May 2003

Volume 14 Number 7
Available by Subscription Only

ISSN 0967-2583

ovum HOLWAY

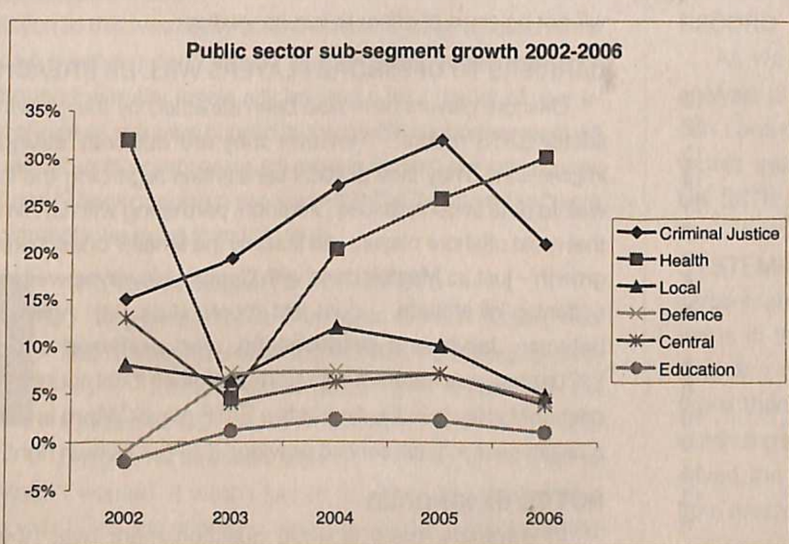
SYSTEMHOUSE

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

PUBLIC SECTOR - A GAME OF SIX HALVES!

"If you're a S/ITS company, the public sector is THE place to be". You've heard us say it many times. Indeed, this is the story that the growth forecasts tell. Last year, we predicted that the commercial sector will have grown by an average of just 0.3% between 2001 and 2005. Our latest research (published this month) foresees the UK public sector software and IT services (S/ITS) market growing by an average of 9% over the same period.

But before we get too excited, it is important to remember that the public sector is no more a single market than the commercial sector. Just as the commercial sector is made up of many disparate segments, such as manufacturing, finance, utilities, telecoms, retail, services, transport, etc, so is the public sector, which we view as six separate markets: central government, local government, health, education, defence and criminal justice.



Not all these sub-sectors will experience phenomenal growth over our forecast period. Just as in the commercial sector, there will be the bright spots and some black holes too. For example, we forecast that the UK criminal justice S/ITS market will grow by an average of 25% from 2001 to 2006, and similarly we expect the UK health S/ITS market to grow by an average of 20%. Both these sectors will benefit from substantial government investment in IT having previously suffered from years of 'under-nourishment'.

In contrast, the prospects for the UK education S/ITS sector are no more appealing than those for the commercial sector. Education experienced a 2% decline in 2002 and we do not foresee it achieving anything more than a 2% annual average growth through to 2006.

CENTRAL INITIATIVES WILL GIVE WAY TO LOCAL INTERESTS

Our growth forecasts for the UK public sector S/ITS market are not purely a reflection of the government initiatives and spending plans. They also reflect our view on whether the allocated funding will get spent, and if so, how quickly.

If past performance is anything to go by (and it usually is), the government's IT spending plans will, more often than not, fall behind schedule. The final decision on where to spend money is handled at the local level e.g. at the local council, the local education authority or the primary care trust. One problem is that these government bodies interpret centrally issued directives in different ways.

But a bigger issue is the funding gap. Where there is a conflict for resources (or votes!) central government priorities will usually give way to local interests. The Lord Chancellor's Department for example, has stated that although it is committed to embracing the changes in the government's modernising agenda, *"the aim of the LCD is justice. The technology cannot be allowed to impede the delivery of that aim or of the PSA (Public Service Agreement) for the Department"*.

Unfortunately, the ring fencing of funds specifically for IT-related projects, as has occurred at the NHS, is the exception not the rule.

SPECTACULAR FAILURES ARE INEVITABLE

The UK e-government agenda is wildly ambitious. It is akin to attempting to complete a major change programme across the whole of the commercial sector over just half a decade. And this is without having sufficient inhouse

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experience or expertise in managing large S/ITS projects. As such, it is not difficult to foresee some pretty spectacular failures over the next few years.

One of the biggest causes of project failure in the public sector is the unwillingness to accept change. The need for suppliers to have business transformation capabilities rather than just 'IT' skills will be paramount. However, the challenge is immense. For example, the introduction of a national electronic appointment booking system in the NHS will require both GPs and consultants to accept a completely different way of working – a pretty tall order we think.

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INDICES (changes in Apr. 03)

Holway S/ITS	+14.2%	2700
Holway Internet	+6.8%	1904
FTSE IT (SCS)	+17.6%	340
techMARK 100	+14.2%	674
Nasdaq Comp	+9.2%	1464

EDS DOMINATES BUT STILL ROOM FOR SMALLER PLAYERS

EDS garners a lot of publicity over its dominant position in the UK public sector S/ITS market. The company leads our rankings with, by our estimates, some £1bn of revenue derived from UK government contracts last year. But in many ways this exaggerates EDS' perceived 'stranglehold' over the sector. Although it has won many mega deals in central government, it does not carry out all the work itself. Take the example of EDS' current outsourcing deal with the Inland Revenue signed in 1994 (mooted to be have been worth c£2.4bn over its life). We reckon that as much as two-thirds of the revenue from this contract finds its way to sub-contractors.

In addition, the public sector is making a concerted effort to attract a broader range of suppliers. For the mega deals, this has meant favouring bids from consortia. Working with consortia allows government to spread its risk across a number of suppliers, to work with companies that are 'best of breed', and to change one under-performing supplier within a consortia rather than having to replace the sole supplier on a contract. In addition, any cost cutting by suppliers will more likely flow direct to government rather than to the 'one-sourcer'.

This 'multisourcing' approach favours all types of supplier. The mega players such as **BT**, EDS or **Capita** are able to take the lead in the consortium and may offer to undertake the project management role or take the financial lead on the project. Smaller 'best of breed' or niche players with invaluable knowledge of the sector e.g. health, niche technical skills or targeted application software will not be short of offers to join consortia.

BARRIERS TO OFFSHORE PLAYERS WILL BE BREACHED

Offshore players have also been attracted by the growth in the UK public sector S/ITS market. However they are currently struggling to make an impression. They face political sensitivities regarding the loss of UK jobs as well as data security issues. As such, partnering with UK firms will be the way that most offshore players, particularly the smaller ones, take advantage of the growth – just as **Mastek** does with Capita. However, we have already seen a softening of attitude. Just last month (Apr. 03), **Agilisys**, a joint venture between **Jarvis** and **netdecisions**, won preferred supplier status on a £270m/ten-year contract with North Yorkshire local councils despite having an offshore facility in India. And Indian S/ITS player **Wipro** is bidding for status as a health sector 'local service provider' (LSP) in its own right.

NOT TO BE IGNORED

In summary, there is a big question mark over how successful the government's IT strategy will actually be. However, vast sums of money *will* be spent over the next five years, and it will be spent a lot more freely than in the commercial sector. As such, S/ITS suppliers cannot ignore this sector of the UK market. But for anyone wanting to compete in this market, careful consideration should be given to the risk involved in a project before starting the bidding process. And, by the way, once involved in any high profile government initiative, suppliers must also be ready to handle the inevitable press scrutiny.

HOLWAY COMMENT

Forecasts

OVUM HOLWAY'S FORECASTS

The very essence of what we do at Ovum Holway is to analyse the current situation, try to make some sense of it and then give our best view of what the future might hold. We do this by reviewing as many companies as we can. Our database currently exceeds 1000 companies with over £30bn of UK S/ITS revenues. We talk regularly with the CEOs of the leading players. In the last month alone I have spoken one-to-one with, amongst others, the heads of **IBM Global Services, EDS, LogicaCMG, Sage** and **Fujitsu Services**. The rest of the Ovum Holway team have spoken to many more.

How our subscribers act upon our forecasts is, of course, up to them.

A year back we gained a very high profile by contradicting the views of the then current Intellect CEO Survey. 75% of CEOs believed that their businesses would improve in the next quarter. We suggested that, not only would 2002 be a year of declining revenues (at the time we were forecasting a 1-2% reduction in total UK S/ITS revenues for 2002), but we also introduced the concept that the sector was now in its maturity stage and that growth would be modest (aligned with GDP) for many decades ahead.

The public reaction to this was highly critical. Afterall all other research firms continued to forecast positive growth. Indeed their forecasts ranged from +5% to over 12%! Although the many media articles (and a fair number of your e-mails) were against our views, we were buoyed by the private support we received from our CEO friends. *"Your forecasts are much more in line with our experiences and expectations"* and *"Thank goodness someone is telling it as it really is"* were just a couple of comments we recall from that time.

THE CHANCELLOR'S FORECASTS

A year back, the Chancellor, Gordon Brown, was also making his predictions for 2002. He forecast growth of 2.0 – 2.5%. It turned out at 1.8%. A year back his forecast for GDP growth in 2003 was 3.2%. In Apr. 03's budget, his forecasts are a full 1% lower at 2.25%. He too can't say he wasn't warned. It wasn't just us this time. Practically every analyst thought he was being too optimistic. As it turned out, that forecasting error means that he has had to double his borrowing requirement this year to £24bn.

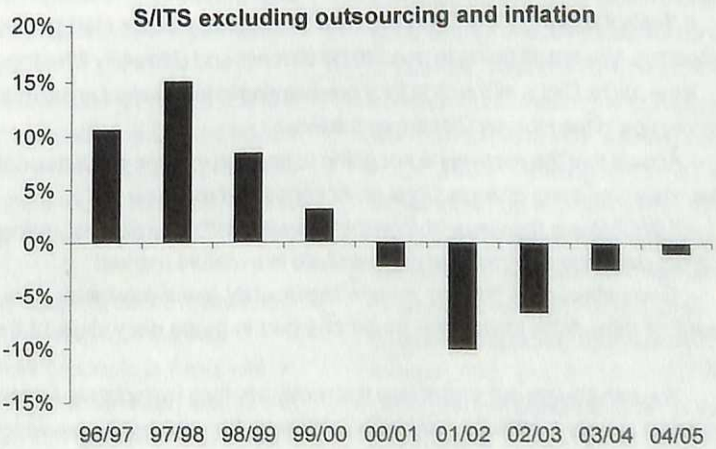
Now you would think that, with his credibility shot to bits, he'd be more 'prudent' this time around. But no. Brown now reckons GDP growth of 3.25% in 2004 – that's a full 0.5% *higher* than he was forecasting a year back. Yet again analysts are telling him he has got it wrong. *"Brown accused of 'wild optimism' as confidence in economy slips"* – Sunday Times 27th April 2003 – would be a typical headline. Forget Prudence - "*Gambling Gordon*" they now call him. Even though we don't pretend to be economic forecasters, these forecasts just don't track with the input we receive.

The wellbeing of the UK – indeed the global economy – really affects us though. Without a global recovery, IT stands no chance of staging its own recovery. If Gordon Brown's UK forecasts are not met he will have to raise taxes, increase borrowing or cut public expenditure. As spending in the NHS etc. is currently one of the only positive UK S/ITS sectors, if it grinds to a halt the effects could be calamitous. Conversely higher taxes will hit consumer spending with similar effects on the private sector.

2002 – THE WORST YEAR ON RECORD

As we put together the final analysis of all the 2002 resultswe can confirm that it really was **the worst year on record for the UK S/ITS sector.** When you read the full results in June's **SYSTEM**HOUSE, it will almost certainly show a c5% decline in real terms in the market. Indeed, ITS spending will have fallen by much more than that. It was only the continuing switch to outsourcing that saved the external S/ITS market from even greater pain.

S/ITS excluding outsourcing and inflation



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REVISING FORECASTS

But that's the past. What of 2003 and beyond?

A year back we were forecasting 2003 to be a 'flat' year with modest growth returning in 2004.

We are now revising both of those forecasts downwards. A continued decline in 2003 and 2004 to be the 'flat' year. The year when things will at last improve – *but only because they won't get any worse!*

The evidence for this, as usual, comes from what the industry and its users tell us *in private*. Not by way of CEO Trend Surveys. The latest Q1 2003 Intellect CEO Trend survey shows that 58% still think that business will get better next quarter (Q2/03). This despite a fall in both optimism and an expectation that their customers' IT spend will fall.

Indeed, as the Intellect analysis says: "*there are contradictions*". Optimistic to the end – we will still be reading *"industry poised for massive growth"* headlines as the last UK S/ITS company calls in the receivers.

Our forecasts come from our 'in private' conversations. As readers know, they have been much more accurate than both public statements and any trend survey. As the CEO of a 'Top Three' S/ITS company told us this month, *"I don't know a single customer who plans to increase his IT spend this year".*

CIOS TO CUT IT BUDGETS

Indeed, Ovum has been conducting interviews with the top CIOs in Europe over the last couple of months. The results (see *CIO Agenda 2003: Getting Into Shape*) do more than confirm that view. They show that, on average, those CIOs expect to *reduce* IT spend by 5% in 2003. The two largest budget holders interviewed (BP and Dresdner Kleinwort Wasserstein) both spend >$1.5bn p.a. and expect to cut their IT budgets by MORE than 5% p.a. On average those interviewed intend to reduce IT spend year after year after year henceforth.

We are now talking about 'second generation' cost reductions, which are more painful that 'first generation' cuts.

'First generation' cost cuts	'Second generation' cost cuts
Reducing contractors	Rationalisation
Delaying technology upgrades	Cutting ongoing operating costs
Cutting new projects	Laying off permanent staff
Cutting discretionary spend	

The Ovum research study says: *"today's CIO is down the gym working off the excesses of the late 1990s. It's time for a detox and fitness regime, after the blow out of Y2K and e-business."*

HOLWAY DIET

If that's the view of the CIOs then the S/ITS sector better start getting into shape too. We are all going to need to be slimmer and ultimately fitter too.

If the Atkins Diet is all the rage for those wanting to lose weight at the moment, the key tips in the Holway Diet are as follows:

- Accept that the recovery is not going to happen – not next quarter, not next year. Your world has changed forever. Accept it and move on.

