



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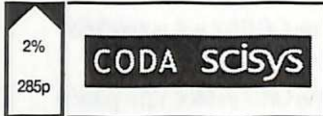
unwelcome distraction for management. Now Compel needs to remain focussed on its key priorities, which include cost control and profitability, cash generation and increasing the value quotient (and services content) of the solutions it offers. *(Tola Sargeant)*



CODA BUSINESS ONCE AGAIN THE WINNER AT CODASCISYS

CODASciSys has announced results for the six months to 30th Jun. 03 revealing an organic decline in turnover of 4%. Including a six-month contribution from SquareSum and a two-month contribution from Business Collaboration, total revenues increased by just under 2% to £34.2m. Despite this increase, pre-tax profits before goodwill amortisation were down by almost a third to £2.6m. This was primarily as a result of £0.9m in redundancy costs but also due to the performance of the government & utilities (primarily utilities) vertical. Total pre-tax profits were down by 55% to £1.3m. As a result, diluted EPS fell from 7.4p in H102 to 3.1p.

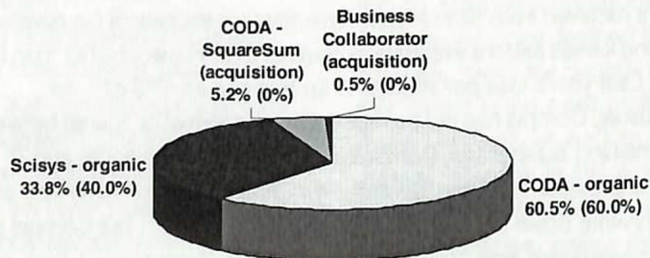
The results of the two divisions were as follows:

- CODA (financial intelligence and accounting software) accounts for two thirds of the Group's revenues and experienced organic revenue growth of 3% to £20.7m over the period. In addition, operating profits increased from £2.9m to £3.6m (including a £500K contribution from newly acquired SquareSum). SquareSum, targeted at the SME market also contributed revenues of £1.8m. Across the CODA division, licence fees were stable (although volumes were up), while consultancy revenues increased from £6.5m to £7.6m (as new software modules generated an increased requirement) and maintenance revenue was up from £8.7m to £10.0m (due to a low attrition rate in the client base).

- SciSys (IT services to vertical specific sectors) was once again the worse performing of the two divisions making an operating loss of £800K compared to a profit in H102 of £1.1m. Turnover fell by 13.4% to £11.6m due to a "*slower than expected conversion of new business prospects into orders*". While the space & defence business performed ahead of expectations, it was government & utilities that dragged the SciSys results down. It experienced a £1m loss before redundancies as a result of "*significant delays in orders*". A redundancy programme (17 employees) was announced in May, when it was realised H2 performance would not make up for the disappointing H1.

Mike Love, Chairman, commented, "*We are pleased to report that since 30th Jun., market conditions appear to have been stabilising with improving visibility of forward revenues combining with a strengthening in order pipelines and order intake across the business. Although much still remains to be done in the fourth quarter, performance in the second half is expected to be ahead of performance in the first half*".

CODAScisys - H103 Business mix
Total = £34.2m (H102: £33.6m)



Comment: On the whole, the business is performing well and we are again pleased to see the Group react quickly to poor market conditions in some sectors with firm cost cutting actions. However, due to the performance of the SciSys division and one-off redundancy costs, the Group will fail to maintain its record of unbroken revenue and profits growth for the full year.

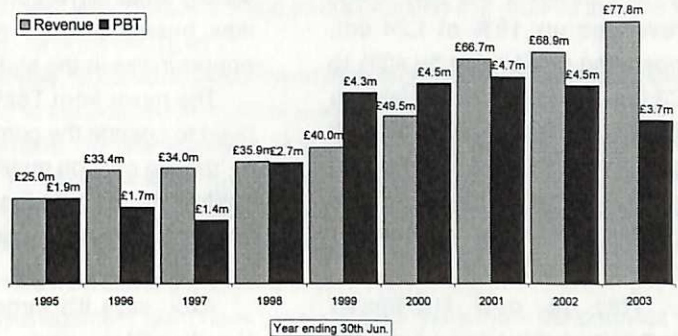
Nonetheless, we still regard CODASciSys as a well-managed business with good prospects. The CODA division benefits from its strong product suite supported by services capabilities, while the SciSys business, though consistently displaying a 'mixed' performance, is moving in the right direction by adding niche expertise to its offering such as business collaboration and knowledge management. Benefits of the cost cutting actions will start to filter through in the second half.

In the meantime, the company continues to be cash generative at the operating level and has been able to increase its interim dividend by 10% to 1.1p per share – sending out a positive message to investors. *(Georgina O'Toole)*

BC'S A LITTLE GEM FOR ICM

ICM Computer Group, provider of IT assurance services to UK SMEs, has reported preliminary results for the year to 30th Jun. 03. Turnover increased by 13% to £77.8m (11% organic growth), however PBT fell by 18% to £3.7m (largely as a consequence of a £0.7m provision ICM made during the year, to cover the cost of replacing counterfeit software which they had unwittingly supplied). EPS dropped to 12.3p from 15.0p in 2002. Cash generation was strong, with net cash inflow of £10.1m compared to £5.5m last year, and the dividend total for the year was up 5% to 3.31p.

ICM Computer Group PLC
9 year Revenue and PBT Record
Relative to 1995



Turning to performance by line of business:

- IT Solutions revenues grew by 8% to £40.4m
- IT Support revenues increased by 12% to £27.8m
- Business Continuity (BC) was the strongest growth area, with revenues up 43% (23% organic growth) to £9.6m.

Commenting on the outlook, Barry Roberts, CE, said: "*The Group started the new financial year with good contracted order books and good visibility of income in the IT Support and Business Continuity activities. However, as a result of a large contract that did not renew in the first quarter, net contract gains within IT Support are expected to be skewed towards the second half of the financial year*".

ICM Computer Group FYE: 30th June	Gross profit margins	
	2003	2002
Business Continuity	87.8%	86.3%
IT Support	77.9%	79.5%
IT Solutions	23.2%	21.8%
Group	50.7%	48.9%

Comment: Barry Roberts (CE) and Steve Wainwright (Finance & Commercial Director), talked at length about ICM's BC operations at the results briefing. BC currently accounts for just 12% of group revenues, but, as is the case for many support services players, it really is the jewel in the crown. However, BC is not for the faint hearted! Since flotation in 1998, ICM has invested c£22m in expanding its offering (both geographically and in terms of the services it provides). ICM also acquired London-based BC firm Assurity in 2002, to accelerate its city presence.

These moves are bearing fruit. BC revenues stormed ahead 43% in FY03; in fact, ICM's BC operations have trebled in size in the last five years. We were particularly impressed to learn that the growth is mostly coming from new clients. It seems that ICM's core customer base (the mid market) is waking up to BC, as their customers demand reassurance from companies further down the supply chain.

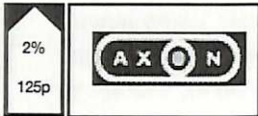
Profits are also heading in the right direction - Assurity, which was loss-making when ICM bought it, turned in a profit in H2, and gross profit from the BC operation as a whole rose faster than revenues, as utilisation improved. The result was 87.8% gross profit margin.

IT Solutions also posted an improvement in margin, from 21.8% to 23.2%. Solutions benefited from a focus on higher margin services (such as storage solutions), and supply to the education sector helped offset pressures from commercial customers. Headline growth was 8% in Solutions (many would be happy with that), but ICM is rightly wary of "*uncertain and unpredictable demand*", and has taken further costs out of this business.

Meanwhile IT Support, delivered good growth (+12%), but profits did not quite keep pace (+10%). ICM said the dip in margin was due to larger outsourcing contracts won during the year.

The investment in BC continues, with the Bristol site coming on stream shortly, and further "*appropriate*" acquisitions are possible as ICM looks to build a UK-wide BC capability (a site north of the border – and we don't mean Watford – is surely on the cards).

Looking ahead, ICM has £19.1m of committed revenues in H1 04 (from BC and Support combined), and is in the envious position of deriving 76% of gross profits from ongoing contracted revenues. They have plenty of spare capacity in BC, and given the operational gearing any increase in revenues will have a significant impact on profits. That's why BC is a real gem. *(Heather Brice)*



AXON IMPRESSES AT INTERIMS

SAP-led consultancy **Axon** announced its results for the six months to end June 03 and what an encouraging set they were: revenues up 15% at £24.6m, operating profit rising by 43% to £2.0m and PBT up 67% (also to £2.0m). EPS rose 85% to 2.4p and Axon doubled the divvy to 1p. Chairman and CEO Mark Hunter is *"confident of meeting market expectations for 2003"*.

This is one UK-based company making good progress in what remains a difficult market. This is mainly thanks to a change in strategy from time-and-materials projects with a large number of small clients to a fixed-price business with a smaller number of large clients. Indeed, Axon now gets 75% of its revenues from its Top 5 clients and 80% from the Top 10. In a growing market this might ring warning bells about undue dependency on a handful of customers. But in the current market, working the installed base is *exactly* what S/ITS companies need to do. By the way, Axon is winning new business too - not all SAP-related - and claims some great opportunities in the Middle East.

The move from T&M to fixed-price is not an easy ride of course. You need to change the company work ethic from 'getting paid for turning up' to 'getting paid on results' - and you need the financial and management controls to mitigate the risks. Axon seems to have all of that well under way (a new financial controller has just been appointed) and has enough cash for contingencies.

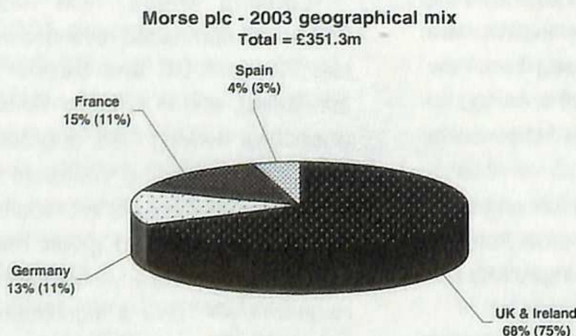
Axon says it's targeting £1bn+ companies, but frankly it's actually targeting £1m+ deals - and is aiming for £10m+ deals. This takes them into 'big boy' territory. Indeed, they already come up against - and can win against - the likes of **IBM** and **Accenture**. We believe there will always be a solid core of customers that will prefer to give business to a smaller UK operation with a good track record rather than contracting the US majors.

By the way, Hunter is very realistic about market prospects (i.e. subscribes to the Ovum Holway view of the world). He says *"we're in a market share game and we think we have a right to win it"*. We couldn't agree more! *(Anthony Miller/Phil Codling)*

POSITIVE ACTION BEARS FRUIT AT MORSE

Morse has announced its results for the year to 30th Jun. 03. As presaged in its July trading update, turnover fell 25% to £351.3m (down 27% on an organic basis). Operating profits (before goodwill amortisation and exceptional items) suffered too, down 57% to £9.2m. At the pre-tax level losses deepened considerably from £124K in FY02 to £14.1m in FY03, and loss per share was 13.3p (6.1p).

Unsurprisingly the **infrastructure** division suffered the most, reporting a 33% drop in turnover to £239.1m, a 26% fall in gross profit to £42.2m, and a 44% drop in profit contribution to £15.5m. The good news is that Morse's **professional services** business managed to grow revenues by 5% to £122.2m. However, services' gross profit and profit contribution were about line ball at £27.4m and £10.0m respectively. In other words, gross margins at the services business have dropped slightly from 25.7% to 24.4%, and net margins have slipped a percentage point to c9%.



Morse incurred restructuring costs of £4.6m during the year as it reduced its headcount by 136 employees or 11% (excluding the acquisitions of SSI and GSA). Profits were also hit by £22m in goodwill amortisation - unlike many of its competitors Morse has a tough three-year goodwill amortisation policy.

By geography:

- Turnover from **UK** & **Ireland** fell most sharply, by 31% to £239.5m. The infrastructure business saw turnover fall by 43% as customers *"re-assessed spending on data centre projects"*. Professional services revenues also dipped (by 5%) because the division was reorganised to provide a

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more flexible cost base – this also *"had a short term effect on profitability"*.

- Sales in **France** fell by 1% to £51.2m and operating losses were reduced. Extensive management changes, a reduction in staff numbers, and a more *"coherent"* services offering means that the business is now *"well on track"*.

- Sales in **Germany** fell by 15% to £44.8m and last year's £0.6m operating profit became a £2.1m loss (including exceptional costs of £0.8m). However, the German business now *"appears to have stabilised"*.

- **Spain** *"performed well"*, increasing sales by 14% to £15.8m. At the bottom line losses deepened, but operating profit (pre goodwill amortisation) was maintained at £1m. Headcount has increased by 30% to 60 people.

