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

BUBBLE & SQUEAK

Have the Ovum Holway team finally gone mad? What have 'last night's leftovers' got to do with the state of the UK S/ITS industry?

Look at it this way.

In the May issue of **SYSTEM**HOUSE we put it to you that the prevailing attitude among buyers in the UK S/ITS market is that now ***"it's a time for making do"***.

Let us remind you what we meant.

During the latter part of the 1990s many companies accelerated their IT spend on preparations for Y2K and in anticipation of a wholesale transition to e-commerce. But Y2K is done and dusted. E-commerce has turned out to be an evolution not a revolution. IT is once again consigned to the role of *business tool*, not *business model*.

As a result, the mood in the boardrooms of UK businesses towards IT is to tell CIOs to make a better job of what they've got – and do whatever else needs to be done with little or no additional investment. For those old enough to remember, the watchword is once again ***'make do and mend'***.

Question: How has this 'making do' attitude affected suppliers in the UK S/ITS industry?

Answer: Bubble and squeak!

In other words, periods of massive overindulgence, rapidly followed by a hangover severe enough to make your pips squeak!

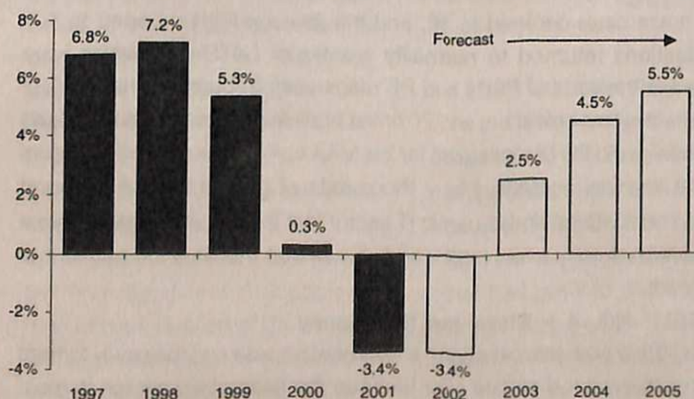
And now it's 'austerity time'. Suppliers are just going to have to learn to live within their means.

This is not a 'blip' in demand. This is not a 'gap year'. This is the way the market is ... and the way it will be for the foreseeable future.

I.T. GIVETH ... AND TAKETH AWAY

BUBBLE NO. 1 – The Y2K and dotcom bonanzas

Operating margins should start to recover in 2003 – but 'close shaves' will be the order of the day



In 1998 most businesses were steaming ahead to ensure their IT systems were Y2K compliant. This boost in demand for software and IT services resulted in the UK S/ITS market growing over 20% that year, the highest growth on record.

Then followed the dotcom frenzy as businesses frankly became irrational in their desire to 'web-enable everything'. Suppliers were not only happy to oblige, they veritably stoked the fires of e-passion.

E-commerce meant that we needed a 'new paradigm' which could measure business success in a way that properly reflected the 'true' value of all this new technology. A new currency was born – *The Eyeball* – ***which was even better than profits.*** The UK S/ITS industry erected temples to worship The Eyeball. New facilities were built. Additional resources were engaged. Investments were made. All this in the belief that The Eyeball was sure to gaze benevolently on the marketplace for many years to come.

THE SQUEAK – An industry at a loss

But by 2001, Y2K was long gone and the dotcom frenzy had come to an end. Even now there is no 'next big thing' on the horizon. Many S/ITS suppliers failed to believe that the inevitable slowdown in market growth was anything other than a temporary phenomenon. They simply stuck their heads in the sand with the intention of waiting until the good times rolled once again.

They haven't.

By the time UK S/ITS players realised that 'things could only get

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worse' it was too late. Those suppliers that had made huge investments to satisfy the expected buoyant demand for products and services found themselves with a cost base that well exceeded revenues. The resulting panic to cut costs has resulted in massive restructuring, lay-offs and closures. But the damage was done and, **for the first time ever, in 2001 the UK S/ITS industry made a net loss – in the order of some £2.5bn.** The industry is now unlikely to return to profit until 2003 – and margins may never fully recover.

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INDICES (changes in Jul. 02)

Holway SCS	-10.1%	3042
Holway Internet	-8.3%	2120
FTSE IT (SCS)	-15.5%	396
techMARK 100	-10.6%	774
FTSE 100	-8.8%	4246
Nasdaq Comp	-9.3%	1328

BUBBLE NO. 2 – Price is no object

Dotcom has a lot to answer for. During 2000 many UK S/ITS companies were desperate to increase their e-business capabilities. They embarked on a spending extravaganza which saw them buying 'e-consultancies' at highly inflated prices. Sure, a few of these e-consultancies were 'quality' companies with a pedigree. But most were start-ups, *priced on promise not delivery*. But who cared, as most of these deals were done with little or no cash, using over-inflated shares as currency. 'Minor' issues like 'acquisition indigestion' just did not figure in the equation - and who cared about share-based earnouts when with stock prices rapidly rising?