- If 2003/4 are the years of *"competitiveness and marketshare"*, remember that not everyone can increase market share in a mature market!

- Competitiveness already means significantly lower fee rates – we have heard of rates 50% lower than those charged in those glory days of the late 1990s.

- You can charge out staff at less than cost only for a limited time. Accept that probably a majority of your staff are now on remuneration packages which you really can't afford anymore. If you can, try to get voluntary base salary cuts in return for a larger % of remuneration coming from performance bonuses. If you can't achieve that, then deeper job cuts will be essential.

- Unfortunately many of those losing their jobs will find it difficult to get new jobs without taking a cut too. One of the key reasons for this is that companies cutting jobs will move more-and-more to offshore resources where savings of over two-thirds will be made. Jobs in our sector in the UK will be lost forever. It is nigh on impossible to fight against this structural change. Joining it is the only viable route.

- But if you don't accept that, your competitors will and your users will move. The consequences for your business if that happens is ultimate decline and death.

WHAT USERS WANT

The Ovum CIO study had some interesting feedback.

Users now want payback. They want payback on all that investment they have already made. It's no good anymore promising IT Nirvana sometime in the distant future.

What do they want?
Payback!
When do they want it?
Now!

As budgets are squeezed, new project work is, as we have all experienced, the hardest hit. But new projects which promise quick payback in terms of reducing ongoing costs can still be justified.

Rationalisation is the name of the game. IT is no longer a fashion item – everything has to be cost justified. One of the causalities of this is decentralisation. Fine to delegate and let everyone do their own thing when times are good. But centralisation seems, yet again, to be the only way of forcing through budget cuts. Individual pet projects have to be sacrificed. Fewer different systems - and fewer business processes -

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are seen as the way to achieve costs cuts.

But this has a serious affect on the mid to smaller players. As the CIO at Dresdner Kleinwort Wasserstein said there is *"a flight back to blue chip suppliers. We are much less willing to experiment"*. Good news for **Microsoft, Oracle, IBM** and **SAP**. Not so good for others.

The other trend fully supported by Ovum's CIO study was the powerful move towards 'multisourcing'. Outsourcing – and BPO – were seen by CIOs as major mechanisms by which costs could be cut. But most favoured *multisourcing* over *onesourcing*. Different outsourcing suppliers were chosen for different applications and activities.

All this fitted with the return to centralisation. CIOs now see themselves as regaining much tighter control and acting much as the Programme Manager (or Clerk of the Works) as we have described in previous Holway Comment articles.

ACCEPT THE CHALLENGE

We would contend that if you:

1 – Accept the market forecasts and adjust your costs and expectations accordingly

2 – Concentrate on helping your customers achieve the cost savings and rationalisation which is clearly now the "Name of the Game",

then **there is no reason to be gloomy about the future.**

The failures will come only from those that continue to 'Live in Denial'.

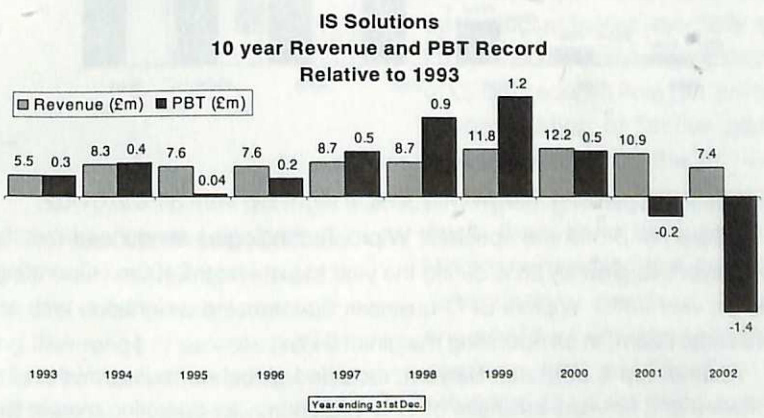
Neither you nor the Chancellor can say you were not warned of the current situation at least a year back. You cannot next year accuse us of writing with the "benefit of hindsight".

You have, as they say, been warned.

I S SOLUTIONS PREDICTS BOTTOM OF THE "DOWN CYCLE"

14%
6p

I S Solutions has announced its preliminary results for the year ended 31st Dec. 02. Turnover fell c32% to £7.4m and LBT deepened to £1.4m from £222K. Loss per share was 5.06p compared to 1.06p in 2001. In view of the *"continuing difficult trading conditions"*, the board has decided not to pay a dividend.



Commenting on the outlook, Barrie Clark, Chairman said, *"It is the Board's belief that we are reaching the bottom of the down cycle in our industry. We are experiencing more activity at the bidding stage and, although the process of closing business is still long and drawn out, we believe that 2003 offers greater opportunities"*.

Comment: I S Solutions' three operations experienced mixed fortunes:

- In its projects division, Clark reported that companies continued to hold back from investment in IT and projects and where projects were implemented there was *"substantial pressure"* on charge out rates.

- The picture was rosier in outsourcing, where revenues grew by 8.3% (the company doesn't say from what), and ongoing annualised revenue now covers 72% of total company overheads. However, what I S Solutions calls outsourcing we would class as support (the annual report lists, *"hardware, software, network, application support, security, technical services, content management, hosting and reporting"*).

- Meanwhile, the financial products division *"continues to be the most stable area of our business and was a strong contributor throughout the year"*.

One of I S Solutions' key clients for its financial products is Proquote, in which it had a small stake (at a cost of £25K). Proquote has been sold to the London Stock Exchange, resulting in an initial gain for I S Solutions of £480K, with a further £400K likely over the next two years – very handy.

Cost cutting measures during the year, including the closure of its US office (where revenues fell 69% to just £271K) and a 20% reduction in headcount, meant the company was able to move into *"a small profit in Q4 2002"*. Trading in Q1 03 is expected to be at breakeven.

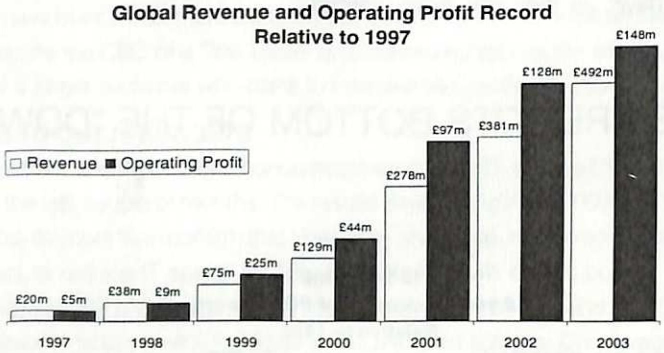
But it's a brave man who calls the end to the downturn - we have to say that we don't share Clark's optimism, especially as the projects market (like the S/ITS industry generally) will continue to be in the doldrums in 2003/04.

HAS INDIA LOST ITS FIRE?

It's been annual results reporting season in India this month. This gives us a good chance to catch up with the progress of leading players in the offshore IT services and BPO sector. We'll focus on three key players here. The key question is whether, despite the tough conditions and many reports of the offshore train going off the rails, the major offshore players are continuing to grow revenues and profits.

First up, we had results from **Infosys**, the second largest of the offshore specialists globally (behind TCS). In the year to end Mar. 03, the company's revenues totalled £492m - that's a 39% growth rate (using like-for-like revenues in Rupees). Operating margin was 30%, a slight slip from 34% in 01/02.

Infosys
Global Revenue and Operating Profit Record
Relative to 1997



Global no. 3 offshore specialist **Wipro Technologies** announced that its total revenues grew by 25% during the year to just under £400m. Operating margin was 28%. Wipro's BPO business Spectramind weighed in with an additional £23m, at an operating margin of 24%.

Another top 5 offshorer, **Satyam**, recorded global revenue growth in its software and services business of 17% to £280m. Its operating margin fell slightly to 31%.

So what do these and other announcements tell us about the progress of the offshore sector? To put it briefly:

- While growth rates may have slowed, the leading offshore companies are continuing to grow business at well above wider market rates and to pick up new customers. Looking forward, growth expectations for 2003/4 have been reduced but generally remain well into double digits. For example, Infosys has cut its revenue growth forecasts to end Mar. 04 to 24-26%. Satyam reckons it'll manage to keep growth at 15-17%.

- Offshore margins have felt the pinch of lowered pricing and increased costs in India, but offshoring clearly remains a highly profitable business for those that get it right.

- The US continues to lead the way in the offshore game - many offshore companies are reporting that the American market has actually grown faster than the much smaller European market during the past 12-15 months.

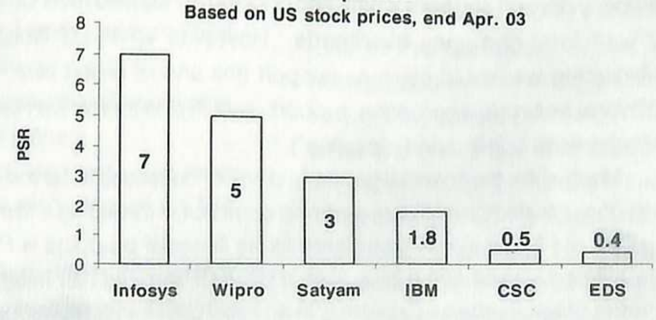
- Although this recent spate of results has seen a readjustment downwards in leading offshore share prices, many of these companies remain highly rated compared to most S/ITS players. For example, Wipro's current NYSE stock price gives it a market cap of just under $5bn, a P/E of 27 and a PSR of 5.

- Offshore BPO is starting to become a mainstream reality and looks set to play an increasingly important role in the UK market, both through the direct operations of companies (for example BT, with its recent announcements around India-based call centres) and as the offshore specialists begin to target more BPO contracts.

- This month we've also seen more evidence of the growing role of acquisitions in offshore players' strategies. Wipro announced it plans to spend $19m to buy US consultancy **Nervewire**. We can expect to see further moves like this in the coming year as the offshore leaders seek to expand their local sales and consulting presence in key markets, including the UK.

All in all, any reports of the demise of the offshore industry would appear to be greatly exaggerated.

Price/sales ratio comparisons for offshore companies
Based on US stock prices, end Apr. 03



35%
37p

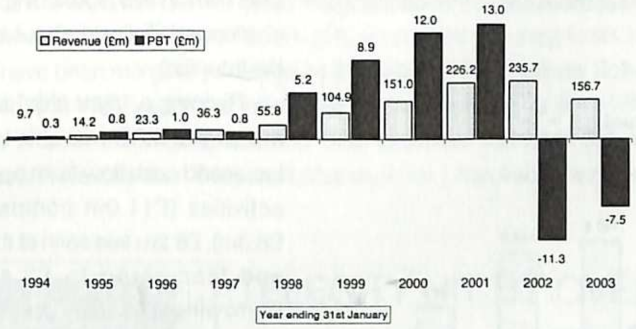
HARVEY NASH

LIMITED VISIBILITY AFFORDS NO COMFORT

Harvey Nash has announced results for the year to 31st Jan. 03.
- Turnover fell 33% to £156.7m, UK revenues were down 38% to £85.1m
- Operating losses 'improved' from £8.3m to £6.4m
- Loss before tax, previously £11.3m, is now £7.5m
- Loss per share is now 14.91p (39.38p).

Commenting on the outlook, David Higgins, CEO, said: "*Since the start of the financial year demand in the UK and Europe has weakened and visibility across all of these markets is limited. Markets in Asia Pacific have also weakened and therefore break-even in our Hong Kong and Sydney offices is likely to be delayed*".

Harvey Nash Group plc
10 year Revenue and PBT Record
Relative to 1994



Comment: We spoke with David Higgins and Albert Ellis (Finance Director) on the day of the results. They were pretty direct – they see no improvement in the markets in which Harvey Nash operates, and visibility "*remains limited*". However, they are committed to maintaining their range of services (interim management, executive search, contractor and permanent recruitment, HR consulting and offshore development), to building the overseas operations (in the US, Asia Pac and mainland Europe), and to developing business in sectors other than IT (such as healthcare, finance and the public sector).

The aim is to generate more than half of revenues outside of the UK – Higgins is adamant that there's no future for companies that just provide IT contractors in the one geography (especially in the UK where margins are extremely tight). For Harvey Nash, FY03 was a step in the right direction as overseas revenues now account for 46% of the total (up from 41%). But we could be cynical and point out that UK revenues fell faster than overseas revenues in FY03 - 39% compared to 25%, and even allowing for the fact they exited the resource management market last year, UK revenues declined 31% - so the change to the mix was not entirely positive.

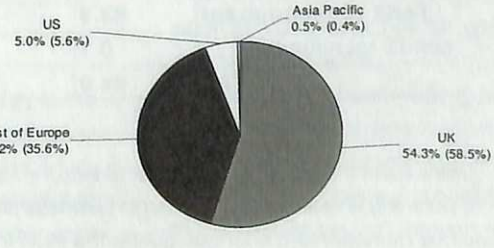
Whilst revenues, across all geographies, continued to fall H2/H1, Harvey Nash was keen to point out that profitability (pre goodwill amortisation and exceptional items) improved from £0.2m in H1, to £1.0m in H2. The UK & European resourcing businesses generated almost all the profits, but the US business deserves a mention as it moved into the black in H2 (most UK-based ITSAs, with the notable exception of **Glotel**, have given up completely on the US). However, losses deepened in Consulting (across all geographies). Total adjusted operating profit of £1.2m in FY03 compares to £2.8m the year prior.

We were most impressed by the fact that the company maintained gross margins (21.3% compared to 21.9% last year), and reported a 25% increase in permanent fees in the UK (a super performance in current market conditions).

But Harvey Nash is not out of the woods yet. Cash flow from operating activities fell 55% to £5.7m, and the company has debts of £5.6m (reduced from £21.5m by a combination of "*active cash management*" and the c£14m proceeds of last year's fund raising). Again there is no dividend, but Higgins commented that they are not under pressure from shareholders to reinstate the dividend (last paid in FY01), providing they are seen to be investing in the right areas, for the longer term.

The share price was down 10.4% to 34.5p on the day, but rallied over the month to end at 37p.