Commenting on the outlook, Duncan McIntyre, CE, said: *"With continued subdued demand, we entered the new financial year with a similarly cautious and conservative approach to that which we adopted 12 months ago and continue to focus on opportunities that allow us to manage the Group for profit and cash"*.

Morse plc FYE: 30th June	Turnover £m			*Profit £m			Margin	
	2003	2002	Change	2003	2002	Change	2003	2002
UK & Ireland	239.5	347.0	-31.0%	-10.6	3.1	-448.0%	n/a	0.9%
Germany	44.8	52.5	-14.5%	-2.1	0.6	-420.2%	n/a	1.2%
France	51.2	51.8	-1.0%	-2.6	-5.1	-50.0%	n/a	n/a
Spain	15.8	13.9	13.3%	-2.2	-1.6	35.8%	n/a	n/a
TOTAL	351.3	465.2	-24.5%	-17.4	-3.0	474.7%	n/a	n/a

*Profit before interest and tax

Separately, Morse announced the promotion of UK country manager David Beresford to the Board with immediate effect.

Comment: No real surprises here. Once again, services, which now account for almost a third of revenues, are saving the day at Morse. The Continental European business also contributes over 30% of turnover now, up from 23% in 2000 – but unfortunately this has more to do with the decline in UK revenues than stellar growth in Europe!

The management team have clearly got the message – the business is being run for profits and cash. They also take a very aggressive approach to writing off goodwill, which hits hard in the short term. But investors should be pleased - with another year of positive cash flow, Morse was able to announce a 47% increase in the dividend for the full year.

It's also good to see Morse is benefiting from the growth in the public sector, particularly in local government. The Group's public sector revenue grew by 69% to £13.7m in FY03. The fact that it was accredited as a prime contractor on the Government's S-CAT supplier catalogue should ensure it has access to large government tenders going forward.

FY04 looks set to be another year of corporate activity, as Morse is *"actively looking"* in all geographies in which it operates. Germany, where the market is consolidating, is one area where Morse could benefit from strengthening its position through acquisition. With c£75m net cash, as at the year-end, Morse is in a strong position. *(Heather Brice)*

RETAIL DECISIONS - NICHE PROVIDER NEEDS MORE ROBUST REVENUE MODEL

Retail Decisions, *"international supplier of payment card fraud prevention and payment card services"* has reported its first pre-tax profit since its formation in Jan. 00. Results for six months to 30th Jun 03 reveal a pre-tax profit of £1.1m (H102: loss of £1.9m) on total turnover of £14.9m – up 4 .3% compared to the first half of 2002. Turnover from continuing operations was up 11.1% to £14.7m.

Carl Clump, CEO, commented, *"The first half of the year has seen good growth in both sales and transaction volumes, but we did benefit from a number of one-off items. Therefore, although the second half has started well and is in line with our expectations, the Group is unlikely to report a higher adjusted operating profit for the second half, compared to the first half of the current financial year"*.

Comment: Retail Decisions' move into the black at the pre-tax level was possible due to increased turnover plus its recent cost cutting actions. However, the increase in turnover cannot be attributed in full to an increase in demand. The Group has decided to move towards an increasing proportion of transaction based revenues so that external factors such as temporary inflation of petrol prices can have a significant effect on its results. Over this period, a temporary increase in petrol prices in Australia during the Iraq conflict contributed £100K of additional revenues. As a global business (76% of revenues were from outside the UK), and as such the strengthening of the Australian dollar also contributed £100K of additional revenues.

Retail Decisions is well placed as a niche provider of solutions to the payments industry to benefit from the continued growth in online payment transactions. However, it needs to develop a more robust business so that its profitability is less susceptible to small changes in turnover. *(Georgina O'Toole)*

LOGICACMG: A MICROCOSM OF THE EUROPEAN S/ITS MARKET

LogicaCMG has reported its first interim results since the merger. The top-line, factual headlines are:

- Revenues down 3% at £854.3m

- Operating profits down 26% at £46.2m (before restructuring, goodwill amortisation & impairment).

- Loss before tax of £57.7m (against £287.1m losses last time)

- Net debt increased to £186.3m from £107.1m at 31st Dec 02

- Staff levels reduced by 2000 to 21,056 at 30th June 03

These headlines compare the six months to 30th June 03 with the unaudited proforma figures for the six months to 30th June 02. Last year, the figures at the PBT level were distorted by goodwill impairment of £261.2m. No further impairment has been made this time round. However, £85.3m of restructuring costs have been taken in the latest period (£33.7m last time).

But, as always, this disguises some very different performances by country and by sector. Indeed, if you want an indicator of the current state of the European S/ITS scene right now, LogicaCMG provides it.

THE REALLY GOOD BITS:

- The UK market was the best performer in Europe registering a 3% growth to £322.9m.

- UK Public Sector registered a 9% growth to £130.2m and now represents 40% of LogicaCMG's UK revenues. The recent ten-year/£70m managed service contract win at University College London Hospital NHS Trust (with US electronic patient record specialists IDX) is but one recent contract example and is worth £43m to LogicaCMG. In addition, it is a short-listed consortium partner (with EDS) for two NHS LSPs and with BT for the NASP.

- Revenues from Industry, Distribution & Transport (IDT) grew overall by 9%. This vertical proved a particularly strong performer outside the UK in Benelux, France and Germany.

- Overall outsourcing *"continues to be the engine of growth"*. Outsourcing now represents 19% of total revenues (up from 16%) and 30% of UK revenues (up from 27%).

THE NOT QUITE SO GOOD BITS:

- Telecoms (exc. Wireless Networks) at least reduced the rate of decline – to 'just' 9%.

- Wireless Networks registered a 16% decline to £134.5m. SMS declined 14% but revenues from Payment/Billing Systems were down 32% to £20.6m.

- Revenues in Benelux declined 4% (or 11% in constant currency) to £195.4m and by 7% (or 14% in constant currency) to £62.5m in Germany. On the surface, the 13% growth in France (to £54.2m) looks good but this was achieved because of third party cost pass. Indeed, France saw huge price pressure in Professional Services, which resulted in a £1.4m operating loss.

- Financial services turnover was badly hit across the board: in the UK the financial services business was loss making on turnover down 11% (to £32.2m). This dragged down the UK's otherwise quite creditable performance. Elsewhere: Benelux experienced a 13% decline (to £50.3m); in Germany the decline was 24% (to £17.7m) and in France the decline was 14% to £18.1m.

LogicaCMG plc	Turnover £m		
	H103	% change sequential	% change constant currency
Public sector	178.9	5%	4%
Industry, distribution & transport	202.9	9%	5%
Energy & utilities	139.3	0%	-2%
Financial services	137.3	-14%	-18%
Telecommunications	61.4	-9%	-11%
TOTAL IT SERVICES	719.8	0%	-4%
Wireless networks	134.5	-16%	-20%
TOTAL	854.3	-3%	7%

Comment: Words like *"challenging"*, *"very difficult"* and *"fragile"* littered LogicaCMG's announcement this time. But, as we said above, LogicaCMG is but a microcosm of the wider S/ITS world:

- Good growth in outsourcing and public sector.

- UK holding up well.

- Continental Europe (particularly the Eurozone) in various stages of distress with Germany worst hit.

- Everything connected to Professional Services under extreme margin pressure.

- Telecoms, and wireless in particular, badly depressed but the worst news and outlook reserved for financial services.

The relative resilience of LogicaCMG's IT services business lies in its diversity, not just in terms of geography but also in terms of verticals. In order to mitigate further the effect of market conditions on the company, it is our opinion that LogicaCMG needs to work towards broadening its vertical focus

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in geographies such as France and Germany, where there is a heavy bias towards financial services. The effect of poor performance in areas such as financial services has been limited in countries such as the UK and Benelux where turnover is attributed more evenly across a broad range of verticals (including the public sector).

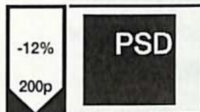
LogicaCMG also has greater critical mass following the merger and Read reports getting business from clients like Shell and ABM Amro *"because you can now support us globally"*. CE, Martin Read believes he's moved from a Tier 2 to a Tier 1 player... (Although we don't quite buy that, we get the drift!). This goes some way to explaining the strong order intake (12% ahead of revenue) with much of this attributable to long-term outsourcing deals.

In terms of cost cutting, Read hasn't held back on taking the actions required. Indeed, he's made more cost cuts than he intimated last time – an additional £5m of cost making a total of £85m of savings on an annualised basis. £50m of this will be achieved in 2003 with £10m achieved in H1. Further benefits will be realised as a result of increased use of the Indian offshore facilities, particularly in the Wireless Networks business.

However, our main concerns do relate to resources, both in terms of capital and people. Firstly on the capital side, LogicaCMG, in relation to some of the larger public sector outsourcing bids, ominously warns, *"In the event that we are successful, we will need to make further significant commitment of resources to realise the substantial benefits that such large, long-term contracts bring with them"*.

Secondly, in our minds there is still a question mark looming over the morale of employees since the merger and the consequent redundancy programme. The fact that there are still some employees to leave in Continental Europe is bound to be having a negative effect. In addition, there is the clash of the Logica organisation – much more 'techie' and project-focused – and the CMG organisation – much more 'client/account focused'. Having said that, the natural attrition rate is only about 7-8%, so still pretty low considering all the disruptions.

Footnote. LogicaCMG's share price movement is worthy of note this month. It has finished the month at 239p; a 19% increase compared to the end of August and a 59% increase over 2003. This values them at £1,790m. Unfortunately, earlier in the month, LogicaCMG's value hadn't risen significantly enough for it to re-enter the FTSE100 at the quarterly review stage. Had the review been just two weeks later, they would have made it. *(Richard Holway/ Georgina O'Toole)*



PSD FALLS INTO THE RED

Recruitment firm **PSD** continued its profits decline during the first half of the year and finally went under water. Gross fee income (i.e. turnover) for the six months ended 30th Jun. 03 fell by 19% to £18.4m, operating losses more than doubled to £866K and as a result, last year's H1 pre-tax profit of £135K turned into a £464K loss.

PSD Group Six months to 30th June 03	Net Fee Income £m		
	H1 03	H1 02	Change
Technology UK	2.5	3.4	-26.9%
International	1.7	2.4	-26.6%
Commercial & Prof. Svcs.	3.4	3.8	-10.7%
Finance & Banking	1.1	1.0	8.8%
Hoggett Bowers	2.2	2.4	-9.5%
TOTAL	11.0	13.1	-16.1%

Loss per share stands at 2.7p compared to 0.4p for H1 02. PSD's technology (i.e. ITSA) businesses saw net fee income (NFI, in effect, gross profit) decline by 27% to around £4m. However, PSD's Finance & Banking division managed to increase NFI by 9% to £1.11m.

CEO Francesca Robinson *"[does] not expect trading to increase from current levels during the remainder of this year"*. However, the company *"is in an excellent position to resume growth when market conditions improve"*.

Comment: That statement is sooo 'last year'! While we do believe that the demand for IT contract staff appears to be stabilising, the permanent market is still a sick puppy. Meanwhile, continuing pressures on fee rates will depress overall market growth.

Indeed, our latest forecasts for the UK ITSA market - published at the end of September in our *UK IT Staff Agency Market Report 2003* – show the market will continue to shrink until at least 2006, with double-digit percentage declines in the market size in 2002 and 2003.

At least PSD has some other strings to its recruitment bow besides IT, but at current course and speed we would still expect to see it end the year in loss – for the first time, we believe. On the bright side, it is still generating cash (just) and has plenty in the bank, so it's just got to 'get real' about the market. *(Anthony Miller/Tola Sargeant)*

STAFFWARE: TICKS IN ALL THE BOXES

Staffware, provider of BPM/workflow software, has announced interim results for the six months to 30th Jun. 03, and broke a couple of 'records' in the process. Firstly it reported its highest level of turnover for a six month period – turnover was up 15% to £21m. Secondly, it won its largest ever contract.

Staffware plc Six months to 30th June	Turnover £m		
	H1 03	H1 02	Change
License revenues	11.6	9.9	17.2%
Support revenues	6.0	4.3	39.5%
Professional services	3.4	4.0	-15.0%
TOTAL	21.0	18.2	15.4%

Things were also looking good at the bottom line. At the operating level, profits climbed from £0.2m to £1.0m, and pre tax profits were up from £0.4m to £1.3m. Diluted EPS was 5.1p (H102: 0.3p).

John O'Connell, Chairman and CEO, commented, *"We are confident that the combination of proven technologies, our blue-chip customer base and our strong balance sheet will enable us to further build on the consistent success of the last two years"*.

Comment: Staffware's performance in H1 was pretty impressive on most fronts. Looking at the growth in turnover in more detail:

- Licence revenues were up 17% to £11.6m
- Recurring support revenues were up by 40% to £6.0m
- Revenues from professional support services were £3.4m compared to £4.0m in H102.