THE SQUEAK – Industry pays the price

The balance sheets of some of the largest players in the UK S/ITS industry now carry more goodwill than a century of Dickens' Christmases. Around £8bn, to be less than precise. For some players, goodwill alone exceeds the company's total market capitalisation. A few suppliers are now biting the bullet and writing off huge chunks of goodwill. CMG wrote off £564m of goodwill relating to its acquisition in 2000 of Admiral and Computer Answers, leaving it with pre-tax losses of £589m. CMG still has goodwill on the balance sheet of £468m. And at the end of Jun. 02, Xansa wrote off nearly £500m relating to the acquisition of Druid leaving it with a pre-tax loss of almost £510m. Even with these massive write-offs, at the end of Jun. 02 **the goodwill carried by quoted UK S/ITS companies still equated to over 50% of their total market capitalisation.** And as for share-based earn-outs? Well, NSB and Anite are just two UK S/ITS companies that learned the hard way – and we can be pretty confident in saying that the 'squeaking' isn't over yet.

BUBBLE NO. 3 – Shop till you drop

2000 was a bumper year for M&A transactions as many UK S/ITS players 'hit the shops' and bought up e-consultancies. Indeed, **the total value of S/ITS acquisitions involving UK companies increased by 124% to reach an all time record of £16.3bn.** Many of these e-business companies were 'under age' (barely post-natal in some cases) whilst others had yet even to be conceived. Few had profits – most were loss-making. Average P/E ratios for acquisitions shot up to 73 in 2001, compared to just 31 in 1999, and average PSRs increased from 2.4 to 6.2.

THE SQUEAK – Goods returned

By 2001 acquisitions were off the agenda for most companies as they didn't have the cash, and their shares were hardly worth the paper they were no longer printed on. It was time to 'get back to the knitting'. Many companies divested themselves of troublesome (i.e. loss-making) or non-core operations. Supply well exceeded demand and company valuations declined. Indeed, the total value of S/ITS acquisitions involving UK companies went down by 50% to £8.1bn in 2001 (closer to the £7.3bn recorded in 1999). The average P/E ratio for these deals declined to 36, and the average PSR dropped to 4.7. **M&A valuations returned to normality** – sales of S/ITS companies were concluded at the sorts of PSRs and PE ratios seen throughout the 90s (our yardstick is one times revenue, and 20 times profits). And as the value of deals plummeted, so did the commissions for the M&A companies and the financiers – and the financial analysts. Many thousands of people whose livelihood depended on a vibrant and dynamic IT sector lost their jobs. (Page 14 has a review of M&A activity over H102 - and shows that the situation has further deteriorated).

BUBBLE NO. 4 – Show me the money

During 2000 both the 'old guard' investment houses and the newly formed incubators threw good money after bad into the technology sector. In most

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cases the money was put into Internet, mobile, or digital TV technology companies – mainly start-ups, with inexperienced management and little or no track record. The total value of S/ITS sector investment deals increased by 56% to £852m in 2000, compared to 1999.

THE SQUEAK – Show me the way out

Although hi-tech companies continued to receive the most investment in 2001, **the total value of investment in UK S/ITS companies declined by 37% to £534m** as the sector declined in popularity. Many technology companies suffered declining revenues and, more importantly, deepening losses. Accounting scandals involving high profile companies such as Enron and WorldCom shattered investor confidence. It has become increasingly difficult for investors to know the safest place to put their money. The last hope for a 'next big thing', i.e. mobile technology, has also been crushed, with the growth prospects for the mobile industry looking decidedly mediocre for the next few years.