Harvey Nash Group plc 2003 geographical mix
Total Revenue = £156.7m



30%
48p

MSB INTERNATIONAL PLC

ABOARD THE TIGHT SHIP MSB

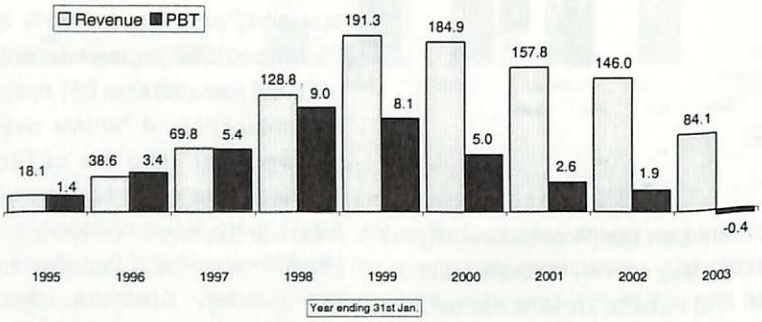
MSB International, one of the UK's leading ITSAs has announced its preliminary results for the year ended 31st Jan. 03. Turnover fell 42% to £84.1m, with H2 down c23% on H1. Last year's PBT of £1.9m was converted into an LBT of £421K, and loss per share was 2.32p compared to an EPS of 6.4p.

Commenting on the outlook, Paul Davies, Chairman of MSB, said: "*Trading in the first two months of this financial year has been in line with management's expectations. Whilst market conditions continue to be tough, the Board believes that the necessary steps have been taken for a return to positive earnings and remains confident in the long term prospects for the company*".

Company	Share Price (30/04/03)	Dividend (p)	Yield
Glotel	50.0	0.0	0.0%
Harvey Nash	37.0	0.0	0.0%
Highams	7.0	0.1	1.4%
Lorien	54.0	0.0	0.0%
MSB	48.0	2.1	4.4%
Parity	9.0	0.3	2.9%
PSD	146.0	6.0	4.1%
SBS	10.0	0.0	0.0%
Spring	53.0	0.2	0.4%

Comment: We met up with the 'new' board at MSB – Andrew Zielinksi (CEO and former FD), Douglas Adshead-Grant (appointed FD in Nov. 02) and Paul Davies (appointed Chairman in Nov. 02) – to hear more about the results.

MSB International plc
9 year Revenue and PBT Record
Relative to 1995



MSB's c46% drop in UK ITSA revenues was more severe than that experienced by many rival ITSAs, and sharper than the overall decline in the UK ITSA market in 2002.

MSB FYE: 31st January	Turnover £m 2003	 2002	 Change
UK	69.1	129.2	-46.5%
Continental Europe	14.1	16.5	-14.5%
Rest of the World	0.7	0.3	115.4%
Total IT recruitment	**83.9**	**146.0**	-42.5%
non-IT recruitment	0.1	0.0	n/a
TOTAL	**84.0**	**146.0**	**-42.5%**

Zielinksi put this down to a number of factors, including a deliberate policy of *not* pursuing unrealistically low margin business and the inevitable distraction of various management changes during the year. Instead of going for market share the focus was the bottom line, and here Zielinski and his team have done better than many. Indeed MSB's pre tax loss of £0.4m was entirely due to a write down in the carrying value of its own shares (something we had challenged Zielinski about back at the interims).

Running a "*tight ship*" in FY03 meant that MSB was able to show increased cash flow from operating activities (£11.0m compared to £8.3m), £6.2m free cash at the year-end (compared to £3.4m net borrowings), and a gross profit margin of 15.2% (down from 16.6%, but still respectable for an ITSA).

In our opinion, MSB enters the year in good shape. They have paid off a £5.0m loan (so there will be no further interest charges), they have no goodwill on the books, and the cost base has been reduced by over £9m. The recently formed Finance and Sales recruitment divisions should make a greater contribution in the year ahead, and, we were told, are expected to be profitable in their own right. Given that the business has "*stabilised*" over the past three months, MSB should be on course to return to profitability in FY04.

In the meantime, shareholders were rewarded with a final dividend of 1.4p, making the total dividend for the year 2.1p (2002: 2.8p). Based on the share price at the end of the month, that's a yield of 4.4% - higher than many rival ITSAs.

IBM GLOBAL SERVICES - BULLISH ABOUT PROSPECTS IN 2003

IBM has reported its Q1 results to 31st Mar. 03 revealing an increase in revenues from continuing operations of 11% to $20.1bn (up 4% at constant currency) with all geographic units achieving growth over the period. Revenues from EMEA were up 23% to $6.3bn or up 3% at constant currency. Net income was $1.4bn compared to $1.2bn in Q102 reflecting expenses relating to the acquisitions of **PwC Consulting** and **Rational Software** but partly offset by "*the benefits of the 2002 productivity and skills rebalancing actions*". Diluted EPS was up 8% at $0.79.

Whilst hardware revenues declined by 1% over the period, both the Global Services and Software divisions grew. The former grew by 24% (15% at constant currency) to $10.2bn aided by the acquisition of PwC Consulting. Excluding maintenance, the growth was 27% (or 17% at constant currency). Pre-tax income declined by 8% to $983K compared to Q102. This reflects the cost of integration but with gross margins also down slightly from 26.0% to 24.9% also highlights the fact that PwCC ran at lower gross margins than IBM's core services business.

Software revenues were up by 8% (2% at constant currency) to $3.1bn. This would have been marginally affected by the acquisition of Rational Software on 21st Feb. 03. Within software, middleware revenues were up 9% (with strong growth in both the Websphere and DB2 database management software products). Revenues from Tivoli and Lotus declined. Overall software gross profit margins were up from 81.1% to 84.6%.

Comment: Without knowing the 'real' growth in revenues i.e. without PwC Consulting, it is hard to tell how the Global Services business performed. This could very well translate into a revenue decline if the acquisition is excluded. All we can say is that when we met up with the UK Head of IBM Global Services, Richard Atkins, last month, he was pretty bullish about the prospects for IBM GS in 2003.

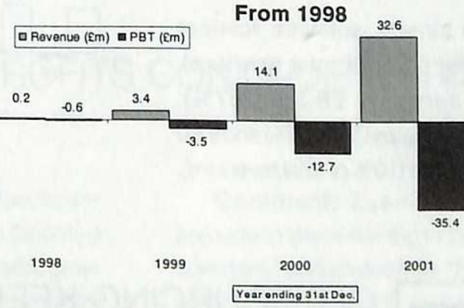
With regards to software, IBM did well to increase its revenues in this area. It has clearly benefited from the demand for its middleware as clients continue to 'make do' with integrating their legacy systems.

36%
5p

TELECITY HIT BY OVER-CAPACITY AND COMPANY FAILURES

Colocation services provider **TeleCity** has announced results for the year to 31st Dec. 02. Revenue fell 23.5% to £25.0m, however excluding exceptional revenue arising as a result of early termination of a "*significant contract*" in 2002, and £7.5m sales of storage equipment as part of a one-off contract in 2001, revenue fell 5.5% to £23.8m. Operating losses were £14.5m, compared to £21.2m in 2001. LBT, including £26.2m of asset write-downs, write-offs and redundancy costs, totalled £40.6m (£35.4m in 2001). Loss per share was 20.1p (25.2p in 2001).

TeleCity plc
5 year Revenue & PBT Record
From 1998



Michael Hepher, TeleCity Chairman, was optimistic in his outlook and believes things have improved in the European colocation market: "*Activity levels stabilised across all our geographic markets in 2002 following the dramatic slowdown witnessed the previous year*". He also claimed TeleCity would show an EBITDA positive performance in Q1 (i.e. Jan. to Mar.) of 2003, earlier than previously anticipated.

Comment: 2002 was another difficult year for TeleCity. Overcapacity in the colocation sector led to the closure of a number of surplus properties (the company now operates from nine sites - London (2), Amsterdam (2), Paris, Frankfurt, Stockholm, Manchester and Dublin), and a reduction in headcount from 262 at the end of FY01 to 174. However Hepher observed that the exit of a number of competiors continues to reduce over-capacity in the market.

Revenues in FY02 were hit by a number of customer failures (including KPNQWest). Fortunately these failures did not result in any bad debt as customers pay for space quarterly in advance.

TeleCity has been working hard to win business with new customers and reduce its reliance on a small number of large telcos. It is confident that it is "*fully funded*" through to a cash generative position.

1%
101p

SIRIUS - BACK IN THE BLACK

Sirius Financial Solutions, a supplier of insurance software, has announced upbeat results for the year to 31st Dec. 02. Turnover (all organic) rose 30.5% to £22.7m, a LBT of £281K was converted into a PBT of £1.9m. Similarly a loss per share of 4p in 2001 became an EPS of 5.9p.

Commenting on the outlook, Stephen Verral, CE, said *"Although we have confidence in our ability to build on our recent successes, we consider it prudent to set conservative growth expectations for the coming year. Nevertheless, we aim to achieve increased sales for each of our three products, and to retain our focus on building a profitable, cash generative business"*.

Sirius' profits were boosted by a £1m rollover contract from 2001, but nevertheless these are a fine set of results. The company made progress in all four of its divisions:

- The solutions business, which sells to enterprise customers including the Royal Bank of Scotland and the Co-Operative Bank, did particularly well. Revenues virtually doubled to £8.9m and now account for 39% of total revenues. Not bad for a division that was set up in 1998. The UK market generated the majority of the revenues. Sirius reacted to the lack lustre performance of its US market by cutting costs. The result was US revenues fell by 62% to £730K but the company delivered a small operating profit of £60K (loss of £557K in 2001).

- The systems division, which services the SME broker market, reported a 15% rise in revenues to £7m.

- In the support services division, which provides maintenance contracts and customer support, revenues rose 7.7% to £4.2m.

- MEDIAmaker, which supplies media design and build services, saw revenues rise 6% to £2.6m.

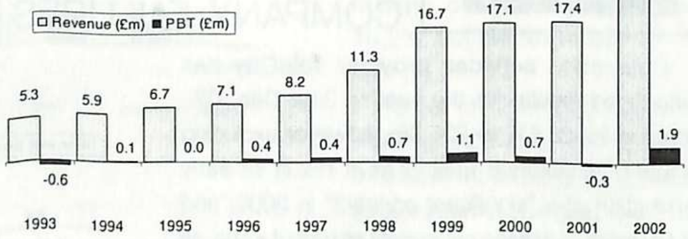
By revenue stream, software licences generated £5.9m (26% of total revenues), professional services £8.5m (37%), maintenance and updates £6m (26%) and third party products £2.3m (10% of total revenues).

Comment: For a minnow, Sirius is doing very well and has notched up wins in the UK against the likes of **Marlborough Stirling, Misys** and **TiG**. We hope it can keep up the momentum.

We can understand why Sirius wants to expand globally. The US is the largest potential market for insurance software. But Sirius lacks the scale to compete here.

It really needs to step up a gear in its partner program or consider whether now is the right time to attack the US market. In the short term we believe it would be better for the company to focus on the UK and build up its presence here before attempting to battle it out in the US.

Sirius Financial Solutions plc
10 year Revenue and PBT Record
Relative to 1993



OUTSOURCING KEEPS ACCENTURE ON A STEADY COURSE

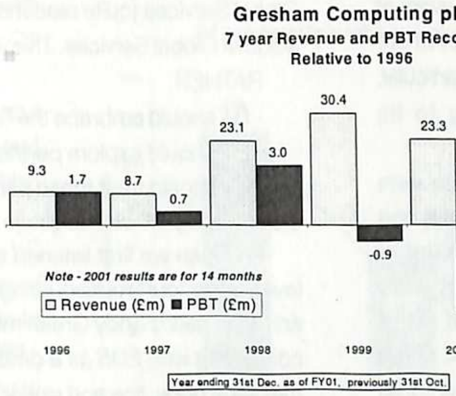
Accenture has announced results for its first half. Revenues for the six months ended 28th Feb. 03 fell 2.5% to $5.76bn, operating income was down a tad to $797m, but pre-tax income rose 70% to $836m (as last year there was a c$300m write off on investments). EPS rose from $0.22 to $0.52. Outsourcing was the main driver, with net revenues increasing by 33% in Q2 to $828m. Outsourcing now represents 29% of Accenture's total revenues. However, outsourcing costs rose $218m. Meanwhile, consulting revenues were down 15% in Q2 to $2bn. EMEA revenues for the half-year rose 1% to $2.62bn but fell in local currency terms. EMEA now represents about 46% of Accenture's total revenues. Accenture CEO and chairman Joe Forehand is still holding on to his full year forecast of 0%-2% revenue growth and a target EPS of $1.05.

Comment: No real surprises here. Interesting to see the comment on outsourcing costs for new contracts - this is a problem for all major outsourcing players and is a potential obstacle to signing megadeals, especially now that accounting practices are under such great scrutiny.

72%
88p
gresham
banking·integration·storage

GRESHAM - NOT A BEST SELLER

Gresham Computing has announced its preliminary results for the year ended 31st Dec. 02. Following a change in Gresham's year end, comparative figures are for the 14 months to 31st Dec. 01. Turnover fell 53% to £11.6m (turnover from continuing operations fell 36.8%). An LBT of £973K was converted to a PBT of £1.1m and similarly loss per share of 3.32p became EPS of 2.45p.



Commenting on the outlook, Sid Green, Chairman, said, "*The next twelve months will be pivotal in achieving our objectives (providing the group with a platform for sustainable long term growth). Although market conditions remain difficult, we are encouraged by the increasing market interest in RTN and Casablanca. Our focus will be to realise the interest that we have generated in order to deliver the significant medium and long term growth that we believe is achievable*".

Comment: Investors seem to be more impressed by Gresham's results than we are. Its shares have ended the month up 72% at 88p. PBT was boosted by the sale of its SIM business, which generated £4.9m in FY02. Operating loss deepened from £2.1m to £3.7m. The company still has high hopes for its various initiatives despite delays in their delivery:

- The Real Time Nostro service "*is taking longer to bring the service to market than originally expected*". The service is expected to commence revenue generation in H2 03.

- Its integration product, Casablanca, "*has yet to result in significant revenue*", but the company expects it to generate an increasing revenue stream as the year progresses.