The reduction in professional support services revenues is unsurprising. We have seen far worse deterioration in consultancy and SI revenues in other UK S/ITS companies. Interestingly, Staffware partly attributes the decline to a *"greater self-sufficiency of some customers and partners"*. In other words, clients are more likely to do the 'strategic stuff' themselves rather than pay high fees for consultants. Fortunately, this is not core to Staffware's business and the increase in turnover from its BPM software far outweighed the 15% decline in this area of the business.

It is Staffware's BPM offering – iProcess engine – that's having the greatest effect on the Group's performance. Increased sales of iProcess engine have pushed the average order value per licence customer up by 71% to £108K due to its higher value. Indeed, 11 out of the 13 contract wins (each worth >£250K) in the period were for iProcess engine and licence revenues from it were up by 155% to £9.0m.

With higher turnover, improved profitability, positive cashflow, and double the interim dividend, Staffware deserves ticks in all the boxes. *(Heather Brice)*

HAYS MOVES CLOSER TO 'PURE' RECRUITMENT

The gradually-being-dismantled business services group **Hays** has reported preliminary results for the year ended 30th Jun. 03. Frankly the top-line numbers aren't of much interest to us any more so let's look at what is destined to become Hays' core business, their Personnel (i.e. specialist recruitment) division. Revenues for Personnel grew by 3% to £1.1bn, but operating profits before nasty bits dropped 7% to £114.3m and after nasty bits, by 36% to £75.2m. Operating margins were therefore 10.3% and 6.8% respectively, down from 11.4% and 10.8% the year before. Hays' core UK recruitment business saw revenues decline a tad (c1%) to £911m and operating profits (excluding goodwill etc) fell 7% to £103.6m. Although revenues in Continental Europe grew 25% to £89.7m, the region fell into loss (£2.3m excluding goodwill etc). Hays chairman Bob Lawson reported *"a slow but steady recovery in volumes ... of temporary assignments ... (and) permanent placements has grown modestly over each of the last three quarters"*. However, *"the outlook for future trading of the specialist recruitment market is uncertain"*. Lawson also announced that new-ish (Nov. 02) CEO Colin Matthews will step down when the programme of disposals is complete sometime in 2004, and Personnel division head Denis Waxman will accede the throne.

Comment: Through its Personnel division, Hays is one of the UK's leading IT staff agencies (ITSAs) and has managed to retain its No. 4 slot in the UK *(see our latest report on the UK ITSA Market)*. They are well known as one of the more 'aggressive' bidders in the market and focusing the business on recruitment will only serve to strengthen their grip on the market. *(Anthony Miller)*

COMPUTACENTER - DOING THE BUSINESS

Computacenter has announced its results for the six months to 30th Jun. 03. Revenues from continuing ops were down 6.5% at £911.3m but operating profits were up 16% to £29.5m. Acquisitions in Germany and Austria added a further £343.4m of business to take the company's total turnover to £1,256m. PBT was up 31% to £32.0m, and EPS was up from 8.6p to 11.6p. The company also announced its first interim dividend, at 2p per share.

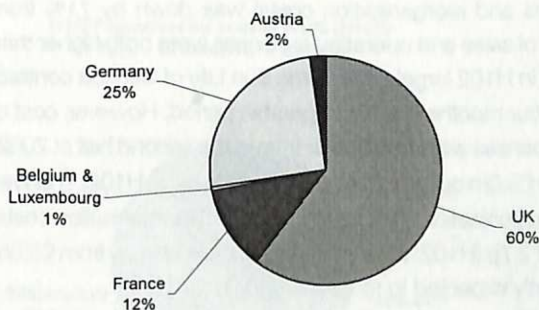
Chairman Ron Sandler commented: "*The strong profit performance was achieved despite continuing weak markets for IT capital expenditure ... Much of this decline [in Group revenues] can be attributed to price reductions for IT hardware. However, Computacenter once again demonstrated an ability to overcome revenue pressures through a strategy of building its higher-margin contracted services base and maintaining rigorous control over its costs*".

Comment: Sandler's comments are borne out in the detail of Computacenter's numbers. While the bread 'n' butter business of selling volume hardware and software to large customers continues to be hit by price erosion, the company is achieving strong growth in its managed services business. Recent wins include Abbey National (£70m over 5 years), HBOS (3 years), and North Yorkshire County Council (c£12m over 6 years).

In the UK, managed services revenues grew by 12%, against an overall decline in UK business of 9% to £755.8m. What is impressive about CC's performance is that, as we've said before, faced with long-term threats to its core business, it has successfully diversified into more profitable areas – all the while never forgetting what it's good at.

CC has also diversified by building "*leading positions in the major European markets*". CC's return to the German market, with the acquisition of GE CompuNet in Jan. 03, looks like it's going to plan. France, however, produced a "*disappointing*" performance, with an operating loss of £1.7m (compared to a profit of £0.2m in H1 02). A combination of difficult market conditions, too high a cost base, and utilisation levels all taking their toll. Steps are being taken to sort this out, but we would be surprised to see the French operation back in profit by the year-end.

Computacenter H1 03 geographical mix
Total revenue = £1,256m



Despite the mixed results across the geographies, CC delivered where it mattered - total operating profits were up 29% to £32.5m, and PBT was up 31% to £32.0m.

Rigorous control of costs has protected CC's bottom line, and whilst margins may remain low – with profitability at the operating level at just 2.6% - there's no doubt that this is one UK company that looks in good shape to negotiate the tough years ahead.

Computacenter can also be seen as something of a microcosm of the services marketplace today. Managed services and outsourcing remain the place to be. But commoditised areas like hardware resell are still shrinking as customers carry on demanding *more and more for less and less*. (Heather Brice)

TRAINING HOLDS SPRING BACK

Spring Group's interim results for the six months to 30th Jun 03 revealed a small decline in turnover from continuing operations of 1.8% to £145.8m and a pre-tax loss of £3.9m (after exceptional items totalling £1.6m), compared to a loss of £9.3m in the first half of 2002. Diluted loss per share was 2.67p compared to 6.39p loss in H102.

Spring's core ITSA business registered a 7% drop in revenues to £97.3m (this excludes the acquisition of Best completed end-Jun. 03). Spring Personnel, their general staffing business grew revenues 12% to £27.9m and Triage, the specialist IT staffing firm acquired in May 02, almost doubled revenues to £10.4m. Spring's solutions business shrank by 16% to £3.8m. But worst hit of all was Spring's IT training business, which saw revenues slump 27% to £6.2m. However, Spring announced that Computacenter is to outsource all its customer IT training

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to Spring for the next three years.

Only the IT staffing and general staffing businesses were profitable (pre-goodwill etc). Triage reduced its losses from £1m to £300K, Spring's fledgling managed services business, hy-phen, (acquired Mar. 01) lost almost £1m on revenues of £161K, and the ailing IT training business lost over £900K.

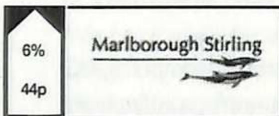
Despite the reduction in turnover and the small loss for the first half, CEO, Richard Barfield, is optimistic.

Spring Group H1 to 30th Jun. 03	Turnover £m H1 03	H1 02	Change
IT Personnel	97.3	105.0	-7.3%
Triage	10.4	5.3	96.2%
IT Training	6.2	8.5	-27.1%
IT Solutions	3.8	4.5	-15.6%
hy-phen	0.2	0.1	100.0%
Total IT Services	**117.9**	**123.4**	**-4.5%**
Spring Personnel	27.9	25.0	11.6%
TOTAL	**145.8**	**148.4**	**-1.8%**

"By continuing to invest in the business and acquiring Best International trading subsidiaries, we have doubled our market share to become the UK's leading IT staffing company," he said. Adding: *"With the Best businesses now substantially integrated, I expect our unrivalled portfolio of services and our record pipeline of new opportunities to deliver improved financial results in the second half of 2003 and in 2004"*.

Comment: It's a complicated set of results so let's make it simple. Now that they own Best, Spring is by far the largest ITSA in the UK market. *This is good.* With contractor numbers now on the increase we would expect to see the IT staffing business do better in H2, helped along by the drag-through from the small but rapidly growing managed services business, hy-phen. *This is better.* We aren't that worried about the losses at hy-phen as frankly it's sort of a loss-leader (Spring hate it when we say that) that drags along high numbers of contractors on which they actually make the profit. In fact, hy-phen may well become at least a break-even proposition in its own right over time. *Better still.*

But while we are actually quite optimistic about Spring's staffing businesses, it's the training business that's the real drag. Frankly, it's a small but painful wart on Spring's rump and needs excising fast! The IT training market is in an even worse state than the ITSA market and all the leading players are suffering badly. We think that 'mixed businesses' like Spring and for that matter, Parity, might be better off getting out of training all together so they can focus on their core staffing and solutions businesses. *(Anthony Miller/Tola Sargeant)*



MARLBOROUGH STIRLING INTERIMS SHOW CHALLENGES REMAIN

Marlborough Stirling, provider of software and services to the mortgage, life, pension and investment market sectors, announced interim results for the six months to end June 03. They reveal total turnover down by 7.7%, compared to H102, to £56m.

The Life & Pensions business contributed 69% of total revenues with turnover increasing by 1% to £38.4m. However, the mortgage and distribution businesses saw declines of 21% and 22% respectively.

Across all MS' businesses higher outsourcing turnover was offset by lower turnover from software and services. Software and consultancy revenues were down by 22.3% to £23.8m, outsourcing revenues were up by 12.6% to £24.1m and portal services revenues were down by 5.8% to £8.2m.

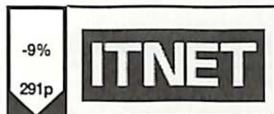
In terms of profitability, total operating profit (before goodwill amortisation and impairment, employee share options and reorganisation costs) was down by 71% from £8.4m to £2.5m. Cost of sales and operating expenses were both higher than the comparable period in H102 largely due to the Sun Life of Canada contract only being in place for four months in the comparable period. However, cost of sales and operating expenses were both lower than in the second half of 2002.

Pre-tax losses were £5.0m compared to a profit of £2.8m in H102. This was after £3.6m of goodwill amortisation charges and £2.1m of reorganisation costs. Diluted loss per share of 2.7p (H102: EPS of 0.2p). Net cash was up from £5.8m to £14.7m but is currently expected to reduce slightly in 2003.

Chairman and Chief Executive Huw Evans commented, *"Whilst challenges undoubtedly remain, I believe that we are firmly on track for a return to the profitable growth that shareholders expect and we look to the future with cautious optimism"*.

The company is working towards a return to growth in turnover and profitability by 2004. The actions it has taken to reduce costs (such as a reduction in headcount from 1,900 to 1,700) are now bearing fruit with cost of sales and operating expenses reduced and the company claiming it is on target to achieve an annualised cost reduction between H202 and H203 of £10m.

Unfortunately, despite good visibility of turnover for 2003 and 2004, this latest set of results failed to give us a 'warm feeling'. The company cited positive signs that the financial services market is *"recovering from its recent period of uncertainty"* but apart from a growth in the *"level of interest"* in its outsourcing sales, there is little evidence of any major new deals in the pipeline, and long lead times are making the outsourcing business particularly unpredictable. It seems to us as if the emphasis should be on the *"caution"* rather than the *"optimism"*. *(Georgina O'Toole)*



ITNET: 2004 SET TO BE A STONKING YEAR FOR REVENUE GROWTH

IT outsourcing and BPO player **ITNET** has reported interim results for the six months ended 30th Jun. 03, with revenues up 6.6% to £91.2m. Public sector revenues rose 10.7% to £50.8m, but Commercial Sector revenues fell by 3% to £38.5m. Operating profits and pre-tax profits rose massively to £8.6m and £8.7m respectively, compared to £2.8m (both) for the same period last year. Last year's figures were depressed by some £5m in goodwill write-off and impairment charges. EPS for H1 03 is 7.53p, compared to 0.47p last year. ITNET also announced a slew of new and renewed contracts including a new £17.3m/5 year IT infrastructure deal at NATS. This has boosted ITNET's order book to a "*record*" £384m. ITNET CEO Bridget Blow reported that current trading is "*in line with the Board's expectations*" and has "*confidence of significant growth in 2004 based on another good performance in 2003*".

Comment: At ITNET's results briefing Bridget Blow presented a great set of numbers and an excellent outlook, particularly for the next couple of years.