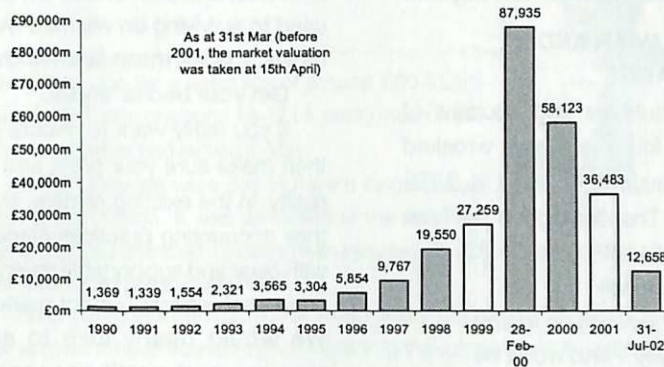
BUBBLE NO. 5 - Capital appreciation

During the dotcom boom, stock market valuations of hi-tech companies reached crazy heights as investors rushed to get a piece of the action. Expectations of growth prospects for the industry went through the roof. **The total value of quoted S/ITS companies hit a high of £87.9bn** in Feb. 00, with an average company valuation of £738m.

THE SQUEAK - Cheap at a sixth of the price?

The past two years have seen the first significant reduction in market capitalisation of UK quoted S/ITS companies since our records began. At the end of Jul. 02, the

£75bn wiped off UK S/ITS company valuations since end Feb. 00

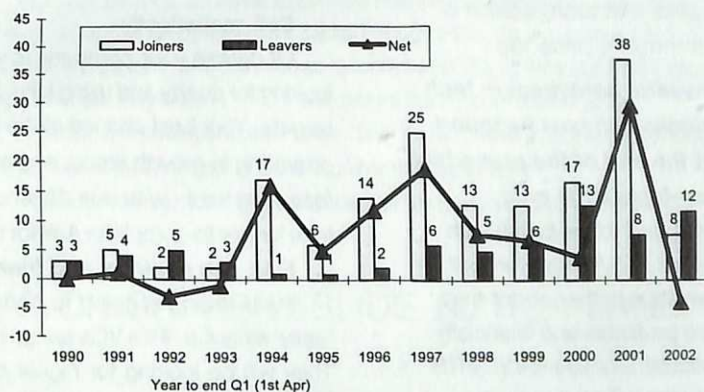


total market valuation of these 163 companies was 'just' £12.7bn – 86% lower than its height early in 2000. S/ITS companies rapidly dropped out of the main FTSE indices. **There are now only two UK-owned S/ITS companies in the FTSE100 (Sage and Capita), compared to eight in 2000.** But they are only ranked between 90 and 100 in the index so their future tenure is hardly secure.Technology stocks now represent just 1% of the FTSE350. Clearly, technology companies now hold less importance for institutional investors.

BUBBLE NO. 6 – Off to market

In the twelve months to Apr. 01 we saw the largest number of UK S/ITS companies listed on the London Stock Exchange (main and AIM) than ever before. In all, 38 companies launched IPOs, taking advantage of the market's love affair with tech stocks. Most were software companies, few of any heritage.

S/ITS IPOs dry up – more leavers than joiners this year



THE SQUEAK - Private lives

In the twelve months to Apr. 02, more companies left the stock market (12) than joined (8), **the first time there has been a decrease in the number of publicly quoted UK S/ITS companies since the last doldrums back in 1992/3.** The 'joiners' were equally divided between software and services companies. Most of the 'leavers' were distress sales by companies that had got into dire financial straits. They include the once mighty Sema Group (acquired by Schlumberger), as well as mid-market players – the traditional backbone of the UK S/ITS industry – such as Cedar Group (acquired by Alchemy), Lynx Group (acquired by Skandia Life), Kalamazoo (acquired by

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UCS) and QSP (went broke). As the depression continues, there will be more fall out in 2002… and beyond.

FROM CAVIAR AND CHAMPAGNE …

The 'bubbles' and 'squeaks' of the past few years have wreaked untold havoc upon the UK S/ITS industry. The damage is far from superficial.

In a nutshell:

- ***The industry is losing money*** – and won't be profitable for at least a year. And even then, S/ITS companies will have to find a way to survive on much slimmer margins.
- Industry dynamics – the lifeblood of a vibrant sector – has slowed significantly. ***Fewer companies can afford to acquire either with cash or with stock*** – and even fewer 'quality' companies are willing to sell at current prices. This 'stalemate' will continue for at least a year – or until we all realise that today's price is tomorrow's price too.
- ***Investor sentiment in tech stocks can now be found at the end of the proverbial ten-foot barge pole***, attached to the brush with which all S/ITS players will be tarred, whether or not they are profitable and financially secure. Confidence in S/ITS stocks will take years to recover, and will only come on the back of sustained profitability and transparent reporting.

WHAT CAN YOU DO?

***Get real* – the market you see is the market you get**

There is no 'next big thing'. Customers have become disillusioned with technology. They want to spend *less* not *more*. Even if an exciting new technology does emerge, customers will be far more circumspect than they were with 'e-everything'. In other words, base your *long term* business plan on *current* demand levels. For many this will mean getting used to surviving on warmed-over 'spuds and cabbage' for a long while. For others, this will mean farewell and goodbye.