- Lastly, in storage, the results have "*been disappointing*". As a result Gresham is seeking to develop partnerships with application and storage vendors.

We hope Gresham does succeed in its initiatives but progress to date doesn't give us much to cheer about.

Microsoft

GROWTH AND PROFITS CONTINUE TO RISE

Microsoft has announced 'better than expected Q3' results for the period ended 31st Mar. 03. Revenue rose 8% to $7.25bn (boosted by $200m on favourable exchange rates) and operating income grew 13% to $3.72bn. However the company did guide earnings expectations for Jun. 04 down from $34.9bn to $33.1bn - $33.8bn.

All of Microsoft's seven operating divisions posted rises except the home and entertainment division – where Xbox resides. Here revenues fell 41% to $778m. In its other divisions, client (operating systems) rose 10% to $2.3bn, servers rose 21% to $1.5bn and information worker (office and desktop apps) rose 9% to $2.1bn. Business solutions (Great Plains and Navision) rose 96% boosted predominately by the Navision acquisition at the beginning of the year. MSN posted a 25% increase in revenues to $404m and reported that subscription revenue was up 9%. Lastly CE/Mobility (pocket PC, handheld PC etc) was up 41% to $21m. By geography, EMEA's revenues rose 12% to $1.6bn, Americas was up 9% to $2.9bn but Japan and Asia Pac fell 4% to $871m, OEM was up 9% to $2.5bn.

Comment: Even Microsoft is not immune to the softening in the market. The company acknowledged "*that its growth was driven primarily by recognition of unearned revenue from strong multi-year licensing in prior periods*". Indeed Steve Ballmer is "*expecting things to remain slow in terms of growth over the course of the next twelve months*".

Microsoft continues to make progress in the enterprise space, more than half of its total growth for Q3 came from its server division. Meanwhile the failure of Xbox is disappointing, but with cash balances and short term investments of $46bn, Microsoft can still afford (and will no doubt) continue to throw money at it.

"A BILLION REASONS TO TRUST BT"

That was the title of the event at BT Tower earlier in the month where BT outlined its ICT and, in particular, its outsourcing strategy to its customers and the press.

We were asked to join with Pierre Damon (CEO BT Retail) and Andy Green (CEO BT Global Services) to present an independent view of the outsourcing scene in the UK. Given some of our recent comments on BT in this area, this was either a brave or foolish invitation to extend!

A summary of our views (which you can reread in the archive or at Holway@Ovum) would be:

THE GOOD BITS

- BT is a telco and quite good at all things related thereto (like network management)
- What was known as BT Ignite Solutions is the UK market leader in network management service
- If BT is to retain its margins, it has to ensure it gets a share of the higher end of the network management market – rather than being treated like a low margin utility subcontractor
- BT is still a "trusted" brand with financial muscle
- BT has, as its customers, most of (19 out of the Top 20) the UK's leading companies/organisations
- BT Syntegra is one of the UK's largest Systems Integrators.

STICKING TO THE KNITTING

- We think that BT should concentrate on what it is good at (see above) and exploit its current strengths (see above)
- Most of BT's past problems have been caused by them "moving out of their box"
- BT should NOT try to be a "onesourcer" and do everything that EDS or IBM do
- Renaming BT Ignite as BT Global Services (quite reasonably) gave people the idea that BT aspired to be like IBM Global Services. This we thought was wrong (for reasons – see above)

RATHER

- BT should embrace the "multisourcing" concept
- BT should explore partnerships to "fill in the gaps" in its ICT offerings
- BT should treat those partners with respect (and not try to compete with them or screw their margins).

So when we first listened to Pierre Damon exploit all these points of ours (even using "our" multisourcing/onesourcing/Clerk of the Works terms liberally) and then heard Andy Green make the points even more strongly *("We are not competing with EDS as a onesourcer")* we felt they had really swallowed our message hook, line and sinker.

Actually, it makes one's job as an analyst rather rewarding. *Good grief customers really do read our stuff AND, not only pay attention but actually ACT ON IT.*

So if BT can listen to us, we also listened to what BT announced yesterday too.

CONTRACT WINS

BT say they have closed £1.5bn of outsourcing contracts in the last six months. Actually most of them are either network management deals OR partnership/consortium deals where BT is responsible for the network management i.e. exactly what we would want them to do! Contracts are illustrated in the table. **ALL of the deals listed are for network management in some way or other.**

Customer	Value of contract	Length of contract (yrs)
Unilever	E1bn	7
Capita	£18m	10
Bavarian Government	E200m	7
Abbey National	£125m	5
Spanish Government	E20m	4
Bradford & Bingley	£140m	10
National Australia Group	£145m	5
Honeywell	N/a	5
Syngenta	£7.5m	4
Royal Mail (with Xansa & CSC)*	£1.5bn (total value)	10
Sainsbury's (with Accenture)	c£1bn (total value)	7

**To be signed end April*

In the Fusion Alliance (for the Inland Revenue where they are head-to-head with EDS and **CGE&Y**) again BT Global Services will provide the network management bits. But, additionally, BT Syntegra will be the "Clerk of the Works/ Programme Manager" and, of course, BT itself is "bankrolling" the contract. The other consortium members are **SchlumbergerSema**, **CSC** and **Computacenter**.

Stick to the knitting, exploit your strengths, don't try to be what you are not, embrace multisourcing, choose your partners carefully and treat them with respect.

We never thought we would get to the point of saying we agreed with BT's ITS strategy…but as it's pretty close to what we proposed in the first place, it's difficult to argue against it now!

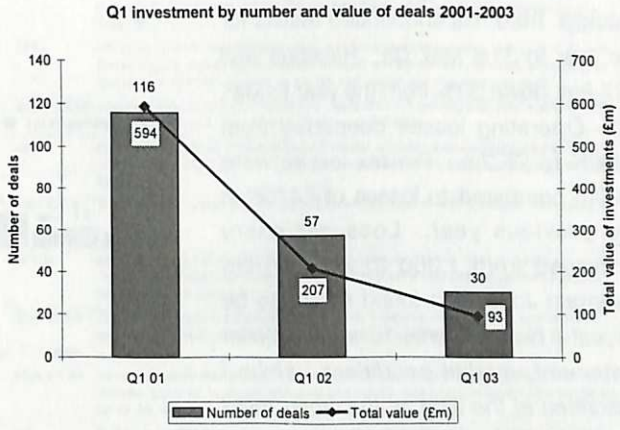
PRIVATE EQUITY INVESTMENT FALLS TO 1997/8 LEVELS

Cobalt Corporate Finance has provided us with details of investment deals in the UK IT market for Q1 of this year.

In summary, both the *total number* of deals and the *total value* of deals is lower than in 2001 and 2002. Indeed, the level of activity is akin to that which Cobalt recorded back in 1997/1998.

Over the quarter, the total number of tech VC investment transactions was 30 and total value of investments amounted to £93m. This compares to 57 and £207m in 2002, and 116 and £594m in 2001. In the past, March has seen some VCs clambering to close deals before the end of the tax year thus boosting the figures. Cobalt speculates that the war on Iraq has made investors take a more cautious stance.

Q1 investment by number and value of deals 2001-2003



Interestingly all seven deals in Mar. 03 were in software companies. The biggest of the investments was undertaken by a syndicate incorporating Advanced Technology Ventures, Leapfrog Ventures (investment vehicle for PWC), and Silicon Valley Bank. The group invested £8m (second round funding) in Striva Corporation, a provider of database management technology. Investment in later stage companies has continued to be a feature of the landscape this year with investment in later stage companies making up two thirds of the deals so far. Cautiousness was particularly evident in March with just one of the seven deals involving first round funding.

Top Five deals by value Q103

	Month	Company	Description	Investor(s)	£m	Round
1	Mar-03	Striva Corporation	Provides database management software	Advanced Technology Ventures, Leapfrog Ventures (investment vehicle for PWC), Silicon Valley Bank	8.0	2nd Round
2	Jan-03	Display Products Technology	Repairer of flat panels	3i	8.0	1st Round
3	Mar-03	Corvil Networks	developer of network management and operations support software	Apax Partners, Cisco Systems, ACT Venture Capital	6.8	2nd Round
4	Mar-03	Transitive Technologies	develops and licenses software that enables transportability of software applications across multiple processor architectures	Crescendo Ventures, Pond Ventures	6.2	2nd Round
5	Feb-03	Icera Semiconductor	fabless semiconductor company designing integrated circuit devices for the wireless terminal market	Benchmark, Atlas	6.2	1st Round

Cobalt Corporate Finance

Cobalt Corporate Finance specialises in providing corporate finance advice to Technology and Media companies on fund raising, sales, acquisitions & MBOs, and financial strategy. We would like to thank Cobalt for providing us with the data on private equity funding in the IT sector.

UNISYS
Imagine it. Done.

UNISYS NEAR TO JOINING THE '80:20 CLUB'

Unisys has announced a pretty good set of results for Q103. Revenues for the three months ended 31st Mar. 03 rose 2.6% to $1.4bn, operating income dropped 2.8% to $76.6m, but pre-tax income rose 17.6% to $57.5m. EPS grew 20% to $0.12. Once again, services left technology (i.e. hardware) well behind. Services revenues grew 5.5% to $1.11bn and now represents almost 80% of Unisys' total business. Technology revenue fell 6.7% to $292m. However, gross margins on technology were 50% compared to 18.7% for services and operating margins for technology stood at 11.1% compared to 3.1% for services. Services growth was driven by *"double-digit growth in outsourcing"* including BPO, although there were *"slight revenue declines in SI and consulting and infrastructure services"*. Unisys is sticking to its full year outlook for *"double-digit earnings growth"*.

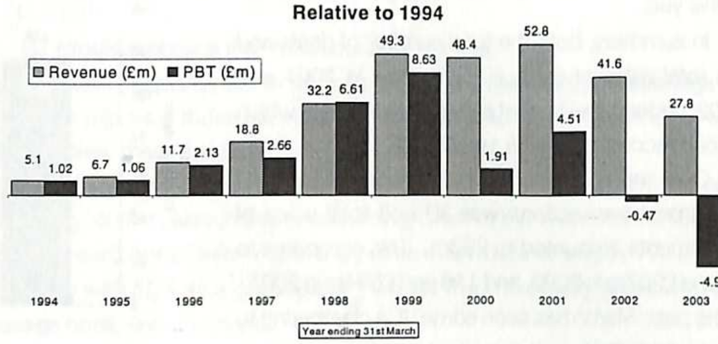
Comment: Unisys just keeps on rolling along. The recently signed £300m 10 year BPO at Royal & Sun Alliance goes to show they are very much a force in back-office BPO even if they haven't apparently signed any major UK IT outsourcing deals of late.

-15%
28p

TRIAD SINKS DEEPER

Consultancy, SI and contract resources provider **Triad** has announced results for the year to 31st Mar. 03. Revenue was £27.8m, down 33% from the year to Mar. 02. Operating losses deepened from £932K to £5.2m. Pre-tax losses were £5.0m compared to losses of £470K in the previous year. Loss per share worsened from 1.36p to 27.2p. Triad chairman John Rigg found it hard to be upbeat in his comments: *"Since my interim statement, market conditions, which I described at the time as the worst that I have encountered in almost twenty years in the industry, have shown no sign of improvement."* He noted that market conditions remain *"extremely challenging"* in both the consulting/SI and resourcing parts of the business

Triad Group plc
10 year Revenue and PBT Record
Relative to 1994



Comment: It's been another tough year for Triad (once the proud owner of a *SystemHouse Boring Award*) with a big fall in turnover following the 27% drop it experienced in FY02. Most (c80%) of Triad's business comes from its ITSA arm, **Generic Software Consultants** (acquired in 1996). Rigg commented that the resourcing business performed *"creditably"* – so the rest of the business must have been even more dire. Gross margins across the business plunged from 16.2% to 7.2%, which is at the very, very bottom end of what an ITSA can even hope to struggle by on if volumes are high enough (which they aren't!). By way of comparison, **MSB** achieved 15.2% gross margins, **SBS** did 19.8% and **Lorien** managed 14.2%.

The immediate challenge is of course for Triad to stem its deepening losses, and we can't help wondering whether Rigg now regrets the decision to spend £4.9m of Triad's dwindling cash pile on share buy-backs during the year. We can only hope that the cost-cutting measures undertaken during recent months will bring real and rapid results.

The share price was down 15% over the month at 28p.

UK AND US OPERATIONS RESTORED TO *"PROFITABLE FOOTING"*

Japanese IT giant **Fujitsu** has announced its full year results for the 12 months to 31st Mar. 03. Net sales were down 8% to Y4.62T (c$38.5bn) although the company returned to profit at the operational level of Y100T (c$837m), turning around from a Y74T loss in the previous year. However, massive restructuring charges resulted in a pre-tax loss of Y148T (c$1.23bn), although this was hugely better than the Y595T loss the prior year. Fujitsu's Software & Services business also suffered, with revenues down 2.9% to Y2T (c$16.9bn), but this now represents 44% of total revenues, up from 41% last year. Operating profits grew 19% to Y177T (c$1.47bn), a 8.4% margin, up from 7.4%. Most (74%) of Fujitsu's S/ITS revenue comes from Japan, where turnover dropped 1.8% to Y1.5T. S/ITS revenue in the rest of the world fell by 5.9% to Y519bn (c$4.3bn).

Fujitsu's S/ITS revenue is roughly equally split between Solutions/SI (46%) and Infrastructure Services (54%). Curiously, it was the Solutions/SI business that saw some (very small) growth (+0.2%) whereas the Infrastructure Services business fell 5.4%. Fujitsu's forecast for FY03 looks for an overall 4.0% rise in net sales, with S/ITS growing faster at 4.7%. However, they are expecting S/ITS revenue outside of Japan to fall by 1.7%.

Comment: Most of Fujitsu's S/ITS revenue outside of Japan comes from its sibling services arms, European-based **Fujitsu Services** (sort of 'old **ICL**') and US-based **Fujitsu Consulting** (sort of 'old DMR').