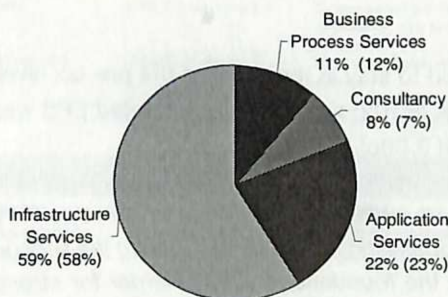
The company's sharpened focus on specific niches in both the commercial and public sectors is demonstrated by the performance of the last six months. ITNET is undoubtedly gaining market share in its key verticals. In the commercial sector, revenues from its target markets of transport and utilities & membership services were up 4.5% and 37.2% respectively. Like all UK S/ITS players it was the financial sector that brought the numbers down (down 8%) but with a 100% renewal rate with its commercial sector customers, ITNET is resilient. Whilst in the public sector, local government revenues increased by 14% in adjusted terms (i.e. discounting a one-off payment from the London Borough of Islington).

In central government, the big news over this period was the £83m/five-year contract win with the Cabinet Office. As ITNET's largest ever single contract win, it heralds ITNET's 'arrival' in the central government arena. Previously it had only managed to make any impact in this sector through its management consultancy French Thornton. As we hoped it would, ITNET now finally seems to be leveraging French Thornton's consultancy skills to start getting some more substantial contracts under its belt.

The contract will be capital intensive and will reduce ITNET's net cash balance by £10m in this financial year. Net cash at 30th Jun. 03 was £15m. ITNET predicts that the Cabinet Office contract will be profitable from the outset. This is good news – it will need to manage this contract and others impeccably so that it can start generating additional cash from them. If it achieves this we may well see ITNET in the running for future central government contracts. If not, it could get beaten by the high bidding costs.

Of course this is all medium-term speculation. Finishing on a high note, the current pipeline and order book indicate that ITNET is on course for a stonking year of revenue growth in 2004 – indeed, it looks set to exceed the performance in 2003. This should keep shareholders happy for the next couple of years – as should the fact that ITNET announced an increase of 10% in its interim dividend to 1.33p. *(Georgina O'Toole)*

ITNET turnover by activity H103 (H102)
Total = £91.2m(H102 = £85.5m)



STILL A DOWNHILL MARCH FOR OLD TROOPER MACRO 4

Veteran systems management and document management software company **Macro 4** has reported declining revenues and deepening losses for a second year. Revenues for the year ended 30th Jun. 03 fell by 18% to £32.4m, operating losses (before exceptionals) increased from £3.0m to £2.1m, and pre-tax losses deepened from £3.9m to £5.2m. Loss per share increased from 18.8p to 21.2p.

Both of Macro 4's divisions suffered. The legacy cash cow, Systems Management Products (SMP) saw revenues drop 22% to £20m although the business was still very profitable, with 'just' an 8% decline in contribution to £12.2m. The newer Business Information Logistics (BIL) division saw an 11%

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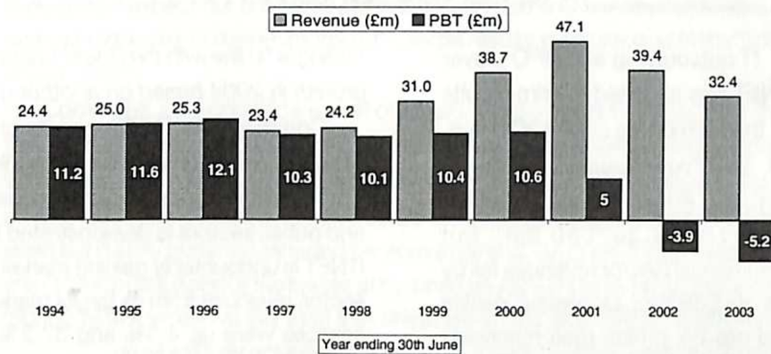
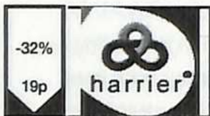
decline in revenues to £12.4m but a 41% decline in contribution to £1.2m. Macro 4 CEO Ronnie Wilson repeated the observations of many of his peers that *"generation of new license revenue was challenging. Customers remained cautious when making software investments with projects frequently being delayed or reduced in size"*. Chairman Bert Morris *"does not anticipate any significant short-term improvement in the global software market"* but believes that their strong pipeline and tight cost control makes the company *"well positioned to take the business forward"*. They will pay a final dividend of 4p, bringing the total for the year to 6p.



Comment: There were a few bright spots in this otherwise subdued set of results. Macro 4 still has a strong base of recurring revenues (about 60% of the total), they have won some *"significant"* new contracts in the BIL division, they continued to cut the suit according to the cloth (i.e. more layoffs), and they seem to be well funded. But this is their second year of losses and the business trend is still pointing south. This only reinforces the need for them to build up the BIL business to mitigate the inexorable decline in their SMP division. But they still have quite a lot of 'wriggle room' so we expect to see this old trooper keep marching on for the foreseeable future. Indeed, when they announced these results, Macro 4's shares went up 6% in early trading to 125p (compared to just 45p in Apr. 03). Their shares ended the month at 109p, about 60% above its position a year ago. *(Anthony Miller)*



HARRIER GROUP REPORTS A SMALL PROFIT IN H103

In the six months to 30th Jun 03, turnover at **Harrier Group**, the provider of *"information protection solutions"*, fell by 26% to £4.3m. However, turnover was up on a sequential basis. In addition, in reducing its overheads by £1.43m compared to H102, the Group managed to return to profitability with an operating profit (before exceptional severance costs) of £139K (compared to a loss of £467K in H102). Staff numbers are down by 42% to 51 compared to the same time last year and the remaining staff were returned to full salary at the end of last year.

Having cleared out all the goodwill from its balance sheet in FY02, the Group also managed to stay in the black at the pre-tax level, albeit with a profit of just £13K (H102: loss of £1.1m). Diluted EPS was 0.04p (H102: loss per share pf 3.38p).

Chairman, ALR Morton, commented, *"The pipeline of new business is growing month on month and while our marketplace remains very challenging we are cautiously optimistic for the future. During the second half of 2003 we intend to lay the foundations within Harrier for strong growth in 2004"*

Comment: Harrier Group has been in operation since 1986 and grew turnover strongly through to 2001 (it had turnover of £17m just a few years ago). However, profitability was never seemed to be high on the agenda. Our records show pre-tax losses every year since 1995. A profit for H103 is therefore extremely welcome. However, Harrier is still not generating cash and we struggle to be optimistic about the Group's future. The IT security market is set to be one of the bright spots of the UK S/ITS market but Harrier continues to struggle to make an impact.

Following the results we spoke with CEO Jim Stoddart about the work he has done to turnaround the company since joining in Mar. 03. This includes cleaning up the balance sheet, eliminating bad debt, and restoring confidence with vendors. During the tough times he has sensibly concentrated the business on growing revenue with existing and major

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Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Atos Origin	Core IT services of SchlumbergerSema	IT services (excluded from the sale are SS' IT activities in the oil and gas sector, and a number of specific operations such as Business Continuity and smart cards, which are earmarked for divestiture or IPO)	100%	EUR1,287m	The deal was EUR400m in cash and the rest in 19.3m Atos Origin shares. After the transaction, Schlumberger will reduce its shareholding in Atos Origin to 19%, and Philips' shareholding will reduce from 44.7% to 32.0%. Atos Origin is acquiring EUR2.6bn of SS' EUR3bn S/ITS revenues, and has also signed a long-term contract to supply IT services to Schlumberger '*with minimum revenues of EUR700m*'. We reckon Atos Origin now has revenues of c£800m in the UK S/ITS market putting them alongside CGE&Y and HP in the middle of the UK Top Ten. This deal fails our acquisition criteria based on size, and the integration problems will be huge. See full commentary in HotNews.
beTRUSTed	Baltimore's core PKI business	PKI software UniCERT	100%	£5m	Baltimore's "*last significant asset disposal*". Certain PKI employees will transfer to beTRUSTed, and Baltimore will make the rest redundant. The PKI business turned over £19.3m in FY02, but made losses (pre tax and interest) of £11.1m.
beTRUSTed	OmniRoot business from Baltimore Technologies	Security product, embedded in browsers, mobile devices, servers etc	100%	£2m	Desperately troubled security products firm Baltimore Technologies has sold another bit of its business to security and trust services company beTRUSTed (it had previously sold its managed services business to beTRUSTed in Jul. 03). OmniRoot had revenues of c£600K in 2002 and made a pre-tax profit of £500K. It also goes to show that profitable S/ITS businesses in the 'right' niche can command a decent trade price.
Clarity Commerce Solutions	Two divisions from TFMCyntergy	Helpdesk and training businesses	100%	£0.5m	Cyntergy has a 36-strong helpdesk and a turnover of over £1.5m p.a. Clarity will use the assets of the two divisions to extend the helpdesk and training services provided by other parts of the Group and to support future product rollout. The acquisitions also bring Clarity contracts in the retail and hospitality markets.
Deal Group Media	IBNet	Search engine marketing and internet inteligence	100%	£7.0m	Deal Group, provider of performance based online advertising , reversed into IBNet. The acquisition was satisified with 205m shares, and IBNet placed a further 51m shares raising £1.2m. Assuming shareholders approve the takeover, the group will change its name to Deal Group Media plc.
GX Networks	Firstnet Services Ltd	ASP	51%	max £2.2m	Minorplanet sold its 51% stake in Firstnet to GX Networks. The consideration comprises £1.6m in cash and up to £586K worth of shares in GX (a far cry from the £6m that Minorplanet paid for Firstnet in Feb. 00). The move is in line with the company's strategy of disposing of its non-core assets in order to focus on vehicle management systems. The proceeds will be used for "general working capital purposes". GX acquired the remaining 49% in Firstnet from a private investor.
i-document systems Group (IDOX)	Mandoforms	e-government solutions	100%	£1.5K	IDOX, provider of software solutions for 'e-government', has announced it will pay £1.5K in cash for NettGain Solutions Ltd, in addition to assuming liabilities up to £750K. NettGain, which trades as Mandoforms lost £422K in FY02 on turnover of c£1m. IDOX undertook a placing of 11.5m shares, raising c£1.2m, to fund the acquisition and augment working capital.
InterQuest Group	SBS Group's UK IT staffing business	Supply of IT staff	100%	max £1.5m	InterQuest Group, "a new and rapidly growing IT staffing solutions group" founded in 2001, paid £1.2m cash, with £300K earn-out depending on gross profits achieved to Apr. 04. SBS' UK ITSA business had revenues of £12.9m in 2002 (of total revenues £45.4m) and made a small operating profit (pre-goodwill etc) of £341K. This disposal leaves SBS with ITSA operations in continental Europe and in the US, plus a small teacher supply business in the UK. At a PSR of just 0.1, this is a distress sale, but given the state of the UK ITSA market and their relative size, it does make sense.
Torex	HAS Solutions Pty Ltd	Sidney-based provider of ambulance, A&E and surgery solutions	100%	c£800K	This move follows Torex's initial forays into the Australian health market, following the acquisitions of InHealth and an alliance with IBA, announced earlier in the year.
Vallosys S.A.	TransEDA plc	Electronic Design Automation (EDA) software	100%	£883K	AIM-listed TransEDA Technology has been acquired by French firm Vallosys for £883K (£258K in cash and the settlement of inter-company balances of £625K).

Forthcoming IPOs

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Logcom	Softw are resale	S/ITS	R	MAIN	N/a	£120.0m	Apr-04
TradingSports	Technology for P2P betting exchangs	S/ITS	SP	AIM	N/a	£12-14m	TBA

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clients. However, there is still much work to do so that although H2 "*will not be a disaster*", mega growth is not on the agenda.

Nonetheless Stoddart has big plans for the future of Harrier. We would expect Harrier to end up being acquired (and it has had several approaches) but Stoddart is determined to grow the business both organically and through being an acquirer rather than an 'acquiree'. Acquisitions will be of IT services companies with turnover in the region of £2-3m i.e. c25%-30% the size of Harrier. Stoddart believes that they have a good chance of making the acquisitions work particularly as the management of any acquired company will take a seat on the Board. However, he does admit that the success or failure of future acquisitions will be "*do or die*" for the company.