Get your books 'sorted'

If you really want to restore confidence among customers and investors, then make sure your profit and loss account and your balance sheet reflect reality. In the existing climate, even 'rock solid' players like Capita are having their accounting practices placed under scrutiny. A good start can be made with clear and supportable revenue and profit recognition, along with a balance sheet that reflects current market value of your assets – especially goodwill. **We would dearly love to see a national accounting standard for revenue and profit recognition, goodwill write-off, etc.** We don't even care how long the write-off period is – we just need consistency. And there needs to be an automatic impairment review every year as a fundamental element of the audit process. Until all of that happens, we need much more 'transparency' in accounting practices.

Buy wisely

There are always exceptions to every rule. But time and again we have found that a few simple truths usually win out:

- Big is not beautiful. If the company you are buying is anywhere near as big as yours, then make sure you have a really good supply of Rennies!
- When acquiring abroad 'stick to the knitting' of your domestic business – and don't bet the family silver on it.
- S/ITS is hard enough anyway, but if S/ITS isn't your sector, buying a company is an expensive way to learn.
- Try not to buy at the top of the market. If you have to, buy in shares not cash.

Sell realistically

Of course your company is worth more than that. *To you*. Buyers will be looking for quality and using long-trusted measures to value potential acquisition targets. Your best chance of the best price is if you are a successful company operating in growth areas, and are core to the buyer's business. Be prepared for a long haul - with due diligence becoming increasingly stringent, deals will take longer to complete. Ask for cash – but don't be too offended by the reply!

Find rich relatives and friends

Fund raising is going to be tough. Not impossible – just tough. With few 'easy' exits (i.e. IPO) VCs are going to be very cautious with their investments. They will be looking for higher quality, more mature companies rather than start-ups. This means good management as well as good products and services. Niche software MBOs seem to be the current 'flavour of the month' – other S/ITS players will need to show sustained profits before purse strings are likely to be untied.

But most important of all … ***Learn to make do with 'bubble and squeak'***

You *can* still make a decent living in the software and IT services industry so long as you realise that the days of caviar and champagne are well and truly over – and are unlikely to be seen again for a long, long time.

A full analysis of the financial and corporate performance of the UK S/ITS industry is now available in our latest report, **Industry Trends 2002**, *part of the new Holway@Ovum research service. Please contact Andrew Randles (email etc.) for further information.*

HOLWAY COMMENT

Will Detica be the one and only S/ITS IPO in 2002?

Detica got their IPO away by the skin of their teeth on 25th Apr. 02. Our S/ITS Share Index has plunged by 26% since (which puts Detica's 13% fall since into a rather positive light!) Tom Black readily says that if they had waited the IPO would have had to be pulled.

Civica is a pure play provider of S/ITS to the public sector (LAs, healthcare, police forces, education). They are part of (around 45% of) the Sanderson Group which was an Alchemy-backed MBO in late 1999 – close to the zenith of valuations in the sector. Latest results to 30th Sep. 01 show revenues up 16% at £73.5m, operating profits of £6.2m and PBT of £6.0m - a very healthy 9% margin.

In mid May Investec issued their broker's note on Civica as part of the run up to its IPO. They had set a "basket" of companies to compare themselves to. They included Anite, Isoft, ITNET, Northgate and Torex for the obvious reason that they all have a substantial public sector exposure. Indeed, they had all been bucking the trends (up 'til then!) as **SYSTEM**HOUSE readers will know!

Although not formally stated, the expectation was for a valuation of around £80-£85m implying a P/E ratio of around 16-17 i.e. pretty much in line with where Detica had settled in May.

On 25th June we were due to have a long booked meeting with Civica. It was cancelled at the very last moment as they attended a meeting with Investec. The following day the reason was clear. Civica had pulled their IPO.

Civica told us that they had made 40-50 presentations to institutionall investors. They seemed to have received a good reaction to the company and its prospects…but there was little interest in the sector and no one was really sure what valuations should be applied. Sentiment really is totally against S/ITS at the moment.

Both Civica and Detica are quality shows. If Civica can't get an IPO away, then we doubt too many others will even attempt it – let alone achieve it. Indeed, both Detica and Civica's IPO costs were well in excess of £1m. We now know of no "rumbling under" IPOs. We don't expect to see any for the rest of this year at least.