We are meeting top executives soon and hope to get a clearer picture how these businesses performed. However, we are heartened to note that *"Fujitsu's key operations in the UK and US were restored to a profitable footing"* though of course we are worried (though not unduly surprised) that the outlook for the year in revenue terms is gloomy.

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
CNET Networks UK Ltd	European Technology Forum	Technology events	100%	n/a	The IT events business is about as difficult a place to be as any in these challenging times. Being part of a bigger group may make things a little less uncomfortable.
CODASciSys	Business Collaborator, a division of QuantiSci (a wholly owned subsidiary of Enviros Ltd)	Collaboration solutions	100%	£2.8m	CODASciSys bought Business Collaborator for cash. In the year to 31st Dec. 02 the company turned over £1.3m and made an OP of £360K.
DICOM Group plc	Mohomine Inc.	Text categorisation & extraction software	100%	max £4.8m	Mohomine's software automatically classifies and extracts text from unstructured documents. Customers include Oracle, Peoplesoft. IBM and the US Department of Defence.
Ferrovial Servicios S.A.	Amey plc	Support services, including BPO & FM, in the public and private sectors	100%	£81m	Ferrovial, Spain's largest construction company, already operates in the UK (it co-runs Bristol airport). It sees the acquisition of Amey as "*a platform from which to develop its business in PFI/PPP markets*" in the UK and elsewhere. The offer is in cash.
InTechnology plc	Allasso (from Articon-Integralis AG)	Network and information security distributor	100%	max. £19.8m	Allasso claims to be Europe's leading distributor of IT security products, with over 220 staff in six countries. Revenues in FY02 were £104.8m.
Maxim Training Corp (UK) Ltd	KnowledgePool from Fujitsu	Training solutions	100%	n/a	Maxim (subsidiary of TomaNet Inc of Canada) acquired KnowledgePool for an undisclosed sum. A new UK CEO will be appointed as Paul Butler is staying with Fujitsu Services.
MBO	Human Resources Technology Ltd (HRTL) from Retail Decisions	Clinical information and HR software	60%	max. £866K	Retail Decisions sold its non-core subsidiary, but retains a 40% stake in the operation.
Misys	Crossmar Matching Service from Crossmar Inc.	Foreign exchange (FX) /money market (MM) software	100%	c£8.3m	Misys acquired CMS from Crossmar, a subsidiary of Citicorp. CMS provides a "*confirmation matching service*" aimed primarily at FX and MM transactions between banks and their customers.
NIB Capital Private Equity	Getronics Human Resources Solutions BV (GHRS) from Getronics	Payroll processing, HR consultancy and s/w development	100%	EUR 315m	Troubled Netherlands-based IT services firm Getronics disposed of its non-core HR solutions business, resulting in a books profit of EUR 270m.
SDL	Lomac SP z.o.o.and subsidiary companies	Localisation and translation services in Eastern Europe	100%	max. £1.2m	Lomac operates mainly from Poland and the Czech Republic, with further offices in Croatia, Slovenia, Hungary, Romania and Russia. The company made a PBT of £0.5m on £1.8m revenue in FY02.
Syan	Dyadic Systems Ltd	pSeries systems & storage solutions	100%	n/a	Dyadic is an IBM Business Partner for pSeries (RS6000) systems & storage solutions. The acquisition reinforces Syan's support capability in the midrange & desktop markets.
Tribal Group	Foundation Software Solutions Ltd	Management information systems for LEA's	100	max. £4.8m	FSSL supplies MIS to more than 80 LEA's. Approximately half of revenues are underpinned by support and maintenance contracts.
XKO Group	Control Group Ltd	ERP vendor	100%	£1.2m	Control Group has c40 staff, and made a PBT of £23K on revs of £4.6m in FY02. They compete with XKO in the mid range ERP market, and bring an installed base of c75 customers and £1m contracted revenues.

49%
55p

CHELFORD GROUP: "*STRONG PIPELINE*"

SCM provider, **Chelford Group**, has announced preliminary results for the year ended 31st Dec. 02. Revenues fell 6.6% to £7.3m. LBT and loss per share remained virtually static at £1.02m and 0.16p respectively.

Commenting on the outlook, Chairman, William Birkett, said, "*Going into 2003, markets continue to be challenging but with the opportunities for significant business from our customer base, strong positioning in our key vertical markets and the additional opportunities presented by Chelford SAP Solutions Ltd, your Board looks forward to an EBITDA profit in 2003. Performance in Q1 is encouraging, with improvement over Q1 2002 and with a strong pipeline of new opportunities*".

Comment - Chelford really only came onto our radar in Dec. 02 when the company acquired **Cleves Solutions**, a **SAP** VAR and solutions provider. The company has two sides to its business. It provides SCM and collaborative commerce solutions, based on its proprietary software, for the mid market, specifically for the food and drink, mill and metals, and chemicals and pharmaceutical industries. Through Cleves it provides solutions based on SAP, for wholesale and distribution, and other consumer packaged goods.

Chelford attributed the lower revenues to lower levels of third party products and decision delay by some customers. There were some bright spots though. The company signed major new contracts with customers including Bank of England, Shell Global Solutions and Axminster Carpets, which will provide "*a significant level of contracted activity going forward into the next financial year*". Recurring revenues rose 11% (doesn't say what to though) and 2003 outlook orders are up by £850K.

We wish Chelford well, but as we've said with many of the British battlers of late, we don't think the group will have an easy time of it. Apart from the softness in the market, which has clearly affected sales, Chelford's other main issue is scale.

The company realises it needs to grow fast if it is to succeed in fending off competition in the mid-market. To this end it is looking at further acquisitions, but given its size and access to funds such acquisition opportunities must be limited. In the meantime, as SAP's "*second ranked VAR*" the company hopes to benefit from SAP's assault on the mid-market. The company reports it has already notched up its first new SAP contract in the mid-market – but its success here really hinges on SAP's ability to scale down.

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£8,136,000		£6,013,000	-26.1%
PBT	-£14,619,000		-£10,638,000	Loss both
EPS	-56.90p		-4190p	Loss both

Affinity Internet Holdings Plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£15,781,000	£52,765,000	£38,072,000	+141.3%
PBT	-£14,944,000	-£30,090,000	-£5,646,000	Loss both
EPS	-58.50p	-109.81p	-18.40p	Loss both

AIT Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£20,196,000	£36,224,000	£8,417,000	-58.3%
PBT	£364,000	-£9,272,000	-£37,732,000	Profit to loss
EPS	42.00p	-40.64p	-1556.50p	Profit to loss

Alphameric plc

	Final - Nov 01		Final - Nov 02	Comparison
REV	£56,848,000		£61,928,000	+8.9%
PBT	-£1,677,000		£2,486,000	Loss to Profit
EPS	-2.39p		0.00p	Loss to Profit

Alterian plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1,803,000	£4,267,000	£1,807,000	+0.2%
PBT	-£4,753,000	-£9,247,000	-£4,485,000	Loss both
EPS	-12.10p	-23.90p	-11.40p	Loss both

Anite Group plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£95,220,000	£202,510,000	£111,541,000	+17.1%
PBT	£1,964,000	£5,764,000	-£43,405,000	Profit to loss
EPS	-0.50p	-0.60p	-14.00p	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

	Final - Dec 01		Final - Dec 02	Comparison
REV	£36,271,000		£33,974,000	-6.3%
PBT	£9,146,896		£4,345,000	-52.5%
EPS	5.00p		0.03p	-99.4%

Aveva Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£14,034,000	£31,818,000	£16,462,000	+17.3%
PBT	£1,130,000	£4,938,000	£1,234,000	+9.2%
EPS	4.26p	19.48p	4.72p	+10.8%

Axon Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£42,762,000		£43,112,000	+0.8%
PBT	£5,464,000		£2,480,000	-54.6%
EPS	6.70p		2.70p	-59.7%

Baltimore Technologies plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£70,421,000		£35,000,000	-50.3%
PBT	-£659,711,000		-£65,300,000	Loss both
EPS	-131.80p		-125.20p	Loss both

Bond International Software plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£5,698,000	£11,365,995	£3,175,000	-44.3%
PBT	£443,000	£1,256,609	-£2,085,000	Profit to loss
EPS	2.17p	6.11p	-13.80p	Profit to loss

Business Systems Group Holdings plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£13,061,000	£24,224,000	£14,051,000	+7.6%
PBT	-£4,539,000	-£10,510,000	-£446,000	Loss both
EPS	-5.74p	-12.84p	-0.55p	Loss both

Capita Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£691,203,000		£897,504,000	+29.8%
PBT	£53,100,000		£78,069,000	+47.0%
EPS	4.58p		6.81p	+48.7%

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

Clarity Commerce plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£2,428,000	£7,620,000	£3,399,000	+40.0%
PBT	-£276,000	-£221,000	-£429,000	Loss both
EPS	-2.84p	-2.51p	-3.08p	Loss both

Clinical Computing plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,176,000	£2,179,894	£1,102,000	-6.3%
PBT	-£498,000	-£1,369,934	-£598,000	Loss both
EPS	-1.99p	-5.50p	-2.40p	Loss both

CODASciSys plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£64,820,000		£66,378,000	+2.4%
PBT	£5,054,000		£5,726,000	+13.3%
EPS	12.70p		16.20p	+27.6%

Comino Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£9,310,000	£20,560,000	£11,803,000	+26.8%
PBT	-£1,441,000	-£576,000	£420,000	Loss to Profit
EPS	-6.50p	-3.80p	2.00p	Loss to Profit

Compass Software Group plc

	Final - Nov 01		Final - Nov 02	Comparison
REV	£4,266,677		£4,829,562	+13.2%
PBT	£356,253		£398,649	+11.9%
EPS	161p		152p	-5.6%

Compel Group plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£32,003,000	£68,892,000	£24,761,000	+115.3%
PBT	-£258,000	-£1,691,000	-£711,000	Loss both
EPS	-0.90p	-3.20p	-2.30p	Loss both

Computacenter plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£2,093,423,000		£1,926,737,000	-8.0%
PBT	£34,900,000		£55,081,000	+57.8%
EPS	9.90p		19.80p	+100.0%

DCS Group plc

	Interim Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£58,000,000	£104,900,000	£37,800,000	-34.8%
PBT	-£8,100,000	-£4,600,000	-£7,700,000	Loss both
EPS	-8.10p	-22.58p	-31.72p	Loss both

Delcam plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£18,248,122		£18,913,000	+3.6%
PBT	£853,565		£1,071,000	+25.5%
EPS	9.70p		13.80p	+42.3%

Detica Group plc

	Interim - Sep 01	Final Mar 02	Interim - Sep 02	Comparison
REV	£14,534,000	£32,841,000	£17,626,000	+21.3%
PBT	£2,179,000	£5,928,000	£2,847,000	+30.7%
EPS	7.50p	20.80p	9.30p	+24.0%

Diagonal plc

	Final - Nov. 01		Final - Nov 02	Comparison
REV	£82,182,000		£63,616,000	-22.6%
PBT	£4,256,000		-£2,254,000	Profit to loss
EPS	2.26p		-4.56p	Profit to loss

Dicom Group plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£75,622,000	£149,527,000	£80,338,000	+6.2%
PBT	£4,216,000	£3,521,000	£4,628,000	+9.8%
EPS	140p	3.50p	161p	+15.0%

Dimension Data plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£1,707,500,000		£1,489,600,000	-12.8%
PBT	-£1,148,900,000		-£1,756,500,000	Loss both
EPS	-96.20p		-155.60p	Loss both

DRS Data & Research Services plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£10,054,000		£12,782,000	+27.1%
PBT	£665,000		£1,776,000	+167.1%
EPS	136p		3.68p	+170.6%

Easynet plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£28,607,000	£71,276,000	£42,361,000	+48.1%
PBT	-£110,586,000	-£292,667,000	-£53,077,000	Loss both
EPS	-38.40p	-440.50p	-47.90p	Loss both

Easyscreen plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1,245,696	£3,236,111	£1,234,399	-9%
PBT	-£2,186,965	-£4,289,119	-£2,237,521	Loss both
EPS	-4.70p	-9.34p	-4.30p	Loss both

Eidos plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£75,912,000	£142,564,000	£102,157,000	+34.6%
PBT	-£2,245,000	-£30,655,000	£6,668,000	Loss to profit
EPS	-160p	-22.90p	3.10p	Loss to profit

Electronic Data Processing plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£10,408,000		£8,480,000	-18.5%
PBT	-£306,000		-£1,394,000	Loss both
EPS	-1.14p		-5.03p	Loss both

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

	Interim - Nov 01	Final - May 02	Interim - Nov 02	Comparison
REV	£3,308,000	£7,227,000	£4,614,000	+39.5%
PBT	£205,000	£835,000	£999,000	+387.3%
EPS	0.70p	3.10p	3.60p	+414.3%

Eurolink Managed Services plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£4,131,000	£9,226,000	4512000	+9.2%
PBT	£7,000	£155,000	17000	+142.9%
EPS	-0.38p	0.47p	0.03	Loss to profit

Financial Objects plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£17,526,000		£12,841,000	-26.7%
PBT	£1,046,000		-£2,839,000	Profit to loss
EPS	0.84p		-6.72p	Profit to loss

Flomerics Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£12,875,000		£11,711,000	-9.0%
PBT	£308,000		£635,000	+106.2%
EPS	172p		3.23p	+87.8%

Focus Solutions Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£2,285,000	£5,073,000	£2,821,000	+23.5%
PBT	-£1,426,000	-£2,590,000	-£1,834,000	Loss both
EPS	-5.70p	-10.30p	-7.20p	Loss both

GB Group plc

	Inerim - Sep 01	Final- Mar 02	Interim - Sep 02	Comparison
REV	£8,868,000	£17,189,000	£5,183,000	-41.6%
PBT	-£2,411,000	-£2,260,000	£301,000	Loss to profit
EPS	-3.00p	-2.20p	0.30p	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

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£60,142,000	£98,352,000	£37,991,000	-36.8%
PBT	-£2,054,000	-£4,445,000	-£418,000	Loss both
EPS	-3.90p	-8.60p	-0.90p	Loss both

Gresham Computing plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£13,026,000	£24,761,000	£6,152,000	-52.8%
PBT	£1,675,000	-£973,000	£2,674,000	+59.6%
EPS	2.59p	-3.32p	4.87	+88.0%