As a veteran of the IT industry, Stoddart must be pretty confident he is making all the right moves. He was one of a small group that established **EDS** in Europe in 1984/85 and was divisional director of **Hoskyns** (now **CGE&Y**) between 1989 and 1991. He has since been involved with a number of smaller technology companies. His presence on the Board gives us some hope for Harrier's future but we still have our reservations. Stoddart will certainly have his work cut out. *(Georgina O'Toole)*

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,137,000	£6,013,000	£2,850,000	-9.1%
PBT	-£2,163,000	-£10,638,000	-£1,728,000	Loss both
EPS	-8.50p	-41.90p	-5.00p	Loss both

AIT Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£36,224,000		£17,584,000	-51.5%
PBT	-£9,272,000		-£41,227,000	Loss both
EPS	-40.64p		-306.00p	Loss both

Alphameric plc

	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison
REV	£27,373,000	£61,928,000	£27,254,000	-0.4%
PBT	£1,097,000	£2,486,000	-£2,704,000	Profit to loss
EPS	0.20p	0.00p	-2.50p	Profit to loss

Alterian plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£4,267,000		£4,784,000	+12.1%
PBT	-£9,247,000		-£5,966,000	Loss both
EPS	-23.90p		-14.60p	Loss both

Anite Group plc

	Final - Apr 02		Final - Apr 03	Comparison
REV	£202,510,000		£218,338,000	+6.8%
PBT	£5,784,000		-£112,480,000	Profit to loss
EPS	-0.60p		-34.20p	Loss both

Argonaut Games

	Interim - Jan 02	Final - Jul 02	Interim - Jan 03	Comparison
REV	£9,271,000	£14,232,000	£6,933,000	-25.2%
PBT	£4,027,000	£2,763,000	-£1,096,000	Profit to loss
EPS	3.82p	2.87p	-1.13p	Profit to loss

Autonomy Corporation plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun - 03	Comparison
REV	£17,470,000	£33,974,000	£15,469,000	-11.5%
PBT	£3,156,000	£4,345,000	£2,229,000	-29.4%
EPS	2.66p	0.03p	1.24p	-53.4%

Aveva Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£31,818,000		£36,008,000	+13.2%
PBT	£4,938,000		£5,580,000	+13.0%
EPS	19.48p		21.24p	+9.0%

Axon Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£21,348,000	£43,112,000	£24,616,000	+15.3%
PBT	£1,222,000	£2,480,000	£2,036,000	+66.6%
EPS	1.30p	2.70p	2.40p	+84.6%

Baltimore Technologies plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£22,065,000	£35,000,000	£9,660,000	-56.2%
PBT	-£42,968,000	-£65,300,000	-£8,999,000	Loss both
EPS	-85.10p	-125.20p	-18.80p	Loss both

Bond International Software plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,175,000	£6,399,629	£3,370,000	+6.1%
PBT	-£2,086,000	-£1,972,786	£155,000	Loss to Profit
EPS	-13.71p	-13.79p	0.64p	Loss to Profit

Business Systems Group Holdings plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£24,224,000		£26,475,000	+9.3%
PBT	-£10,510,000		-£2,949,000	Loss both
EPS	-12.84p		-3.44p	Loss both

Capita Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£391,222,000	£897,504,000	£531,553,000	+35.9%
PBT	£29,043,000	£78,069,000	£37,364,000	+28.7%
EPS	2.50p	6.81p	3.13p	+25.2%

Charteris Plc

	Interim - Jan 02	Final - Jun 02	Interim - Jan 03	Comparison
REV	£8,725,000	£19,087,000	£7,702,000	-11.7%
PBT	£591,000	£1,588,000	-£259,000	Profit to loss
EPS	0.90p	2.50p	-0.52p	Profit to loss

Chelford Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£7,813,000		£7,298,000	-6.6%
PBT	-£1,048,000		-£1,025,000	-2.2%
EPS	-0.16p		-0.16p	+0.0%

Clarity Commerce plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£7,620,000		£7,263,000	-4.7%
PBT	-£221,000		£315,000	Loss to Profit
EPS	-2.51p		1.84p	Loss to Profit

Clinical Computing plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£1,117,000	£2,391,565	£1,150,000	+3.0%
PBT	-£598,000	-£983,004	-£397,000	Loss both
EPS	-2.40p	-3.80p	-1.60p	Loss both

CMS Webview

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£583,000	£1,206,000	£905,000	+55.2%
PBT	-£345,000	-£683,000	-£116,000	Loss both
EPS	-0.63p	-1.12p	-0.17p	Loss both

CODASciSys plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£33,566,000	£66,378,000	£34,223,000	+2.0%
PBT	£2,869,000	£5,726,000	£1,319,000	-54.0%
EPS	6.90p	16.20p	3.10p	-55.1%

Comino Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£20,560,000		£24,504,000	+19.2%
PBT	-£576,000		£1,209,000	Loss to Profit
EPS	-3.80p		8.90p	Loss to Profit

Compass Software Group plc

	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison
REV	£2,244,772	£4,829,562	£1,584,200	-29.4%
PBT	-£15,004	£398,649	-£762,706	Loss both
EPS	-0.71p	1.59p	-5.19p	Loss both

Compel Group plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£68,892,000		£52,880,000	-23.2%
PBT	-£1,691,000		-£407,000	Loss both
EPS	-3.20p		1.30p	Loss to Profit

Computacenter plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£976,958,000	£1,930,135,000	£1,255,599,000	+28.5%
PBT	£24,405,000	£55,081,000	£32,020,000	+31.2%
EPS	8.60p	19.80p	11.60p	+34.9%

Computer Software Group

	Final - Feb 02		Final - Feb 03	Comparison
REV	£3,030,000		£3,584,000	+18.3%
PBT	-£1,633,000		-£1,399,000	Loss both
EPS	-1.24p		-0.97p	Loss both

DCS Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£37,800,000	£69,800,000	£30,200,000	-20.1%
PBT	-£7,700,000	-£14,200,000	-£4,000,000	Loss both
EPS	-31.72p	-57.14p	-17.18p	Loss both

Delcam plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£9,518,000	£18,913,000	£9,816,000	+3.1%
PBT	£519,000	£1,071,000	£504,000	-2.9%
EPS	6.10p	13.80p	6.40p	+4.9%

Detica Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£32,841,000		£39,198,000	+19.4%
PBT	£5,928,000		£7,437,000	+25.5%
EPS	20.80p		24.10p	+15.9%

Diagonal plc

	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison
REV	£33,902,000	£63,618,000	£30,611,000	-9.7%
PBT	£1,607,000	-£2,254,000	£324,000	-79.8%
EPS	0.77p	-4.56p	-0.27p	Profit to loss

Dicom Group plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£149,527,000		£156,432,000	+4.6%
PBT	£3,521,000		£8,801,000	+150.0%
EPS	3.50p		26.00p	+642.9%

Dimension Data plc

	Interim - Mar 02	Final - Sep 02	Interim - Mar 03	Comparison
REV	£786,507,000	£1,469,600,000	£638,206,000	-18.9%
PBT	-£483,468,000	-£1,756,500,000	-£122,668,000	Loss both
EPS	-37.38p	-155.60p	-9.10p	Loss both

DRS Data & Research Services plc

	Interim - Jul 02	Final - Dec 02	Interim - Jul 03	Comparison
REV	£6,749,000	£12,782,000	£7,759,000	+15.0%
PBT	£761,000	£1,776,000	£892,000	+17.2%
EPS	1.55p	3.68p	1.87p	+20.6%

Easyscreen plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£3,236,111		£2,654,510	-18.0%
PBT	-£4,289,119		-£3,397,842	Loss both
EPS	-9.34p		-5.60p	Loss both

Eidos plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£128,613,000		£169,046,000	+31.4%
PBT	-£15,290,000		£17,354,000	Loss to profit
EPS	-11.10p		13.70p	Loss to profit

Electronic Data Processing plc

	Interim - Mar 02	Final - Sep 02	Interim - Mar 03	Comparison
REV	£4,323,000	£8,480,000	£4,527,000	+4.7%
PBT	-£414,000	-£1,394,000	£292,000	Loss to profit
EPS	-1.66p	-5.03p	1.18p	Loss to profit

Empire Interactive plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£11,086,000		£25,054,000	+126.0%
PBT	-£2,406,000		-£1,816,000	Loss both
EPS	-3.95p		-2.72p	Loss both

Epic Group plc

	Final - May 02		Final - May 03	Comparison
REV	£7,227,000		£8,750,000	+21.1%
PBT	£835,000		£1,802,000	+115.8%
EPS	3.10p		6.60p	+112.9%

Eurolink Managed Services plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£9,226,000		£9,152,000	-.8%
PBT	£155,000		£204,000	+31.6%
EPS	0.47p		1.22p	+159.6%

Financial Objects plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,780,000	£12,841,000	£5,663,000	-16.5%
PBT	-£1,103,000	-£2,839,000	-£1,175,000	Loss both
EPS	-2.37p	-6.72p	-4.44p	Loss both

Flomerics Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£5,966,000	£11,711,000	£4,881,000	-18.2%
PBT	£110,000	£635,000	-£144,000	Profit to loss
EPS	0.75p	3.23p	-0.98p	Profit to loss

Focus Solutions Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£5,073,000		£6,583,000	+29.8%
PBT	-£2,590,000		-£3,833,000	Loss both
EPS	-10.30p		-13.40p	Loss both

GB Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£17,189,000		£11,243,000	-34.6%
PBT	-£2,260,000		£813,000	Loss to profit
EPS	-2.20p		0.90p	Loss to profit

Gladstone Plc

	Interim - Feb 02	Final - Aug 02	Interim - Feb 03	Comparison
REV	£4,020,569	£8,603,805	£3,796,125	-5.6%
PBT	-£3,380,671	-£1,748,902	£50,315	Loss to profit
EPS	-9.74p	-4.53p	0.12p	Loss to profit

Glotel plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£98,352,000		£75,900,000	-22.8%
PBT	-£4,445,000		-£1,347,000	Loss both
EPS	-8.60p		-2.30p	Loss both

Gresham Computing plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,152,000	£11,578,000	£4,870,000	-20.8%
PBT	£2,674,000	£1,148,000	-£1,068,000	Profit to loss
EPS	4.87p	2.45p	-2.24p	Profit to loss

Harrier Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£5,721,206	£9,544,299	£4,254,722	-25.6%
PBT	-£1,074,854	-£19,005,410	£12,812	Loss to profit
EPS	-3.38p	-59.19p	0.04p	Loss to profit

Harvey Nash Group plc

	Interim - Jul 01	Final - Jan 02	Interim - Jul 02	Comparison
REV	£126,359,000	£235,720,000	£83,489,000	-33.9%
PBT	-£1,103,000	-£11,346,000	-£6,576,000	Loss both
EPS	-3.95p	-39.38p	-16.16p	Loss both

Highams Systems Services Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£16,777,000		£11,096,000	-33.9%
PBT	-£298,000		-£195,000	Loss both
EPS	-1.45p		-1.00p	Loss both

Horizon Technology Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£119,973,584	£202,110,294	£125,205,070	+4.4%
PBT	-£3,849,313	-£7,842,014	£217,456	Loss to profit
EPS	-6.83p	-12.19p	0.14p	Loss to profit

Host Europe plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,488,000	£13,708,000	£8,162,000	+25.8%
PBT	-£269,000	-£505,000	-£657,000	Loss both
EPS	-0.02p	-0.01p	-0.04p	Loss both

Hot Group plc

	Interim - Feb 02	Final - Aug 02	Interim - Feb 03	Comparison
REV	n/a	£2,831,000	£956,000	n/a
PBT	n/a	-£4,710,000	-£776,000	n/a
EPS	n/a	-31.24p	-2.52p	n/a

I-Document Systems Plc

	Interim - Apr 02	Final - Oct 02	Interim - Apr 03	Comparison
REV	£1,158,948	£3,017,602	£1,903,078	+64.2%
PBT	-£559,437	-£1,483,473	-£459,182	Loss both
EPS	-0.46p	-1.11p	-0.33p	Loss both

ICM Computer Group plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£68,871,000		£77,843,000	+13.0%
PBT	£4,478,000		£3,673,000	-18.0%
EPS	15.00p		12.30p	-18.0%

Innovation Group plc (The)

	Interim - Mar 02	Final - Sep 02	Interim - Mar 03	Comparison
REV	£62,426,000	£100,071,000	£31,172,000	-50.1%
PBT	-£3,474,000	-£391,114,000	-£5,216,000	Loss both
EPS	-3.33p	-202.75p	-2.40p	Loss both

InTechnology plc

	Final - Mar. 02		Final - Mar 03	Comparison
REV	£158,108,000		£156,899,000	-.8%
PBT	-£82,672,000		-£6,675,000	Loss both
EPS	-53.65p		-5.10p	Loss both

Intelligent Environments Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£1,426,000	£2,672,065	£1,886,000	+32.3%
PBT	-£1,904,000	-£2,873,579	£66,000	Loss to profit
EPS	-1.51p	-2.14p	0.18p	Loss to profit

IQ-Ludorum plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£1,980,779	£3,919,300	£1,289,900	-34.9%
PBT	-£3,393,642	-£4,965,400	-£1,067,568	Loss both
EPS	-4.16p	-6.23p	-1.24p	Loss both

ISOFT Group plc

	Final - Apr 02		Final - Apr 03	Comparison
REV	£60,102,000		£91,495,000	+52.2%
PBT	£12,178,000		£18,880,000	+55.0%
EPS	7.61p		11.08p	+45.6%

I S Solutions plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,621,000	£7,426,000	£3,236,000	-10.6%
PBT	-£879,000	-£1,368,000	£119,000	Loss to profit
EPS	-3.44p	-5.06p	-0.21p	Loss both