Civica say they might return in the autumn but we doubt it. Civica will likely become a target – particularly for a BPO player wanting to increase expertise/credibility in the public sector ITS arena.

Although all this is no surprise, it is still a shame. **Without a vibrant IPO market our sector will atrophy.**

Poor sentiment not just affects IPOs. Mettoni were telling us this month, just after they had appointed the receivers, that they needed just £2m to keep going. Two years back an IT incubator raised £200m with a plan written on the back of a fag packet. Mettoni, whatever the market might think, was a proper S/ITS business. Real staff, real customers, real products, real prospects. But no investor was prepared to come in. *Sentiment again.*

We hear this time-and-time again right now affecting all parts of the food chain from startups through development capital through IPOs. Trade sale total valuations in H1 2002 were a tenth of those seen as recently as H1 2001. P/Es and PSRs are now back to where they were in 1997 – well before the internet exuberance.

Although we have been a bear since 1998 (as our readers constantly point out to us!) perhaps it really has gone too far against the sector now.

This is, of course, not financial advice, but we are now going to call the low.

-7%
62p
DIAGONAL

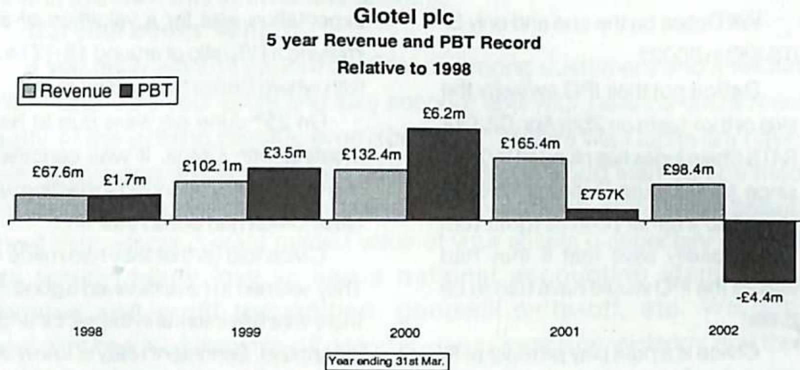
DIAGONAL ON SLIPPERY-SLIDE TO ITSA-LAND

Diagonal (the Farnham-based provider of SAP consulting/implementation, enterprise application integration, e-commerce and secure network services) announced results for the six months to 31st May 02 showing turnover down 25% compared to H1 01 to £33.9m, and down 9% on the previous six months. PBT has fallen 54% to £687K and EPS has slipped from 1.71p to 0.77p. However we are pleased to see that gross profit margins have improved from just short of 29% in H1 last year, to 30.3% this period, although operating margins fell from 6.1% to 4.4%. Diagonal also reports a "*strong*" SAP forward order book, pipeline and contract wins, along with increased visibility of earnings in the secure networks division. CEO Graham Creswick anticipates "*a satisfactory performance for the financial year*", and is "*confident that the steps already taken and our plans for the current half are positioning the Group well for 2003 and beyond*".

Comment: Diagonal is desperately trying to stop the tumble down the margin slippery-slide towards "ITSA-land". While gross margins are generally higher than most IT staff agencies (though **SThree**'s are higher), operating margins are now well into ITSA territory (even **Lorien** managed 5% margins for its resourcing business). But unlike some ITSAs, Diagonal is profitable, cash generative, and have a decent nest egg in the bank, so that should come as some comfort. Diagonal's shares ended the month down 6.8% at 62p.

GLOTEL: SIGNS OF RECOVERY IN US MARKET

Glotel, a leading UK IT staff agency with a particular focus on supplying telecomms and networking staff, has announced results for the year to 31st Mar. 02 showing turnover down 40% to £98.4m, last year's modest PBT of £757K has become a LBT of £4.4m and EPS of 1.4p has become a loss per share of 8.6p. Commenting on the results, joint founder and Chairman, Les Clark said: "*This has been the most challenging year in the Group's history...we have made some tough decisions but have emerged from this period as a stronger company....since April 2002 the rate of decline in sales and margin has halted and the business has stabilised. Trading conditions in the UK and International operations remain difficult but the USA subsidiary is beginning to show signs of recovery*".