Harrier Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£17,052,456		£9,544,299	-44.0%
PBT	-£1,144,750		-£19,005,410	Loss both
EPS	-3.59p		-59.19p	Loss both

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	-16.18p	Loss both

Highams Systems Services Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep-02	Comparison
REV	£9,630,000	£16,777,000	£5,618,000	-41.7%
PBT	-£370,000	-£298,000	-£212,000	Loss both
EPS	-183p	-145p	-109p	Loss both

Horizon Technology Group plc

	6 months - Dec 01		Final - Dec 02	Comparison
REV	£104,088,000		£202,158,000	n/a
PBT	-£14,156,000		-£7,844,000	Loss both
EPS	-2133p		-13.18p	Loss both

Host Europe plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£9,529,000		£13,708,000	+43.9%
PBT	-£34,419,000		-£505,000	Loss both
EPS	-3.38p		-0.01p	Loss both

Hot Group plc

	Final - Apr 01		Final - Aug 02	Comparison
REV	£1,555,000		£2,831,000	+82.1%
PBT	-£165,000		-£4,710,000	Loss both
EPS	-2.46p		-3142p	Loss both

I-Document Systems Plc

	Final - Oct 01		Final - Oct 02	Comparison
REV	£1,201,192		£3,017,602	+151.2%
PBT	-£1,181,273		-£1,483,473	Loss both
EPS	-0.97p		-1.11p	Loss both

ICM Computer Group plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£32,384,000	£68,871,000	£38,623,000	+19.3%
PBT	£1,923,000	£4,478,000	£1,209,000	-37.1%
EPS	6.60p	15.00p	4.00p	-39.4%

IDS Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£16,038,000	£35,355,000	£15,983,000	-3%
PBT	-£5,244,000	-£18,138,000	-£2,235,000	Loss both
EPS	-9.40p	-3196p	-4.10p	Loss both

Innovation Group plc (The)

	Final - Sep 01		Final - Sep 02	Comparison
REV	£43,695,000		£100,071,000	+129.0%
PBT	-£10,806,000		-£391,114,000	Loss both
EPS	-1164p		-202.75p	Loss both

InTechnology plc

	Interim - Sep 01	Final - Mar. 02	Interim - Sep 02	Comparison
REV	£73,872,000	£158,108,000	£75,957,000	+2.8%
PBT	-£5,282,000	£82,672,000	-£4,638,000	Loss both
EPS	-3.33p	-53.65p	-2.98p	Loss both

Intelligent Environments Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,948,000	£3,111,584	£1,426,000	-26.8%
PBT	-£3,632,000	-£6,979,561	-£1,904,000	Loss both
EPS	-8.30p	-13.53p	-151p	Loss both

IQ-Ludorum plc

	Interim - Jun 01	Final- Dec 01	Interim - Jun 02	Comparison
REV	£1,897,000	£4,192,000	£1,892,000	-3%
PBT	-£2,346,000	-£5,308,000	-£3,396,000	Loss both
EPS	-0.03p	-6.66	-0.04	Loss both

iRevolution plc

	Interim - Mar 01	17 mths Sep 01	Interim - Mar 02	Comparison
REV	£2,524,000	£6,433,000	£2,858,000	+13.2%
PBT	-£647,000	-£4,153,000	-£1,779,000	Loss both
EPS	-2.50p	-14.50p	-3.90p	Loss both

ISOFT Group plc

	Interim - Oct. 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£22,763,000	£60,102,000	£35,277,000	+55.0%
PBT	£3,491,000	£12,178,000	£6,072,000	+73.9%
EPS	2.04p	7.61p	3.29p	+61.3%

I S Solutions plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£5,904,000	£10,873,000	£3,621,000	-38.7%
PBT	-£161,000	-£222,000	-£879,000	Loss boh
EPS	-0.73p	-106p	-3.48p	Loss both

ITNET plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£176,446,000		£178,992,000	+14%
PBT	£10,467,000		£7,336,000	-29.9%
EPS	9.12p		3.01p	-67.0%

Izodia plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£2,697,000		£3,828,000	+41.9%
PBT	-£35,997,000		-£73,555,000	Loss both
EPS	-66.15		-156.33	Loss both

Jasmin plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£3,233,000	£7,099,000	£3,559,000	+10.1%
PBT	£325,000	£716,000	£333,000	+2.5%
EPS	6.72p	16.67p	6.89p	+2.5%

K3 Business Technology Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£7,972,000		£8,088,000	+15%
PBT	-£1,373,000		£266,000	Loss to profit
EPS	-3.60p		0.70p	Loss to profit

Kewill Systems plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£24,399,000	£48,144,000	£14,172,000	-41.9%
PBT	-£55,069,000	-£57,638,000	-£5,742,000	Loss both
EPS	-71.90p	-75.20p	-8.00p	Loss both

Knowledge Support Systems Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£512,658	£1,020,520	£600,805	+17.2%
PBT	-£4,582,815	-£9,768,556	-£1,490,049	Loss both
EPS	-6.20p	-12.17p	-182p	Loss both

LogicaCMG plc

	Final - Jun 02		6 months-Dec 02	Comparison
REV	£2,008,800,000		£882,500,000	n/a
PBT	-£804,100,000		-£444,700,000	n/a
EPS	-114.20p		-62.40p	n/a

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.

London Bridge Software Holdings plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£74,070,000		£62,137,000	-16.1%
PBT	£4,725,000		-£51,446,000	Profit to loss
EPS	1.73p		-30.31p	Profit to loss

Lorien plc

	Final - Nov 01		Final - Nov 01	Comparison
REV	£139,028,000		£113,588,000	-18.3%
PBT	£1,997,000		-£5,178,000	Profit to loss
EPS	8.40p		-32.50p	Profit to loss

Macro 4 plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£19,393,000	£39,405,000	£16,465,000	-15.1%
PBT	-£3,505,000	-£3,910,000	-£3,006,000	Loss both
EPS	-15.60p	-18.80p	-12.40p	Loss both

Manpower SoftWare plc

	Interim - Nov 01	Final - May 02	Interim - Nov 02	Comparison
REV	£1,600,663	£3,299,320	£866,166	-45.9%
PBT	-£669,034	-£1,252,691	-£1,324,620	Loss both
EPS	-2.70p	-5.10p	-2.99p	Loss both

Marlborough Stirling plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£73,369,000		£121,008,000	+64.9%
PBT	£9,277,000		-£34,478,000	Profit to loss
EPS	2.90p		-20.00p	Profit to loss

MERANT plc

	Interim - Oct 01	Final Apr 02	Interim - Oct 02	Comparison
REV	£44,244,000	£87,068,000	£40,508,300	-8.4%
PBT	-£18,588,000	-£55,442,000	£13,759,000	Loss both
EPS	-0.13p	-46.80p	0.03p	Loss to profit

Microgen plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£21,009,000		£25,332,000	+20.6%
PBT	£251,000		-£1,964,000	Profit to loss
EPS	1.50p		-4.20p	Profit to loss

Minorplanet Systems Plc

	Final - Aug 01		Final - Aug 02	Comparison
REV	£52,900,000		£124,700,000	+135.7%
PBT	£5,300,000		-£3,300,000	Profit to loss
EPS	7.80p		-4.11p	Profit to loss

Misys plc

	Interim - Nov 01	Final - May 02	Interim - Nov 02	Comparison
REV	£480,200,000	£1,036,300,000	£516,600,000	+7.6%
PBT	£2,300,000	£34,700,000	£24,900,000	+982.6%
EPS	-0.10p	3.70p	2.60p	Loss to profit

MMT Computing plc

	Final - Aug 01		Final - Aug 02	Comparison
REV	£31,112,000		£27,472,000	-11.7%
PBT	-£2,792,000		-£658,000	Loss both
EPS	-19.40p		-6.40p	Loss both

Mondas plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£1,729,088	£3,741,673	£1,452,981	-16.0%
PBT	-£1,184,379	-£2,177,858	-£1,529,674	Loss both
EPS	-5.90p	-10.10p	-7.30p	Loss both

Morse plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£226,001,000	£465,180,000	£185,839,000	-17.8%
PBT	-£3,385,000	-£124,000	-£4,613,000	Loss both
EPS	-4.80p	-6.10p	-5.30p	Loss both

MSB International plc

	Interim - Jul 01	Final - Jan 02	Interim - Jul 02	Comparison
REV	£83,627,000	£145,987,000	£47,619,000	-43.1%
PBT	£416,000	£1,889,000	£0	Profit to B/E
EPS	1.10p	6.40p	0.00p	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

	Final - Dec 01		Final - Dec 02	Comparison
REV	£14,367,000		£11,922,000	-17.0%
PBT	-£3,237,000		-£3,352,000	Loss both
EPS	-2.80p		-2.69p	Loss both

NetBenefit plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£3,004,000	£6,079,000	£2,809,000	-6.5%
PBT	-£633,000	-£1,189,000	-£303,000	Loss both
EPS	-3.40p	-6.90p	-1.90p	Loss both

Netstore plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£1,733,000	£6,643,961	£6,224,000	+259.1%
PBT	-£3,776,000	-£6,944,415	-£1,880,000	Loss both
EPS	-4.23p	-7.51p	-1.96p	Loss both

Nettec plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£9,413,000	£16,416,000	£2,355,000	-75.0%
PBT	-£21,353,000	-£36,066,000	-£2,699,000	Loss both
EPS	-19.00p	-30.90p	-2.20p	Loss both

Northgate Information Solutions plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£44,628,000	£92,564,000	£41,534,000	-6.9%
PBT	£4,102,000	£8,658,000	£29,807,000	+626.6%
EPS	1.39p	2.91p	8.99p	+546.8%

NSB Retail Systems plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£93,818,000		£73,359,000	-21.8%
PBT	-£93,470,000		-£196,232,000	Loss both
EPS	-22.63p		-49.05p	Loss both

OneclickHR plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,721,780	£5,818,605	£2,792,765	+2.6%
PBT	-£1,180,617	-£2,114,778	-£875,776	Loss both
EPS	-2.30p	-4.10p	-1.60p	Loss both

Orchestream Holdings plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,949,000	£14,784,000	£3,936,000	-43.4%
PBT	-£9,768,000	-£35,017,000	-£20,936,000	Loss both
EPS	-8.80p	-30.70p	-15.90p	Loss both

Parity Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£246,930,000		£183,273,000	-25.8%
PBT	-£3,265,000		-£24,567,000	Loss both
EPS	-2.05p		-16.01p	Loss both

Patsystems plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£5,015,000		£7,787,000	+55.3%
PBT	-£15,161,000		-£9,061,000	Loss both
EPS	-11.70p		-7.00p	Loss both

Pilat Media Global plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,841,000	£6,139,000	£2,470,000	-13.1%
PBT	-£1,284,000	-£2,235,000	-£1,337,000	Loss both
EPS	-4.00p	-6.98p	-4.16p	Loss both

Planit Holdings plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£9,766,000	£22,347,000	£10,522,000	+7.7%
PBT	£916,000	£3,550,000	£642,000	-29.9%
EPS	0.70p	2.70p	0.40p	-42.9%

PSD Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£71,672,000		£44,282,000	-38.2%
PBT	£4,815,000		£879,000	-81.7%
EPS	10.50p		2.10p	-80.0%

QA plc

	Final - Nov 01		Final - Nov 02	Comparison
REV	£55,300,000		£32,800,000	-40.7%
PBT	£1,200,000		-£63,000,000	Profit to loss
EPS	-0.80p		-67.70p	Loss both

Quantica plc

	Final - Nov 01		Final - Nov 02	Comparison
REV	£33,418,000		£26,127,000	-21.8%
PBT	£2,860,000		-£3,443,000	Profit to loss
EPS	4.93p		-9.07p	Profit to loss

Raft International plc

	Final - Oct 01		Final - Oct 02	Comparison
REV	£9,468,000		£6,666,000	-29.6%
PBT	-£826,000		-£2,113,000	Loss both
EPS	-1.32p		-3.10p	Loss both

Rage Software plc

	Final - Jun 01		Final - Jul 02	Comparison
REV	£5,731,000		£12,274,000	+114.2%
PBT	-£17,054,000		-£16,098,000	Loss both
EPS	-5.28p		-4.10p	Loss both

Retail Decisions plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£22,195,000		£28,421,000	+28.1%
PBT	-£2,895,000		-£9,379,000	Loss both
EPS	-2.15p		-3.64p	Loss both

RM plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£241,916,000		£202,158,000	-16.4%
PBT	£15,207,000		-£5,914,000	Profit to loss
EPS	11.20p		-5.10p	Profit to loss

Royalblue Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£66,253,000		£57,006,000	-14.0%
PBT	£4,197,000		£13,058,000	+211.1%
EPS	6.40p		32.90p	+414.1%

Sage Group plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£484,137,000		£551,731,000	+14.0%
PBT	£121,317,000		£129,154,000	+6.5%
EPS	6.59p		6.99p	+6.1%

SBS Group plc

	Final - Aug 01		Final - Aug 02	Comparison
REV	£45,402,000		£32,089,000	-29.3%
PBT	-£3,621,000		-£2,048,000	Loss both
EPS	-39.50p		-19.40p	Loss both

SDL plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£33,659,000		£58,002,000	+72.3%
PBT	-£5,098,000		-£3,518,487	Loss both
EPS	-11.56p		-7.10p	Loss both

ServicePower Technologies plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£3,150,000		£4,483,000	+42.3%
PBT	-£2,700,000		-£555,000	Loss both
EPS	-4.90p		-0.64p	Loss both

Sherwood International plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£56,513,000		£52,231,000	-7.6%
PBT	-£11,012,000		£94,000	Loss to profit
EPS	-25.60p		0.30p	Loss to profit

Sirius Financial Solutions plc

	Interim - Jun 01	Final - Dec 00	Interim - Jun 02	Comparison
REV	£9,093,000	£17,135,457	£10,698,000	+17.7%
PBT	£115,000	£727,215	£1,359,000	Profit to loss
EPS	0.20p	4.40p	4.60p	Profit to loss