ITNET plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£85,547,000	£178,992,000	£91,215,000	+6.6%
PBT	£2,800,000	£7,336,000	£8,730,000	+211.8%
EPS	0.47p	3.01p	7.53p	+1502.1%

Jasmin plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£7,099,000		£5,844,000	-17.7%
PBT	£716,000		-£886,000	Profit to loss
EPS	16.67p		-20.22p	Profit to loss

K3 Business Technology Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,944,000	£8,088,000	£3,483,000	-11.7%
PBT	-£49,000	£266,000	-£432,000	Loss both
EPS	-0.10p	0.70p	-0.80p	Loss both

Kewill Systems plc

	Final - Mar 02		Final - Mar -03	Comparison
REV	£48,144,000		£25,211,000	-47.6%
PBT	-£57,638,000		-£5,855,000	Loss both
EPS	-75.20p		-7.70p	Loss both

LogicaCMG plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£944,900,000	£1,827,400,000	£854,300,000	-9.6%
PBT	-£287,100,000	-£731,800,000	-£57,700,000	Loss both
EPS	-40.30p	n/a	-7.10p	Loss both

London Bridge Software Holdings plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£32,262,000	£62,137,000	£28,426,000	-11.9%
PBT	-£2,799,000	-£51,446,000	-£726,000	Loss both
EPS	-1.70p	-30.31p	-0.64p	Loss both

Note: The companies listed on pages 18-21 are those companies in our S/ITS index with revenue of >£2m. Also included in our index are: **Atlantic Global, BSoftB, Earthport, Ffastfil, Intercede Group, Internet Business Group, Knowledge Technology Solutions, Netcall, PC Medics Group, Stilo International, Superscape, Systems Integrated, Ultrasis Group, Vianet Group**

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Lorien plc

	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison
REV	£60,449,000	£113,588,000	£44,503,000	-26.4%
PBT	-£6,346,000	-£5,178,000	£204,000	Loss to profit
EPS	-36.80p	-32.50p	0.40p	Loss to profit

Macro 4 plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£39,405,000		£32,394,000	-17.8%
PBT	-£3,910,000		-£5,165,000	Loss both
EPS	-18.80p		-21.20p	Loss both

Manpower SoftWare plc

	Final - May 02		Final - May 03	Comparison
REV	£3,154,500		£3,560,541	+12.9%
PBT	-£1,252,691		-£802,388	Loss both
EPS	-5.10p		-1.80p	Loss both

Marlborough Stirling plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£60,655,000	£121,008,000	£55,986,000	-7.7%
PBT	£2,795,000	-£34,478,000	-£4,985,000	Profit to loss
EPS	0.20p	-20.00p	-2.70p	Profit to loss

MERANT plc

	Final - Apr 02		Final - Apr 03	Comparison
REV	£87,068,000		£78,592,000	-9.7%
PBT	-£55,442,000		-£12,798,000	Loss both
EPS	-46.80p		-12.40p	Loss both

Microgen plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£12,271,000	£25,332,000	£11,058,000	-9.9%
PBT	£103,000	-£1,964,000	-£717,000	Profit to loss
EPS	-0.70p	-4.20p	-1.80p	Loss both

Minorplanet Systems Plc

	Interim - Feb 02	Final - Aug 02	Interim - Feb 03	Comparison
REV	£48,900,000	£124,700,000	£51,000,000	+4.3%
PBT	-£13,000,000	-£3,300,000	-£7,300,000	Loss both
EPS	-10.64p	-4.11p	-8.25p	Loss both

Misys plc

	Final - May 02		Final - May 02	Comparison
REV	£1,041,200,000		£1,013,500,000	-2.7%
PBT	£34,900,000		£59,800,000	+71.3%
EPS	3.70p		7.80p	+110.8%

MMT Computing plc

	Interim - Feb 02	Final - Aug 02	Interim - Feb 03	Comparison
REV	£14,575,000	£27,472,000	£12,495,000	-14.3%
PBT	£93,000	-£658,000	-£266,000	Profit to loss
EPS	-0.30p	-6.40p	-1.90p	Loss both

Mondas plc

	Final - Apr 02		Final-Apr 03	Comparison
REV	£3,741,673		£3,713,353	-.8%
PBT	-£2,177,858		-£2,224,645	Loss both
EPS	-10.10p		-10.10p	Loss both

Morse plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£465,180,000		£351,343,000	-24.5%
PBT	-£124,000		-£14,095,000	Loss both
EPS	-6.10p		-13.30p	Loss both

MSB International plc

	Interim - Jul 02	Final - Jan 03	Interim - Jul 03	Comparison
REV	£47,619,000	£84,062,000	£33,777,000	-29.1%
PBT	n/a	-£421,000	£103,000	n/a
EPS	0.00p	-2.32p	0.30p	n/a

Myratech.net Plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£1,713,000		£2,000,000	+16.8%
PBT	-£1,599,000		-£2,755,000	Loss both
EPS	-6.00p		-10.00p	Loss both

Ncipher Plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,037,000	£11,922,000	£7,107,000	+17.7%
PBT	-£2,654,000	-£3,352,000	-£328,000	Loss both
EPS	-2.14p	-2.69p	-1.71p	Loss both

NetBenefit plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£6,079,000		£6,245,000	+2.7%
PBT	-£1,189,000		-£166,000	Loss both
EPS	-6.90p		0.10p	Loss to profit

Netstore plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£6,643,961		£14,197,000	+113.7%
PBT	-£6,944,000		-£5,265,000	Loss both
EPS	-7.51p		-5.33p	Loss both

Northgate Information Solutions plc

	Final - Apr 02		Final - Apr 03	Comparison
REV	£92,564,000		£85,215,000	-7.9%
PBT	£8,658,000		£28,109,000	+224.7%
EPS	2.91p		10.33p	+255.0%

NSB Retail Systems plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£39,524,000	£73,359,000	£32,907,000	-16.7%
PBT	-£43,949,000	-£196,232,000	-£14,658,000	Loss both
EPS	-11.04p	-49.05p	-3.68p	Loss both

OneclickHR plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£2,575,178	£4,689,010	£2,712,382	+5.3%
PBT	-£1,093,353	-£3,473,846	£64,829	Loss to profit
EPS	-2.00p	-6.40p	0.10p	Loss to profit

Parity Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£98,958,000	£183,273,000	£80,904,000	-18.2%
PBT	-£820,000	-£24,567,000	-£13,807,000	Loss both
EPS	-0.63p	-16.01p	-9.18p	Loss both

Patsystems plc

	Interims - Jun 02	Final - Dec 02	Interims - Jun 03	Comparison
REV	£4,118,000	£8,337,000	£4,817,000	+17.0%
PBT	-£5,133,000	-£9,061,000	-£1,512,000	Loss both
EPS	-3.90p	-7.00p	-1.20p	Loss both

Pilat Media Global plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£2,470,000	£7,347,000	£2,978,000	+20.6%
PBT	-£1,337,000	-£236,000	-£1,245,000	Loss both
EPS	-4.16p	0.09p	-2.83p	Loss both

Planit Holdings plc

	Final - Apr 02		Final - Apr 03	Comparison
REV	£22,347,000		£20,417,000	-8.6%
PBT	£3,550,000		-£571,000	Profit to loss
EPS	2.70p		-0.60p	Profit to loss

PSD Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£22,845,000	£44,282,000	£18,449,000	-19.2%
PBT	£135,000	£879,000	-£464,000	Profit to loss
EPS	-0.40p	2.10p	-2.70p	Loss both

QA plc

	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison
REV	£16,059,999	£32,800,000	£14,062,000	-12.4%
PBT	-£36,012,000	-£63,000,000	-£870,000	Loss both
EPS	-39.30p	-67.70p	-0.90p	Loss both

Quantica plc

	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison
REV	£13,421,000	£26,127,000	£11,527,000	-14.1%
PBT	£504,000	-£3,443,000	-£215,000	Profit to loss
EPS	0.74p	-9.07p	0.53p	-28.4%

Raft International plc

	Interim - Apr 02	Final - Oct 02	Interim - Apr 03	Comparison
REV	£3,394,000	£6,666,000	£4,175,000	+23.0%
PBT	-£1,148,000	-£2,113,000	-£498,000	Loss both
EPS	-1.75p	-3.10p	-0.76p	Loss both

Retail Decisions plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£14,301,000	£28,421,000	£14,921,000	+4.3%
PBT	-£1,873,000	-£9,379,000	£1,103,000	Loss both
EPS	-0.69p	-3.64p	0.16p	Loss both

RM plc

	Interim - Mar 02	Final - Sep 02	Interim - Mar 03	Comparison
REV	£89,133,000	£202,158,000	£85,363,000	-4.2%
PBT	-£14,131,000	-£5,914,000	-£1,820,000	Loss both
EPS	-11.20p	-5.10p	-1.80p	Loss both

Royalblue Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£29,315,000	£57,006,000	£27,857,000	-5.0%
PBT	£3,984,000	£13,058,000	£3,847,000	-3.4%
EPS	8.50p	32.90p	8.50p	+0.0%

Sage Group plc

	Interim - Mar 02	Final - Sep 02	Interim - Mar 03	Comparison
REV	£278,821,000	£551,731,000	£282,056,000	+1.2%
PBT	£65,146,000	£129,154,000	£74,259,000	+14.0%
EPS	3.50p	6.99p	4.00p	+14.3%

SDL plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£28,131,000	£58,002,000	£31,003,000	+10.2%
PBT	-£2,002,000	-£3,518,487	-£1,004,000	Loss both
EPS	-4.02p	-7.10p	-2.85p	Loss both

ServicePower Technologies plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£986,000	£4,483,000	£996,000	+1.0%
PBT	-£1,252,000	-£555,000	-£1,146,000	Loss both
EPS	-2.45p	-0.64p	-2.21p	Loss both

Sirius Financial Systems plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£10,698,000	£22,683,192	£10,404,000	-2.7%
PBT	£1,359,000	£1,893,520	£38,000	-97.2%
EPS	4.60p	5.90p	0.10p	-97.8%

Sopheon plc

	Interim - Jun 02	Final - Dec 02	Interim -Jun 03	Comparison
REV	£6,511,000	£12,353,000	£5,123,000	-21.3%
PBT	-£8,961,000	-£16,179,000	-£5,718,000	Loss both
EPS	-10.90p	-19.40p	-6.90p	Loss both

Spring Group plc

	Interim - Jun 03	Final - Dec 02	Interim - Jun 03	Comparison
REV	£148,378,000	£293,330,000	£145,749,000	-1.8%
PBT	-£9,491,000	-£8,840,000	-£3,903,000	Loss both
EPS	-6.39p	-5.93p	-2.67p	Loss both

Staffware plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£18,231,000	£39,031,000	£21,039,000	+15.4%
PBT	£391,000	£2,608,000	£1,318,000	+237.1%
EPS	0.30p	11.10p	5.10p	+1600.0%

StatPro Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,432,000	£7,229,000	£4,065,000	+18.4%
PBT	-£1,683,000	-£2,373,000	-£78,000	Loss both
EPS	-5.20p	-7.30p	-0.30p	Loss both

SurfControl plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£37,562,106		£46,209,392	+23.0%
PBT	-£48,115,028		£5,602,649	Loss to profit
EPS	-156.65p		13.12p	Loss to profit

Synstar plc

	Interim - Mar 02	Final - Sep 02	Interim - Mar 03	Comparison
REV	£111,590,000	£221,870,000	£111,517,000	-0.1%
PBT	£1,570,000	£6,532,000	£3,797,000	+141.8%
EPS	0.30p	2.40p	1.60p	+433.3%

Systems Union Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£37,459,000	£74,631,000	£34,016,000	-9.2%
PBT	£1,616,000	£4,316,000	£1,989,000	+23.1%
EPS	1.60p	3.70p	1.70p	+6.2%

Tadpole Technology plc

	Interim - Mar 02	Final - Sep 02	Interim - Mar 03	Comparison
REV	£9,744,000	£16,724,000	£2,803,000	-71.2%
PBT	-£2,842,000	-£11,140,000	-£7,516,000	Loss both
EPS	-1.50p	-5.70p	-3.60p	Loss both

Telecity plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£12,170,000	£24,954,000	£11,827,000	-2.8%
PBT	-£16,916,000	-£40,604,000	-£2,935,000	Loss both
EPS	-8.40p	-20.20p	-1.50p	Loss both

Tikit Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,731,000	£8,231,000	£3,880,000	+4.0%
PBT	£81,000	£305,000	£235,000	+190.1%
EPS	0.00p	1.30p	0.80p	n/a

Torex plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£77,608,000	£161,791,000	£92,310,000	+18.9%
PBT	£10,770,000	£14,688,000	£14,587,000	+35.4%
EPS	9.00p	16.80p	12.20p	+35.6%