Glotel plc FYE: 31st March	Turnover £m 2002	2001	Change
UK	48.5	66.5	-27.1%
Managed Services	7.6	17.1	-55.3%
International	4.5	8.7	-49.0%
Other businesses	0.7	0.5	43.4%
Total UK	*61.3*	*92.8*	*-34.0%*
North America	27.8	51.8	-46.5%
Continental Europe	6.1	16.2	-62.2%
Australia	3.2	4.6	-29.3%
Total international	*37.1*	*72.6*	*-48.9%*
TOTAL	**98.4**	**165.4**	**-40.5%**

Comment: Glotel's losses come as no great surprise. At the interim stage (end Sep. 01) Glotel reported losses, for the first time in its history, of £2.1m as a result of falling sales and inevitable restructuring costs (redundancies, office closures etc). Further cost cutting measures followed in H2, but these were not enough to ensure a return to profitability, even at the operating level. An operating loss of £1.2m coupled with further 'exceptional' items of £2.9m, and interest charges of £271K kept Glotel in the red for the full year.

Turnover continued to decline in the second half, down from £60.1m in H1 to £38.3m in H2, however Glotel did succeed in maintaining its gross margins at 21.2% (a respectable result for an ITSA).

All geographies were hit: the core UK contractor supply business was down 27% to £48.5m (this includes c£2m from permanent placements) and International (the 'export' of contractors from the UK to overseas clients, predominantly major telcos) fell 49% to £4.5m. North America, where margins are traditionally higher, declined 46% to £27.8m. With the USA so important to Glotel (31% of total revenues last year, and 28% this year), joint founder, and CEO, Andy Baker has relocated there to ensure an improved performance in FY03. Meanwhile Continental Europe fell the most, down 62% to £6.1m, and Australia declined 29% to £3.2m.

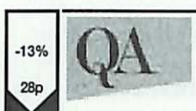
Glotel's Managed Services business (a holy grail for many ITSAs) saw revenue drop 55% to £7.6m, after a bumper year in FY01 when it enjoyed 389% growth. Managed Services did sneak into profitability, albeit just £31K for the year. Glotel's biggest account was with Energis – so we were told to expect to see further revenue decline in FY03. Chairman Les Clark told us that Glotel is "*committed*" to keeping its managed services offering, even though it has yet to reach "*critical mass*".

On a positive note, Glotel has kept a firm grip on the cash, turning a net debt of £6.8m at the end of FY01, into a cash balance of £7.6m. In addition, a combination of lower headcount (down from a peak of 353 in Dec. 00, to 201) and salary sacrifice (by the board and some employees) has brought the monthly cost run rate down by almost 50% to £1.45m – much more in line with revenues.

Trading conditions seem to have stabilised, with Clark reporting some signs of recovery in the USA. Of course the UK remains competitive, and Glotel remarked that it continues "*to experience pressure on margins*". However the company did secure SCAT status during 2001 (for the supply of IT staff to the public sector), and this, we were told, is "*coming good*". Amazingly, some ITSAs have still not woken up the opportunities in the public sector!

But these efforts were not enough to stop the share price taking a tumble on the day of the results, and ending the month down 10.4% at 56p.

-13%
28p



QA: *"trading in a cold climate"*

QA plc FYE: 31st May	Turnover £m 2002	2001	Change
Training	12.4	20.6	-39.8%
Consulting & other	3.7	7.4	-50.0%
Continuing Ops	***16.1***	***28.0***	***-42.5%***
Discontinued Ops	-	*2.2*	
TOTAL	**16.1**	**30.2**	**-46.7%**

In its results for the six months ended 31st May 02 QA revealed turnover from continuing operations down 42.5% to £16.1m (total turnover dropped from £30.2m to £16.1m). Goodwill impairment charges of £28.1m relating to acquisitions made in 1999 and 2000 helped to convert a PBT of £400K in 2001 to an LBT of £36.0m. Loss per share was also pulled down to 39.3p from 0.2p. Commenting on the outlook, Keith Burgess, Executive Chairman, said, "*Our expectation is for the current challenging market conditions to continue and we have organised ourselves to respond robustly*". However QA expects "*a much improved performance in the second half*".

Comment: If proof is needed that training in our industry is a discretionary spend, then QA' s results provide the evidence. At the same time pressure on the effectiveness of training means players like QA have to improve their offering, whilst lowering the cost to the customer.

QA has taken the opportunity, like so many other S/ITS companies, to review the carrying value of goodwill from acquisitions made in 1999/2000, resulting in £28.1m impairment of goodwill. The acquisitions under scrutiny included Cap Gemini (UK) Training, and the ill-advised purchase of learning management systems company DMT (we were pleased to see QA write off *all* remaining goodwill from this acquisition). The impairment, along with a review of investment in its own shares (£1.4m), and provision for disposal of property (£1.2m), dragged QA deeper into the red. Without these "*exceptionals*" (our view on calling such items exceptional is well known), QA was trading close to breakeven in Q2. Headcount has been cut to 350 (as of May 02) from 528 a year earlier: as Burgess put it, they have got rid of the "*administrative underbelly*".