Software for Sport plc

	Final - Feb 01		Final - Feb 02	Comparison
REV	£868,000		£3,030,000	+249.1%
PBT	-£1,574,000		-£1,633,000	Loss both
EPS	-2.18		-1.24p	Loss both

Sopheon plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,068,000	£13,963,000	£6,511,000	+7.3%
PBT	-£12,565,000	-£34,631,000	-£8,961,000	Loss both
EPS	-32.50p	-76.20p	-10.90p	Loss both

Spring Group plc

	8 months to Dec 01		Final - Dec 02	Comparison
REV	£220,916,000		£293,330,000	+32.8%
PBT	-£15,021,000		-£8,840,000	Loss both
EPS	-9.15p		-5.93p	Loss both

Staffware plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£38,230,000		£39,031,000	+2.1%
PBT	-£3,250,000		£2,608,000	Loss to profit
EPS	-26.00p		11.10p	Loss to profit

StatPro Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£6,174,000		£7,229,000	+17.1%
PBT	-£4,742,000		-£2,373,000	Loss both
EPS	-15.30p		-7.30p	Loss both

SurfControl plc

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£16,965,000	£37,538,000	£22,044,000	+29.9%
PBT	-£27,067,000	-£48,084,000	£2,071,000	Profit to loss
EPS	-89.30p	-156.55p	4.50p	Profit to loss

Synstar plc

	Final - Sep 01		Final - Sep 02	Comparison
REV	£238,198,000		£221,870,000	-6.9%
PBT	-£21,296,000		£6,532,000	Loss to profit
EPS	-13.80p		2.40p	Loss to profit

Systems Union Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£78,385,000		£74,631,000	-4.8%
PBT	£2,189,000		£4,316,000	+97.2%
EPS	3.80p		7.10p	+86.8%

Telecity plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£15,914,000	£32,628,000	£12,170,000	+105.0%
PBT	-£23,322,000	-£35,392,000	-£16,918,000	Loss both
EPS	-19.00p	-25.20p	-8.40p	Loss both

Telework Systems plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£8,343,000	£17,713,000	£6,576,000	-21.2%
PBT	-£1,800,000	-£5,068,000	-£2,912,000	Loss both
EPS	-0.81p	-2.20p	-1.61p	Loss both

Tikit Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£9,123,000		£8,231,000	-9.8%
PBT	£1,006,000		£305,000	-69.7%
EPS	6.10p		1.30p	-78.7%

Torex plc

	Final - Dec 01		Final - Dec 01	Comparison
REV	£132,206,000		£161,791,000	+22.4%
PBT	£8,915,000		£14,688,000	+64.8%
EPS	9.00p		16.80p	+86.7%

Total Systems plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£2,838,066	£5,384,299	£2,026,589	-28.6%
PBT	£772,911	£1,415,606	£280,033	-63.8%
EPS	5.11p	9.44p	1.84p	-64.0%

Touchstone Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£6,725,000	£14,187,000	£6,912,000	+2.8%
PBT	£606,000	£1,770,000	£611,000	+0.8%
EPS	3.80p	10.90p	3.70p	-2.6%

Trace Group plc

	Interim - Nov 01	Final - May 02	Interim - Nov 02	Comparison
REV	£10,475,000	£20,630,000	£8,432,000	-19.5%
PBT	£771,000	£2,045,000	-£2,135,000	Profit to loss
EPS	3.12p	8.65p	-13.86p	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

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£24,182,000	£41,567,000	£14,091,000	-41.7%
PBT	£1,519,000	-£470,000	-£2,527,000	Profit to loss
EPS	4.10p	-1.36p	-7.91p	Profit to loss

Tribal Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£15,344,000	£45,651,000	£38,275,000	+149.4%
PBT	£761,000	£4,680,000	£412,000	-45.9%
EPS	0.22p	6.60p	-1.74p	Profit to loss

Ultima Networks plc

	Interim - Jun 00	Final - Dec 00	Interim - Jun 01	Comparison
REV	£3,889,000	£6,952,000	£2,768,000	-28.8%
PBT	-£496,000	-£865,000	-£599,000	Loss both
EPS	-0.26p	-0.45p	-0.31p	Loss both

Universe Group plc

	Interim - Jun 00	Final - Dec 01	Interim - Jun 01	Comparison
REV	£21,963,000	£58,990,000	£27,281,000	+24.2%
PBT	£111,000	£858,000	£431,000	+288.3%
EPS	-0.60p	0.10p	0.10p	Loss to Profit

Vega Group plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£17,572,000	£35,572,000	£17,390,000	-1.0%
PBT	-£332,000	-£763,000	-£8,662,000	Loss both
EPS	-1.90p	-3.53p	-47.99p	Loss both

VI Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£3,083,000	£6,456,000	£3,200,000	+3.8%
PBT	£324,000	£726,000	-£357,000	Profit to loss
EPS	0.94p	2.12p	-1.04p	Profit to loss

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

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£4,770,285	£8,858,117	£5,402,913	+13.3%
PBT	£35,816	£487,791	£134,394	+275.2%
EPS	0.03p	0.64p	0.16p	+433.3%

Wealth Management Software plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£12,009,000		£10,997,000	-8.4%
PBT	-£6,346,000		-£1,061,000	Loss both
EPS	-14.68p		-2.74p	Loss both

Xansa plc

	Interim - Oct 01	Final - Apr 02	Interim - Oct 02	Comparison
REV	£269,200,000	£515,100,000	£232,500,000	-13.6%
PBT	£1,700,000	-£507,800,000	-£140,700,000	Profit to loss
EPS	-3.52p	-184.66p	-51.00p	Loss both

XKO Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£20,433,000	£38,880,000	£21,614,000	+5.6%
PBT	-£4,777,000	-£14,938,000	£257,000	Loss to Profit
EPS	-18.20p	-56.40p	0.40p	Loss to Profit

Xpertise Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£5,276,000		£4,602,000	-12.8%
PBT	-£1,571,000		-£1,148,000	Loss both
EPS	-4.83p		-1.55p	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-Apr-03	Capitalisation 30-Apr-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Apr-03	Share price move since 31-Mar-03	Share price % move in 2003	Capitalisation move since 31-Mar-03	Capitalisation move (£m) in 2003
AFA Systems	SP	£0.15	£5.5m	Loss	0.92	128	25.71%	-18.95%	£1.12m	£1.00m
Affinity Internet Holdings	CS	£0.28	£9.2m	Loss	0.17	2115	0.00%	-26.67%	£0.00m	-£3.38m
AIT Group	CS	£0.10	£2.5m	Loss	0.07	68	-50.95%	-70.57%	-£2.59m	-£5.88m
Alphameric	SP	£0.46	£48.1m	7.4	0.78	211	2.22%	-9.80%	£1.13m	-£5.22m
Alterian	SP	£0.44	£17.3m	Loss	4.05	220	25.71%	18.92%	£3.58m	£2.78m
Anite Group	CS	£0.28	£94.1m	Loss	0.46	164	25.84%	19.15%	£19.26m	£15.10m
Argonaut Games	SP	£0.13	£12.5m	Loss	0.88	135	26.83%	-25.71%	£2.64m	-£4.35m
Autonomy Corporation	SP	£1.62	£198.1m	n/a	5.83	49	2.21%	-7.43%	£4.28m	-£20.53m
Aveva Group	SP	£3.43	£57.9m	16.8	1.82	1713	6.53%	-3.11%	£3.51m	-£1.86m
Axon Group	CS	£0.82	£42.4m	18.1	0.98	466	25.38%	42.98%	£8.58m	£12.78m
Baltimore Technologies	SP	£0.21	£11.0m	Loss	0.31	210	-6.82%	-54.44%	-£0.80m	-£12.07m
Bond International	SP	£0.19	£2.7m	Loss	0.41	285	37.04%	5.71%	£0.72m	£0.15m
Business Systems	CS	£0.04	£2.8m	Loss	0.08	29	0.00%	-26.32%	£0.00m	-£1.01m
Capita Group	CS	£2.54	£1,684.9m	24.1	1.88	68526	7.19%	2.42%	£110.74m	£38.02m
Charteris	CS	£0.15	£6.2m	9.3	0.32	164	9.26%	-34.44%	£0.52m	-£3.23m
Clarity Commerce	SP	£0.59	£8.1m	Loss	1.07	468	-4.10%	-15.83%	-£0.35m	-£1.53m
Clinical Computing	SP	£0.29	£7.2m	Loss	3.28	230	0.00%	-12.31%	£0.00m	-£1.01m
CODASciSys (was Science Systems)	CS	£2.98	£75.6m	18.4	1.14	2306	16.67%	21.43%	£10.80m	£14.70m
Comino	SP	£1.33	£18.3m	18.1	0.89	1019	0.00%	3.92%	-£0.03m	£0.69m
Compass Software	SP	£0.70	£8.3m	12.5	1.71	467	1.45%	6.06%	£0.15m	£0.51m
Compel Group	R	£0.58	£17.8m	12.9	0.28	460	49.35%	-30.30%	£5.84m	-£7.79m
Computacenter	R	£2.87	£531.0m	14.7	0.28	428	8.11%	2.32%	£39.93m	£12.11m
DCS Group	CS	£0.08	£1.9m	Loss	0.03	129	10.71%	-26.19%	£0.19m	-£0.69m
Delcam	SP	£1.19	£7.2m	8.6	0.38	458	4.39%	-4.80%	£0.30m	-£0.36m
Detica	CS	£3.33	£74.3m	35.8	2.26	831	28.63%	-7.12%	£16.49m	-£5.71m
Diagonal	CS	£0.58	£51.9m	13.0	0.82	843	14.85%	13.73%	£6.80m	£6.30m
Dicom Group	R	£3.65	£76.0m	24.5	0.51	1119	9.77%	-9.88%	£6.84m	-£8.30m
Dimension Data	R	£0.16	£218.1m	Loss	0.10	29	1.56%	-43.97%	£3.43m	-£171.09m
DRS Data & Research	SP	£0.38	£13.2m	Loss	1.03	345	4.11%	26.67%	£0.60m	£2.80m
Easynet	CS	£0.86	£53.0m	Loss	1.27	24	17.93%	8.23%	£8.04m	£3.94m
Easyscreen	SP	£0.24	£13.3m	Loss	4.11	141	9.09%	-4.00%	£1.08m	£0.00m
Eidos	SP	£1.36	£188.9m	Loss	1.85	6810	13.54%	8.13%	£22.52m	£14.15m
Electronic Data Processing	SP	£0.45	£11.0m	Loss	1.30	1363	14.10%	14.10%	£1.38m	£1.38m
Empire Interactive	SP	£0.04	£2.5m	Loss	0.10	62	7.14%	-50.00%	£0.25m	-£2.53m
Epic Group	CS	£1.00	£25.3m	15.5	3.50	952	7.53%	29.87%	£1.83m	£5.83m
Eurolink Managed Services	CS	£0.31	£3.2m	70.2	0.35	310	-6.06%	-10.14%	-£0.21m	-£0.37m
Financial Objects	SP	£0.35	£9.7m	Loss	0.75	152	11.11%	-11.39%	£0.97m	-£1.24m
Flomerics Group	SP	£0.54	£7.8m	15.9	0.67	2077	10.20%	-21.17%	£0.72m	-£2.10m
Focus Solutions Group	SP	£0.24	£6.2m	Loss	1.22	123	100.00%	65.52%	£3.08m	£2.44m
GB Group	SP	£0.12	£9.2m	Loss	0.53	74	-2.13%	-16.36%	-£0.20m	-£1.84m
Gladstone	SP	£0.07	£2.7m	Loss	0.15	163	0.00%	30.00%	£0.00m	£0.61m
Glotel	A	£0.50	£18.8m	Loss	0.19	257	10.00%	-7.48%	£1.79m	-£1.50m
Gresham Computing	CS	£0.88	£42.4m	Loss	3.67	944	72.06%	43.27%	£17.74m	£12.82m
Harrier Group	CS	£0.10	£2.7m	Loss	0.28	74	171.43%	11.76%	£1.74m	£0.28m
Harvey Nash Group	A	£0.37	£20.7m	Loss	0.09	211	34.55%	5.71%	£5.30m	£1.14m
Highams Systems Services	A	£0.07	£1.3m	Loss	0.07	181	8.33%	-23.53%	£0.07m	-£0.42m
Horizon Technology	R	£0.23	£13.4m	Loss	0.07	85	-2.13%	12.20%	-£0.30m	£1.40m
Host Europe	CS	£0.01	£14.0m	Loss	1.02	424	-7.69%	-14.29%	-£0.50m	-£1.80m
Hot Group (was RexOnline)	CS	£0.12	£5.3m	Loss	1.87	143	-4.00%	-14.29%	-£0.22m	£1.37m
I S Solutions	CS	£0.06	£1.6m	Loss	0.21	233	13.64%	8.70%	£0.18m	£0.12m
I-Document Systems	SP	£0.12	£16.8m	Loss	5.57	15	2.13%	2.13%	£0.30m	£0.30m
ICM Computer Group	CS	£1.36	£26.9m	8.8	0.39	756	-2.86%	-25.48%	-£0.80m	-£9.20m
IDS Group	SP	£0.10	£1.4m	Loss	0.04	108	-4.88%	-25.00%	-£4.43m	-£6.01m
Innovation Group	SP	£0.07	£28.2m	Loss	0.28	32	20.83%	-36.96%	£4.90m	£5.89m
InTechnology	CS	£0.62	£84.9m	Loss	0.54	2460	25.51%	2.50%	£17.26m	£2.10m
Intelligent Environments	SP	£0.05	£6.3m	Loss	2.03	51	46.15%	35.71%	£2.01m	£1.73m
IQ-Ludorum	SP	£0.01	£0.7m	Loss	0.12	13	-20.00%	-63.64%	-£0.30m	-£1.50m
iRevolution	CS	£0.01	£0.4m	Loss	0.08	22	33.33%	-20.00%	£0.06m	-£0.17m
iSOFT Group	SP	£2.64	£325.7m	21.1	5.42	2395	21.15%	2.93%	£56.12m	£24.54m
ITNET	CS	£2.00	£146.2m	66.4	0.82	571	10.19%	3.90%	£13.49m	£5.49m
Izodia (was Infobank)	SP	£0.44	£25.9m	Loss	6.86	6985	0.00%	0.00%	£0.00m	£0.00m
Jasmin	SP	£1.12	£5.2m	6.0	0.74	743	-14.23%	-27.60%	-£0.87m	-£2.00m
K3 Business Technology	SP	£0.10	£4.8m	4.7	0.60	73	11.76%	11.76%	£0.51m	£0.51m
Kewill	SP	£0.31	£23.9m	Loss	0.50	613	12.73%	26.53%	£2.65m	£4.95m
Knowledge Support Systems Group	SP	£0.22	£15.8m	Loss	15.83	98	-6.52%	4.88%	-£1.17m	£0.73m
LogicaCMG	CS	£1.11	£824.8m	Loss	0.45	1513	21.43%	-26.33%	£145.60m	-£300.07m
London Bridge Software	SP	£0.39	£66.2m	Loss	1.07	975	21.88%	56.00%	£11.90m	£23.80m