Total Systems plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£5,384,299		£3,927,749	-27.1%
PBT	£1,415,606		£596,643	-57.9%
EPS	9.44p		4.12p	-56.4%

Touchstone Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£14,187,000		£14,249,000	+0.4%
PBT	£1,770,000		£1,526,000	-13.8%
EPS	10.90p		9.20p	-15.6%

Trace Group plc

	Final - May 02		Final - May 03	Comparison
REV	£20,630,180		£15,865,000	-23.1%
PBT	£2,045,620		-£2,776,000	Profit to loss
EPS	8.65p		-16.17p	Profit to loss

Transeda plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£3,528,000	£5,751,000	£1,808,000	-48.8%
PBT	-£259,000	-£7,346,000	-£5,143,000	Loss both
EPS	-0.40p	-11.72p	-7.61p	Loss both

Transware plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£6,284,764	£12,806,946	£4,922,301	-21.7%
PBT	£622,147	£319,574	-£468,121	Profit to loss
EPS	1.40p	0.33p	-1.40p	Profit to loss

Triad Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£41,567,000		£27,756,000	-33.2%
PBT	-£470,000		-£4,980,000	Loss both
EPS	-1.36p		-27.20p	Loss both

Tribal Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£45,651,000		£105,659,000	+131.4%
PBT	£4,680,000		£7,855,000	+67.8%
EPS	6.60p		5.50p	-16.7%

Ultima Networks plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£4,391,000		£2,026,000	-53.9%
PBT	£513,000		£165,000	-67.8%
EPS	0.30p		0.10p	-66.7%

Universe Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£17,306,000	£34,487,000	£18,967,000	+9.6%
PBT	£232,000	£889,000	£206,000	-11.2%
EPS	0.55p	2.54p	0.50p	-9.1%

Vega Group plc

	Final - Apr 02		Final - Apr 03	Comparison
REV	£35,572,000		£35,589,000	+0.0%
PBT	-£763,000		-£8,739,000	Loss both
EPS	-3.53p		-48.51p	Loss both

VI Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,200,000	£7,542,000	£4,365,000	+36.4%
PBT	-£357,000	£70,000	-£227,000	Loss both
EPS	-1.04p	-0.74p	-0.78p	Loss both

Vocalis Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1,223,000	£1,735,000	£1,404,000	+14.8%
PBT	-£1,968,000	-£4,185,000	-£1,626,000	Loss both
EPS	-4.25p	-5.41p	-1.28p	Loss both

Warthog plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£8,858,117		£11,417,138	+28.9%
PBT	£487,791		-£790,705	Profit to loss
EPS	0.72p		-0.87p	Profit to loss

Wealth Management Software plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,074,000	£10,997,000	£3,969,000	-34.7%
PBT	£15,000	-£1,061,000	£208,000	+1286.7%
EPS	0.04p	-2.74p	0.51p	+1175.0%

Workplace Systems International PLC

	Final - Mar 02		Final - Mar 03	Comparison
REV	£15,713,000		£14,241,000	-9.4%
PBT	-£3,954,000		-£2,742,000	Loss both
EPS	-2.25p		-1.52p	Loss both

Xansa plc

	Final - Apr 02		Final - Apr 03	Comparison
REV	£515,100,000		£453,900,000	-11.9%
PBT	-£507,800,000		-£157,000,000	Loss both
EPS	-184.66p		-57.09p	Loss both

XKO Group plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£38,880,000		£43,627,000	+12.2%
PBT	-£14,938,000		-£545,000	Loss both
EPS	-56.40p		-2.90p	Loss both

Xpertise Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£2,120,000	£4,602,000	£5,535,000	+161.1%
PBT	-£333,000	-£1,148,000	-£1,190,000	Loss both
EPS	-0.46p	-1.55p	-0.54p	Loss both

Note: The companies listed on pages 18-21 are those companies in our S/ITS index with revenue of >£2m. Also included in our index are: Atlantic Global, BSoftB, Earthport, Ffastfil, Intercede Group, Internet Business Group, Knowledge Technology Solutions, Netcall, PC Medics Group, Stilo International, Superscape, Systems Integrated, Ultrasis Group, Vianet Group

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Sep-03	Capitalisation 30-Sep-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Sep-03	Share price move since 31-Aug-03	Share price % move in 2003	Capitalisation move since 31-Aug-03	Capitalisation move (£m) in 2003
AFA Systems	SP	£0.18	£6.7m	Loss	1.11	150	-21.74%	-5.26%	-£1.86m	£2.19m
AIT Group	CS	£0.63	£28.8m	Loss	1.64	414	-16.00%	80.00%	£10.32m	£20.48m
Alphameric	SP	£0.62	£72.2m	17.1	1.17	283	-17.11%	21.08%	-£9.64m	£18.82m
Alterian	SP	£0.62	£24.2m	Loss	5.06	309	3.78%	66.89%	£0.91m	£9.71m
Anite Group	CS	£0.45	£154.8m	Loss	0.72	260	-21.24%	89.36%	-£39.66m	£75.88m
Argonaut Games	SP	£0.07	£6.3m	2.4	0.45	68	-10.34%	-62.86%	-£0.61m	-£10.57m
Autonomy Corporation	SP	£2.09	£232.2m	74.6	6.84	64	7.18%	19.43%	£12.83m	£13.56m
Aveva Group	SP	£4.93	£85.0m	23.2	2.36	2465	3.57%	39.46%	£3.10m	£25.20m
Axon Group	CS	£1.25	£65.1m	24.4	1.51	714	2.04%	119.30%	£1.38m	£35.48m
Baltimore Technologies	SP	£0.37	£19.9m	Loss	0.57	379	0.00%	-17.78%	-£0.03m	-£3.17m
Bond International	SP	£0.45	£6.6m	Loss	1.03	692	55.17%	157.14%	£2.35m	£4.10m
Business Systems	CS	£0.10	£8.1m	Loss	0.31	82	8.33%	105.26%	£0.52m	£4.25m
Capita Group	CS	£2.46	£1,635.5m	21.9	1.82	66499	1.97%	-0.61%	£31.50m	-£11.36m
Charteris	CS	£0.20	£8.4m	12.5	0.44	222	-2.44%	-11.11%	-£0.21m	-£1.02m
Chelford Group	CS	£0.01	£6.0m	Loss	0.82	174	33.33%	-99.07%	£0.33m	-£0.77m
Clarity Commerce	SP	£0.72	£11.0m	29.4	1.58	572	2.14%	2.88%	£0.20m	£1.36m
Clinical Computing	SP	£0.50	£15.7m	Loss	6.58	403	5.26%	53.85%	£3.83m	£7.57m
CMS Webview	CS	£0.04	£1.9m	Loss	3.32	250	16.67%	133.33%	£0.30m	£1.12m
CODASciSys (was Science Systems)	CS	£2.85	£72.4m	14.3	1.09	2209	1.79%	16.33%	£1.29m	£11.49m
Comino	SP	£2.03	£28.2m	18.6	1.15	1558	-17.35%	58.82%	-£5.95m	£10.54m
Compass Software	SP	£0.75	£8.9m	47.2	1.83	500	0.00%	13.64%	£0.00m	£1.10m
Compel Group	R	£0.69	£21.4m	53.1	0.40	552	-16.36%	-16.36%	-£4.19m	-£4.20m
Computacenter	R	£4.17	£784.3m	20.7	0.31	622	1.83%	48.75%	£15.36m	£265.36m
Computer Software Group	SP	£0.04	£13.3m	Loss	3.71	362	18.06%	30.77%	£1.98m	£8.64m
DCS Group	CS	£0.16	£3.9m	Loss	0.06	258	-10.14%	47.62%	-£0.44m	£1.25m
Delcam	SP	£1.71	£10.3m	12.1	0.54	658	0.00%	36.80%	£0.00m	£2.76m
Detica	CS	£4.89	£109.2m	18.4	2.79	1221	12.30%	36.45%	£11.99m	£29.19m
Diagonal	CS	£0.49	£43.4m	Loss	0.68	705	-29.20%	-4.90%	-£17.84m	-£2.24m
Dicom Group	R	£6.45	£134.3m	24.8	0.86	1977	12.66%	59.26%	£15.10m	£50.00m
Dimension Data	R	£0.26	£348.9m	Loss	0.16	46	-7.14%	-10.34%	-£26.90m	-£40.29m
DRS Data & Research	SP	£0.50	£17.1m	12.5	1.10	457	10.44%	67.50%	£1.60m	£6.70m
Easyscreen	SP	£0.18	£10.8m	Loss	4.09	106	-1.37%	-28.00%	£0.75m	-£2.45m
Eidos	SP	£1.34	£187.2m	10.2	1.11	6685	4.09%	6.15%	£7.25m	£12.41m
Electronic Data Processing	SP	£0.67	£16.5m	Loss	1.95	2051	-24.29%	71.79%	-£5.26m	£6.93m
Empire Interactive	SP	£0.10	£5.8m	Loss	0.23	167	47.06%	33.33%	£1.20m	£0.71m
Epic Group	CS	£1.29	£33.6m	19.5	3.84	1229	0.00%	67.53%	£0.19m	£14.09m
Eurolink Managed Services	CS	£0.28	£2.9m	23.0	0.32	280	0.00%	-18.84%	£0.00m	-£0.68m
Financial Objects	SP	£0.37	£10.0m	Loss	0.78	159	-10.98%	-7.59%	-£1.27m	-£0.87m
Flomerics Group	SP	£0.75	£10.9m	38.1	0.93	2865	-9.15%	8.76%	-£1.10m	£0.97m
Focus Solutions Group	SP	£0.38	£10.7m	Loss	1.63	195	55.10%	162.07%	£3.78m	£6.98m
GB Group	SP	£0.20	£15.7m	13.8	1.40	127	-9.20%	43.64%	-£1.60m	£4.70m
Gladstone	SP	£0.12	£4.9m	Loss	0.28	300	-2.04%	140.00%	-£0.11m	£2.87m
Glotel	A	£0.87	£32.8m	Loss	0.43	449	26.28%	61.68%	£6.80m	£12.50m
Gresham Computing	CS	£3.57	£173.5m	145.7	14.99	3833	-4.30%	482.04%	-£7.77m	£143.91m
Harrier Group	CS	£0.19	£5.3m	Loss	0.56	144	-32.11%	117.65%	-£2.52m	£2.88m
Harvey Nash Group	A	£0.57	£32.0m	Loss	0.14	326	-6.56%	62.86%	-£2.22m	£12.42m
Highams Systems Services	A	£0.13	£2.5m	Loss	0.23	361	57.58%	52.94%	£0.96m	£0.88m
Horizon Technology	CS	£0.49	£32.9m	Loss	0.16	178	6.59%	136.59%	£2.04m	£20.94m
Host Europe	CS	£0.01	£15.7m	Loss	1.15	442	-3.85%	-10.71%	£0.30m	-£0.10m
Hot Group (was RexOnline)	CS	£0.19	£24.7m	Loss	8.71	220	-11.90%	32.14%	£13.97m	£20.75m
I S Solutions	CS	£0.11	£2.8m	Loss	0.38	419	4.65%	95.65%	£0.12m	£1.35m
ICM Computer Group	CS	£2.11	£41.8m	Loss	0.54	1172	-5.17%	15.62%	-£2.22m	£5.68m
I-Document Systems	SP	£0.11	£16.9m	Loss	5.60	14	-13.73%	-6.38%	-£1.12m	£0.38m
In Technology	CS	£0.69	£94.7m	Loss	0.60	2740	0.74%	14.17%	£1.50m	£11.90m
Innovation Group	SP	£0.14	£55.9m	Loss	0.56	59	-15.63%	17.39%	-£11.34m	£33.54m
Intelligent Environments	SP	£0.09	£11.8m	Loss	4.40	90	17.24%	142.86%	£1.90m	£7.18m
IQ-Ludorum	SP	£0.02	£1.3m	Loss	0.32	21	0.00%	-41.82%	-£0.04m	-£0.94m
iSOFT Group	SP	£3.26	£402.4m	29.4	4.40	2959	-12.38%	27.15%	-£56.82m	£101.18m
ITNET	CS	£2.91	£213.2m	16.5	1.19	831	-8.78%	51.17%	-£20.57m	£72.53m
Jasmin	SP	£0.80	£3.8m	Loss	0.64	530	-19.29%	-48.38%	-£0.91m	-£3.49m
K3 Business Technology	SP	£0.12	£6.2m	6.4	0.77	94	28.95%	44.12%	£1.40m	£1.93m
Kewill	SP	£0.48	£36.5m	Loss	1.45	939	-15.56%	93.88%	-£6.68m	£17.52m
LogicaCMG	CS	£2.39	£1,790.8m	Loss	0.98	3273	19.35%	59.33%	£290.78m	£665.90m

Note: Main **SYSTEM**HOUSE S/ITS Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The SCS Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.
Category Codes: CS = Computer Services **SP** = Software Product **R** = Reseller **A** = IT Agency **O** = Other