There were a few positive messages coming out of QA's statement – the launch of an outsourced training service has resulted in some new customer wins, and the company expects to see its usual seasonal improvement in H2 over H1. With costs now in line with "*current levels of activity*", QA is optimistic that improved trainer and consultant utilisation, and any pick up in trading will filter straight through to the bottom line. We certainly hope so.

MICROSOFT MOTORS ON...

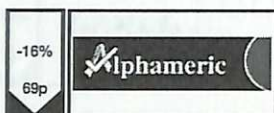
Microsoft has announced results for the year to 30th Jun. 02. Revenues rose 12% to $28.4bn, income before taxes remained virtually static at $11.5bn, diluted EPS fell 6% to $1.32. Commenting on the outlook, CFO, John Connors said, "*While the current environment remains challenging, we're making important investments in product development, marketing and in our sales force that will position us for success in the current year and beyond*".

Comment: There's no doubt that Microsoft's figures were boosted by the introduction of its controversial new licencing programme Software Assurance, which meant customers had to sign up to a two/three year maintenance programme in order to upgrade products.

In desktop software (which includes applications, Project, Office et al), and operating systems, revenues rose 7% to $18.9bn. Connors commented demand was "*particularly robust*" for Professional versions of Windows, with a 19% increase in sales, which led revenue to outgrow the PC market. In Enterprise software and services, where MS is still biting at IBM's and Oracle's ankles, revenues rose a modest 6% to $5.1bn (18% of total revenues – compared to 19% last year). In its consumer software business, where Xbox and MSN sit, revenues rose 83% to $3.6bn. The majority of the growth came from Xbox sales which "*were above expectations*", but still smallfry compared to the rest of the company and still not profitable.

In terms of the geographic breakdown it was a mixed bag - South Pacific and Americas rose 20% to $11.4bn, EMEA managed a 5% rise to $5.1bn, but Asia fell 7% to $2.8bn. OEM saw revenues rise by 14.5% to $9bn.

For the year ahead Microsoft is forecasting growth between 10-14%, with operating income up 12 - 14%. The company is increasing its R&D spend by 20% this year to $5.2bn and is expected to release a raft of new products to build on its web services strategy. If successful this will be an important endorsement of MS's future plans and enable it to expand outside of the desktop arena - but it's very early days yet.



ALPHAMERIC: BETTING ON A BRIGHTER FUTURE

Alphameric has announced its interim results for the six months ended 31st May 02. Turnover rose 11% to £27.4m, an LBT of £2.2m was converted to a PBT of £1.1m and a loss per share of 2.2p became EPS of 0.2p. Commenting on the outlook, Rodney Horstein, Chairman, said, *"I am confident that the Group will produce results for this year which are materially better than those achieved last year"*.

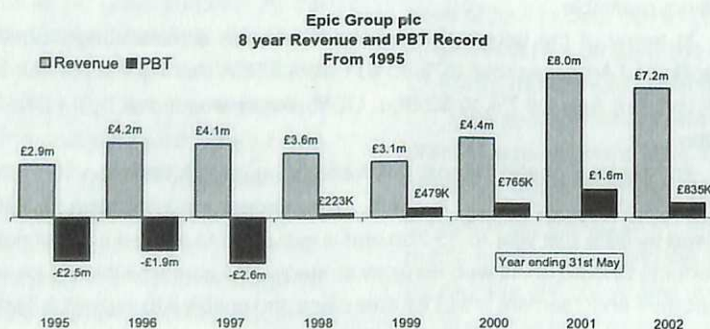
- Its **retail division** which supplies end-to-end systems for European non-food retailers, comprising hardware, software and services, saw revenues rise just 1% to £13.6m, accounting for 50% of total sales. Operating loss reduced slightly to £1m from £1.2m. The company expects its new product suite (in which it has invested £1.6m during H1 alone) to contribute to revenues and profits during H2.
- The **retail betting division** which now accounts for 45% of total revenues, made *"a strong start"* with revenue growth of 28% to £14.4m and operating profit (before amortisation of goodwill) of £2.3m (£1.5m loss in 2001). The division expects to benefit from the resolution of a media rights dispute which will enable it to accelerate its programme of providing managed display systems to the smaller UK bookmaking chains.
- The **logistics division** delivered the poorest performance, revenues fell 14% to £1.4m and an operating profit of £222K became a loss of £366K. The group does not possess the geographic reach or scale in the logistics marketplace to generate the returns it is seeking, thus Alphameric is planning to work with an *"international partner"* via a joint venture to grow sales.