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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-Apr-03	Capitalisation 30-Apr-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Apr-03	Share price move since 31-Mar-03	Share price % move in 2003	Capitalisation move since 31-Mar-03	Capitalisation move (£m) in 2003
Lorien	A	£0.54	£10.0m	Loss	0.09	535	1.90%	-23.57%	-£0.30m	-£3.70m
Macro 4	SP	£0.45	£9.4m	Loss	0.24	181	5.88%	-1.10%	£0.52m	-£0.10m
Manpower SoftWare	SP	£0.07	£3.2m	Loss	0.97	75	70.59%	-14.71%	£1.31m	-£0.57m
Marlborough Stirling	SP	£0.28	£63.2m	Loss	0.52	200	16.67%	-21.13%	£9.03m	-£16.90m
MERANT	SP	£1.21	£127.2m	Loss	1.46	584	0.00%	43.20%	-£0.05m	£38.35m
Microgen	CS	£0.40	£25.5m	Loss	1.01	171	26.98%	100.00%	£7.08m	£13.78m
Minorplanet Systems	SP	£1.04	£76.4m	Loss	0.61	2124	25.30%	-15.45%	£15.67m	-£13.60m
Misys	SP	£1.92	£1,079.6m	14.2	1.04	2382	26.61%	8.81%	£226.09m	£65.75m
MMT Computing	CS	£0.98	£11.8m	Loss	0.43	580	13.37%	9.55%	£1.40m	£1.03m
Mondas	SP	£0.24	£5.0m	Loss	1.33	313	23.68%	-6.00%	£0.95m	-£0.04m
Morse	R	£1.17	£151.5m	Loss	0.33	466	13.66%	-8.63%	£18.20m	-£14.30m
MSB International	A	£0.48	£9.7m	Loss	0.12	250	30.14%	-12.84%	£2.29m	-£1.37m
Myratech.net	CS	£0.03	£0.7m	Loss	0.42	19	0.00%	-16.67%	£0.00m	-£0.15m
Ncipher	SP	£0.84	£20.1m	Loss	2.26	334	4.37%	36.89%	£0.90m	-£57.10m
NetBenefit	CS	£0.23	£3.8m	Loss	0.62	115	35.29%	87.76%	£0.98m	£1.79m
Netstore	CS	£0.20	£18.6m	Loss	2.80	130	-4.88%	1.30%	-£0.93m	£0.29m
Nettec	CS	£0.08	£9.5m	Loss	0.58	0	6.90%	14.81%	£0.77m	£1.23m
Northgate Information Solutions	CS	£0.23	£65.8m	9.5	0.71	88	12.20%	-11.54%	£7.19m	-£8.60m
NSB Retail Systems	SP	£0.06	£19.0m	Loss	0.26	513	57.33%	-18.62%	£7.00m	-£4.32m
OneclickHR	SP	£0.06	£3.1m	Loss	0.53	138	-15.38%	-26.67%	-£0.56m	-£1.12m
Parity	A	£0.09	£14.2m	Loss	0.08	1542	2.78%	-43.08%	£0.42m	-£10.68m
Patsystems	SP	£0.06	£7.9m	Loss	1.01	56	14.29%	-50.00%	£0.98m	-£7.71m
Pilat Media Global	SP	£0.15	£3.9m	Loss	0.64	750	-7.69%	-9.09%	-£3.36m	-£3.35m
Planit Holdings	SP	£0.26	£21.2m	5.7	0.95	1063	37.84%	-3.77%	£5.83m	-£0.80m
PSD Group	A	£1.46	£36.7m	69.5	0.83	664	2.46%	-21.08%	£0.90m	-£9.70m
QA (was Skillsgroup)	CS	£0.05	£5.0m	Loss	0.15	24	0.00%	-4.55%	£0.00m	-£0.04m
Quantica	A	£0.22	£8.7m	Loss	0.33	173	10.26%	-35.82%	£0.81m	-£4.81m
Raft International	SP	£0.04	£2.3m	Loss	0.34	56	7.69%	16.67%	£0.24m	£0.32m
Rage Software	SP	£0.00	£2.6m	Loss	0.22	10	0.00%	-75.00%	£0.00m	-£5.47m
Retail Decisions	SP	£0.04	£11.3m	Loss	0.40	54	23.08%	0.00%	£2.11m	-£0.04m
RM	SP	£1.13	£102.9m	Loss	0.51	3214	6.64%	25.00%	£6.42m	£20.60m
Royalblue Group	SP	£3.43	£104.3m	14.4	1.83	2015	17.09%	45.74%	£15.23m	£32.82m
Sage Group	SP	£1.84	£2,327.9m	19.7	4.22	70673	59.78%	38.16%	£870.96m	£643.45m
SBS Group	A	£0.10	£1.5m	Loss	0.05	95	-3.06%	-5.00%	-£0.04m	£0.27m
SDL	CS	£0.41	£21.9m	Loss	0.38	270	8.00%	35.00%	£1.60m	£5.70m
ServicePower	SP	£0.13	£6.4m	Loss	1.42	125	13.64%	56.25%	£0.76m	£2.29m
Sherwood International	SP	£0.97	£44.9m	323.3	0.86	3232	24.36%	25.97%	£8.84m	£9.82m
Sirius Financial (was Policymaster)	SP	£1.01	£17.8m	9.1	1.03	670	0.50%	-8.64%	£0.04m	-£1.66m
Software for Sport	SP	£0.03	£4.8m	Loss	1.59	281	1.54%	1.54%	£0.00m	£0.18m
Sopheon	SP	£0.11	£9.4m	Loss	0.67	158	15.79%	-15.38%	£1.28m	-£1.71m
Spring Group	A	£0.53	£79.6m	Loss	0.27	589	7.07%	15.22%	£5.30m	£10.55m
Staffware	SP	£3.70	£53.2m	20.3	1.36	1644	27.59%	55.79%	£11.54m	£19.04m
StatPro Group	SP	£0.17	£5.4m	Loss	0.75	206	10.00%	-17.50%	£0.49m	-£1.14m
SurfControl (was JSB)	SP	£4.93	£148.5m	Loss	3.96	2463	34.93%	17.96%	£38.50m	£22.61m
Synstar	CS	£0.59	£96.3m	18.1	0.43	359	0.42%	1.28%	£0.39m	£1.18m
Systems Union (was Freecom)	SP	£0.59	£60.4m	8.3	0.81	450	-1.68%	-19.31%	-£1.04m	-£14.44m
Telecity	CS	£0.05	£9.3m	Loss	0.37	6	35.71%	46.15%	£2.55m	£2.80m
Telework Systems	SP	£0.06	£10.9m	Loss	0.69	0	100.00%	9.09%	£5.43m	£0.92m
Tikit Group	CS	£0.83	£10.1m	0.6	1.22	717	0.00%	1.23%	£0.37m	£0.49m
Torex Group	CS	£4.08	£202.2m	11.8	1.25	7913	6.96%	26.36%	£13.23m	£49.48m
Total Systems	SP	£0.40	£4.2m	5.8	0.77	745	2.60%	-7.06%	£0.14m	-£0.27m
Touchstone Group	SP	£0.68	£7.0m	18.4	0.49	648	-7.48%	-32.00%	-£0.57m	-£3.39m
Trace Group	SP	£0.40	£6.1m	4.6	0.36	320	6.67%	-13.98%	£0.37m	-£0.99m
Transeda	SP	£0.01	£0.8m	Loss	0.13	25	25.00%	-58.33%	£0.07m	-£1.32m
Transware	CS	£0.03	£1.3m	Loss	0.10	39	-29.41%	-57.14%	-£0.55m	-£1.17m
Triad Group	CS	£0.28	£4.2m	Loss	0.15	204	-15.38%	-5.17%	-£0.75m	-£0.22m
Tribal Group	CS	£3.01	£157.3m	18.3	3.44	1821	16.25%	25.73%	£21.95m	£33.89m
Ultima Networks	R	£0.01	£1.7m	Loss	0.24	22	0.00%	-10.00%	£0.00m	-£0.24m
Universe Group	SP	£0.25	£8.7m	n/a	0.18	1089	4.26%	8.89%	£0.72m	£0.72m
Vega Group	CS	£0.62	£11.3m	Loss	0.32	504	17.14%	3.36%	£1.63m	£0.38m
VI group	SP	£0.14	£5.0m	96.4	0.67	270	-8.47%	-12.90%	-£0.47m	-£0.75m
Vocalis Group	SP	£0.01	£1.7m	Loss	1.00	13	-16.67%	-50.00%	-£0.35m	-£1.74m
Warthog	SP	£0.13	£6.4m	10.9	0.72	308	6.00%	-24.29%	£0.36m	-£1.88m
Wealth Management Software	SP	£0.09	£3.6m	Loss	0.32	65	-8.11%	6.25%	-£0.31m	£0.21m
Xansa (was F.I. Group)	CS	£0.77	£254.2m	Loss	0.49	1962	30.77%	39.09%	£59.80m	£71.44m
XKO Group	SP	£0.37	£10.0m	Loss	0.26	247	19.35%	1.37%	£1.63m	£0.15m
Xpertise Group	CS	£0.03	£6.0m	Loss	1.31	110	0.00%	-26.67%	£0.00m	£3.32m

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MORE SUNSHINE THAN SHOWERS

Following a rocky three months on the markets to kick off 2003, April saw gains across the board for the key indices. The FTSE 100 gained nearly 9% but that was eclipsed by the performance of Ovum Holway's S/ITS index, which posted a 14% rise. This puts the S/ITS index at just under 2,700, 13 points shy of where it started the year.

The 17.6% improvement for the FTSE IT (SCS) index suggests that the larger companies in our industry have fared just as well as the smaller listed players. In fact, one of April's leading risers was **Sage**, with a 60% gain. A number of other larger cap companies also made good ground during the month, including **Xansa** (up 31%), **Misys** (27%), **LogicaCMG** (21%) and **Computacenter** (8%). But nobody could beat the percentage gains of **Ultrasis** (up 200% to 0.75p) and **Harrier Group** (up 171% to 9.5p).

April also had plenty of downpours mixed in with the sunshine. **AIT** was the gloomiest of the S/ITS pack, with a 51% fall during the month to 10.3p. **Earthport** (down 35%) and **Transware** (down 29%) fared little better.

As for the various S/ITS sectors, the star performers in April were the software companies, with an average 15% rise in value. The other categories - system houses, ITSAs and resellers – also managed double digit gains. That means the system houses are in positive territory for the year so far. But the ITSAs remain well in the red at 17.5% below Jan 1st levels.

30-Apr-03		
	S/ITS Index	2699.82
	FTSE IT (SCS) Index	340.25
	techMARK 100	674.30
	FTSE 100	3926.00
	FTSE AIM	572.60
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap	1832.87

Changes in Indices	S/ITS Index Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/04/03 to 30/04/03)	+14.17%	+8.65%	+14.23%	+17.63%	+5.51%	+11.26%
From 15th Apr 89	+169.98%	+91.18%				
From 1st Jan 90	+193.43%	+66.22%				
From 1st Jan 91	+281.40%	+81.73%				
From 1st Jan 92	+158.39%	+57.47%				
From 1st Jan 93	+69.42%	+37.92%				+32.11%
From 1st Jan 94	+61.71%	+14.85%				-1.92%
From 1st Jan 95	+80.09%	+28.07%				+4.95%
From 1st Jan 96	+19.54%	+6.42%	-14.56%		-39.94%	-5.60%
From 1st Jan 97	+0.84%	-4.67%	-26.28%		-41.34%	-16.04%
From 1st Jan 98	-11.04%	-23.55%	-29.32%	-65.98%	-42.28%	-20.77%
From 1st Jan 99	-31.50%	-33.26%	-53.69%	-76.47%	-28.57%	-11.49%
From 1st Jan 00	-76.46%	-43.35%	-82.16%	-90.85%	-70.37%	-40.83%
From 1st Jan 01	-57.75%	-36.91%	-73.72%	-82.54%	-60.18%	-42.42%
From 1st Jan 02	-43.73%	-24.75%	-54.21%	-59.70%	-36.22%	-28.94%
From 1st Jan 03	-0.48%	-0.37%	+3.93%	+0.01%	-5.03%	+0.68%

End Apr 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 Apr 03
System Houses	-44.5%	-78.4%	-70.9%	-47.6%	4.4%	13.8%
IT Staff Agencies	-78.1%	-80.9%	-69.6%	-45.2%	-17.5%	10.4%
Resellers	-1.8%	-52.7%	-37.4%	-30.4%	-5.8%	11.5%
Software Products	7.2%	-74.2%	-81.3%	-39.7%	-0.1%	15.0%
Holway Internet Index	90.4%	-76.8%	-66.0%	-38.4%	-6.0%	6.8%
Holway S/ITS Index	-31.5%	-76.5%	-67.8%	-43.7%	-0.5%	14.2%

SYSTEMHOUSE® is published monthly by Ovum Holway, 2, St. George's Yard, Farnham, Surrey, GU9 7LW. Telephone 01252 740900; Fax: 01252 740919; E-mail: mail@ovumholway.com which also publishes the annual "Holway Report". Ovum Holway analysts might hold stock in the companies featured.