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Sep-03	Capitalisation 30-Sep-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Sep-03	Share price move since 31-Aug-03	Share price % move in 2003	Capitalisation move since 31-Aug-03	Capitalisation move (£m) in 2003
London Bridge Software	SP	£0.56	£95.7m	Loss	1.54	1400	-14.50%	124.00%	-£16.20m	£53.30m
Lorien	A	£0.75	£13.8m	Loss	0.12	745	29.57%	6.43%	£3.14m	£0.14m
Macro 4	SP	£1.09	£22.7m	Loss	0.70	438	-8.44%	138.46%	-£2.04m	£13.20m
Manpower SoftWare	SP	£0.24	£10.5m	Loss	2.95	245	30.14%	179.41%	£2.43m	£6.74m
Marlborough Stirling	SP	£0.44	£99.3m	Loss	0.82	314	6.02%	23.94%	£5.63m	£19.23m
MERANT	SP	£1.41	£148.4m	Loss	1.89	681	-22.74%	66.86%	-£39.72m	£59.58m
Microgen	CS	£0.44	£25.7m	Loss	1.02	188	-27.27%	120.00%	-£10.68m	£14.02m
Minorplanet Systems	SP	£1.14	£93.8m	Loss	0.75	2328	-1.72%	-7.32%	-£2.15m	£3.85m
Misys	SP	£2.83	£1,575.8m	15.9	1.55	3515	0.36%	60.51%	£4.82m	£562.02m
MMT Computing	CS	£1.28	£15.6m	Loss	0.57	762	0.39%	43.82%	£0.08m	£4.81m
Mondas	SP	£0.43	£11.1m	Loss	2.99	567	4.94%	70.00%	£2.53m	£6.08m
Morse	R	£1.28	£165.1m	Loss	0.47	510	-10.53%	0.00%	-£19.38m	-£0.68m
MSB International	A	£0.76	£15.4m	Loss	0.18	397	2.03%	38.53%	£0.24m	£4.33m
Myratech.net	CS	£0.03	£1.0m	Loss	0.58	26	3.03%	13.33%	£0.04m	£0.13m
Ncipher	SP	£1.82	£45.9m	Loss	5.16	726	1.68%	197.54%	£1.36m	-£31.34m
NetBenefit	CS	£0.46	£7.4m	460.0	1.18	230	-8.00%	275.51%	-£0.64m	£5.41m
Netstore	CS	£0.38	£36.1m	Loss	2.89	253	3.40%	97.40%	£1.16m	£17.76m
Northgate Information Solutions	CS	£0.38	£109.7m	23.3	1.33	147	-4.38%	47.12%	-£5.02m	£35.31m
NSB Retail Systems	SP	£0.12	£39.8m	Loss	0.54	1070	-12.14%	69.66%	-£5.68m	£16.50m
OneclickHR	SP	£0.13	£7.2m	Loss	1.55	325	79.31%	73.33%	£3.20m	£3.06m
Parity	A	£0.10	£15.4m	Loss	0.08	1667	-28.57%	-38.46%	-£6.22m	-£9.52m
Patsystems	SP	£0.15	£20.1m	Loss	2.58	143	3.39%	27.08%	£0.71m	£4.51m
Pilat Media Global	SP	£0.40	£17.4m	444.4	2.37	1975	5.33%	139.39%	£0.90m	£10.15m
Planit Holdings	SP	£0.30	£27.1m	Loss	1.33	1229	-4.84%	11.32%	-£1.32m	£5.08m
PSD Group	A	£2.00	£50.3m	95.2	1.14	909	-12.09%	8.11%	-£6.90m	£3.90m
QA (was Skillsgroup)	CS	£0.07	£6.9m	Loss	0.21	33	-19.44%	31.82%	-£1.55m	£1.87m
Quantica	A	£0.34	£13.7m	Loss	0.52	274	-1.45%	1.49%	-£0.20m	£0.20m
Raft International	SP	£0.26	£16.8m	Loss	2.52	405	4.08%	750.00%	£0.66m	£14.79m
Retail Decisions	SP	£0.09	£26.8m	Loss	0.94	125	-30.19%	131.25%	-£10.50m	£15.50m
RM	SP	£1.49	£133.7m	Loss	0.66	4257	18.73%	65.56%	£21.05m	£51.35m
Royalblue Group	SP	£4.47	£142.0m	13.6	2.49	2629	2.17%	90.21%	£3.30m	£70.48m
Sage Group	SP	£1.64	£2,100.8m	22.3	3.81	63173	-2.81%	23.50%	-£55.25m	£416.26m
SDL	CS	£0.74	£40.0m	Loss	0.69	493	16.54%	146.67%	£5.60m	£23.80m
ServicePower	SP	£0.30	£17.0m	Loss	3.79	300	0.00%	275.00%	£0.00m	£12.91m
Sirius Financial (was Policymaster)	SP	£0.88	£14.9m	13.3	0.66	583	-7.41%	-20.45%	-£1.20m	-£4.60m
Sopheon	SP	£0.14	£12.6m	Loss	1.02	201	-12.50%	7.69%	-£1.82m	£1.50m
Spring Group	A	£0.89	£133.4m	Loss	0.45	983	-2.75%	92.39%	-£3.78m	£64.36m
Staffware	SP	£6.00	£87.0m	25.6	2.23	2667	-2.83%	152.63%	-£2.57m	£52.83m
StatPro Group	SP	£0.36	£11.9m	Loss	1.65	453	-6.45%	81.25%	-£0.88m	£5.39m
SurfControl (was JSB)	SP	£7.73	£236.9m	64.8	5.13	3863	-20.97%	85.03%	-£60.73m	£110.97m
Synstar	CS	£0.68	£109.7m	19.0	0.49	409	-15.63%	15.38%	-£20.32m	£14.58m
Systems Union (was Freecom)	SP	£0.96	£99.3m	25.0	1.33	735	6.11%	31.72%	£5.66m	£24.46m
Tadpole Technology	SP	£0.12	£31.4m	Loss	1.88	290	0.00%	39.37%	-£0.01m	£8.95m
Telecity	CS	£0.14	£27.1m	Loss	1.09	17	45.95%	315.38%	£8.51m	£20.59m
Tikit Group	CS	£1.20	£14.4m	21.9	1.75	1043	-10.11%	47.24%	-£1.22m	£4.81m
Torex Group	CS	£5.52	£304.0m	14.8	1.88	10709	-9.74%	71.01%	-£31.47m	£151.33m
Total Systems	SP	£0.53	£5.5m	12.0	1.42	1000	-30.72%	24.71%	-£2.45m	£1.12m
Touchstone Group	SP	£0.97	£10.0m	10.5	0.70	919	-1.03%	-3.50%	-£0.10m	-£0.40m
Trace Group	SP	£0.58	£8.7m	Loss	0.55	460	9.52%	23.66%	£0.76m	£1.65m
Transeda	SP	£0.01	£0.7m	Loss	0.13	20	-33.33%	-66.67%	-£0.36m	-£1.37m
Transware	CS	£0.04	£4.1m	1.2	0.32	52	0.00%	-42.86%	£0.00m	£1.62m
Triad Group	CS	£0.57	£8.6m	Loss	0.31	419	-3.42%	94.83%	-£0.30m	£4.17m
Tribal Group	CS	£3.59	£237.5m	22.7	2.25	2176	9.62%	50.21%	£43.78m	£114.08m
Ultima Networks	R	£0.03	£5.0m	30.0	2.45	63	-10.34%	160.00%	-£0.57m	£3.04m
Universe Group	SP	£0.27	£11.5m	12.3	384.41	1200	-22.86%	20.00%	-£3.37m	£3.51m
Vega Group	CS	£1.06	£19.5m	Loss	0.55	865	-10.97%	77.31%	-£2.40m	£8.60m
VI group	SP	£0.15	£5.4m	Loss	0.72	290	-9.38%	-6.45%	-£0.56m	-£0.38m
Vocalis Group	SP	£0.01	£1.6m	Loss	0.90	12	0.00%	-56.00%	£0.00m	-£1.91m
Warthog	SP	£0.18	£8.6m	Loss	0.75	407	4.48%	0.00%	£0.49m	£0.29m
Wealth Management Software	SP	£0.29	£12.2m	Loss	1.11	223	-5.69%	262.50%	-£0.72m	£8.82m
Workplace Systems	SP	£0.10	£18.5m	Loss	1.30	0	-10.87%	86.36%	-£2.35m	£8.52m
Xansa (was F.I. Group)	CS	£1.05	£349.9m	Loss	0.77	2679	-5.00%	90.00%	-£18.45m	£167.19m
XKO Group	SP	£0.71	£19.5m	Loss	0.45	470	-19.43%	93.15%	-£4.68m	£9.71m
Xpertise Group	CS	£0.02	£6.3m	Loss	1.36	60	-14.29%	-60.00%	-£0.52m	£3.57m

Note: Main **SYSTEMHOUSE** S/ITS Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The SCS Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.
Category Codes: CS = Computer Services **SP** = Software Product **R** = Reseller **A** = IT Agency **O** = Other

FIRST DROP IN INDEX FOR SIX MONTHS

After five consecutive months of gains the Holway S/ITS index fell by just over 1% to 4430 in September. The techMARK100 and FTSE IT (SCS) index experienced similar low single-digit percentage declines. Nonetheless, on average the share prices of UK quoted S/ITS companies remain more than 60% higher than at the beginning of the year.

Of the different categories of S/ITS company, it was (unusually) the IT staff agencies that outperformed the rest with an average 7.1% gain over the month. This increase was led by **Highams Systems Services** with a share price increase of 55.2% after it released an upbeat pre-close trading statement. This was only just behind the biggest S/ITS riser – **OneClickHR**, which was up 57.6%. ITSAs **Lorien** and **Glotel** also showed significant gains – up 29.6% and 26.3% respectively.

30-Sep-03	
S/ITS Index	4430.08
FTSE IT (SCS) Index	488.39
techMARK 100	893.83
FTSE 100	4091.30
FTSE AIM	751.80
FTSE SmallCap	2354.95

SCS Index = 1000 on 15th April 1989

Changes in Indices	S/ITS Index Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/09/03 to 30/09/03)	-1.28%	-1.68%	-1.52%	-0.48%	+3.11%	-2.17%
From 15th Apr 89	+343.01%	+99.23%				
From 1st Jan 90	+381.48%	+73.21%				
From 1st Jan 91	+525.83%	+89.38%				
From 1st Jan 92	+323.99%	+64.10%				
From 1st Jan 93	+177.99%	+43.73%				+69.74%
From 1st Jan 94	+165.34%	+19.68%				+26.02%
From 1st Jan 95	+195.50%	+33.46%				+34.85%
From 1st Jan 96	+96.15%	+10.90%	+13.25%		-21.15%	+21.29%
From 1st Jan 97	+65.46%	-0.66%	-2.28%		-22.98%	+7.87%
From 1st Jan 98	+45.97%	-20.33%	-6.31%	-51.16%	-24.21%	+1.80%
From 1st Jan 99	+12.40%	-30.45%	-38.61%	-66.22%	-6.21%	+13.72%
From 1st Jan 00	-61.38%	-40.96%	-76.35%	-86.86%	-61.10%	-23.98%
From 1st Jan 01	-47.09%	-34.25%	-65.16%	-74.94%	-47.71%	-26.02%
From 1st Jan 02	-7.67%	-21.58%	-39.31%	-42.15%	-16.26%	-8.69%
From 1st Jan 03	+63.30%	+3.83%	+37.77%	+43.55%	+24.70%	+29.35%

End Sep 03	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move since 1st Jan 02	Move since 1st Jan 03	Move in Sep 03
System Houses	-6.4%	-63.5%	-51.0%	-11.7%	76.0%	-2.2%
IT Staff Agencies	-66.9%	-71.2%	-54.2%	-17.4%	24.4%	7.1%
Resellers	81.2%	-12.7%	15.5%	28.5%	73.8%	-5.0%
Software Products	71.0%	-58.9%	-70.2%	-3.8%	59.4%	-1.4%
Holway Internet Index	293.5%	-52.1%	-29.6%	27.3%	94.3%	10.5%
Holway S/ITS Index	12.4%	-61.4%	-47.1%	-7.7%	63.3%	-1.3%

Of the largest cap companies, **LogicaCMG** put in by far the best performance – its share was up 19.4% to 239p following its results announcement as well as a large contract win in the UK health sector. Its share price is now up 59.3% since the beginning of the year. **Capita** and **Misys** managed gains of just 2.0% and 0.4% respectively. It was the small cap companies – **TransEDA** and **Ultrasis** – that showed the biggest percentage falls (both down by a third). **iSoft** (down 12.4%) and **Torex** (down 9.7%) continue to suffer due to the uncertainty surrounding their proposed merger and the NHS National IT programme.

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