Comment: After a disappointing set of final results in Nov. 01, Alphameric seems to have got itself back on course again: in spite of the *"challenging"* conditions the company has managed to deliver both revenue and profits growth. It claims a strong order book (although no figures were given), has a healthy balance sheet (£15m in cash balances) and intends to capitalise on recent changes in the UK betting industry. Now it's down to the retail division to deliver the revenue *and* profit growth to complete the picture.

E-XPECTING *"A YEAR OF GOOD PROGRESS"*

Epic, the AIM-listed e-learning company, reported results for the year to 31st May 02. The results, which were ahead of market expectations, show turnover down 10% to £7.2m, PBT has almost halved to £835K and EPS has fallen from 6.0p to 3.1p. Commenting on the outlook, Chairman Michael Inwards said: *"Despite prevailing market conditions, we have a sound order book and have made a positive start to the new financial year. In addition we expect a profitable revenue flow from existing and developing products. Against this backdrop, I look forward to the current year which I am confident will be a year of good progress for Epic"*.

Comment: Despite the headline drop in revenue and profits, FY02 has not been a bad year for Epic. The company increased sales to the public sector (now 50% of total revenue, 30% last year), and is confident that government initiatives in education and health in particular, will continue to present opportunities for e-learning projects. Epic also sells into the financial services sector, where increasing regulation is driving the demand for training. This coupled with the fact that companies are looking for costs savings in their training budgets (and e-learning is promoted as a way to reduce the costs of training staff/customers), leads Epic to be bullish about the current year.



The majority of Epic's revenue comes from the development of bespoke e-learning content, with c13% from associated testing/localisation services and consultancy. This year the company has developed its first e-learning product, and reports that sales have exceeded its expectations. Quite rightly, Epic has written off all development costs associated with the R&D as they were incurred, which means future sales should have a significant impact on profitability.

BACK TO ITS SOFTWARE ROOTS

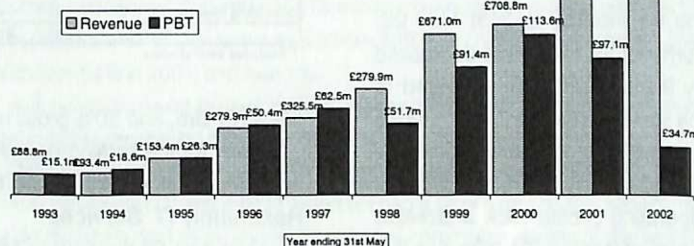
Misys' shares rose 22% to 220p on the day it announced its preliminary results but this had more to do with the news that the company was to float its IFA business than its actual numbers. Indeed, the results were a real mixed bag:

- Revenues rose 22% (all through acquisitions), and breached the £1bn mark for the first time
- PBT fell from £97.1m to £34.7m
- Fully diluted EPS fell from 13.0p to 3.7p
- Net debt has been reduced by £99m in the recent six months, to £159m, and net cash inflow was £121m (£128m).

Commenting on the results, Chairman Kevin Lomax said: "*The strength and diversity of the group's three main businesses mitigated, to a large extent, the adverse effects over the last financial year of the worst economic conditions that the group has faced for over a decade.... this year the group should make good progress towards achieving its continuing objective of sustainable mid-teens growth*".

As presaged at its interim results, the banking division, delivered the worse performance with revenues down 13.2% to £303m and operating profit down 91% to £41.9m. The division now accounts for 29% of total revenues from 41% in 2001 but still makes the most significant contribution to profits. Initial licence fees fell 29%, maintenance managed a 6% increase to £123m but services fell 15% to £89m.

Its healthcare business in the US, which comprises hospital, physician and homecare systems, was "*largely unaffected by the general weakness in the economic climate*" and "*performed well*",



with turnover up 36% to £286m (11% organic). However operating profit fell 34%, pulled down by the £15.3m operating loss on its acquisitions. All revenue streams posted increased turnover, although margins fell to 17% from 19% mainly due its hospital systems business. Lomax said he expected to see progress towards higher margins but this would take some time.

Financial Services, which includes the IFA network and General Insurance business saw revenues increase 42% to £447m. However, had it not been for the acquisition of DBS revenues would have fallen 6%. Operating profit fell 79% to £1.5m. The IFA network was affected by the poor investment climate, but the general insurance business managed a 3% rise to £35m.

On the Board there were quite a few changes. Ivan Martin, CEO of the Financial Service Division has been appointed as CEO of Banking and Securities, replacing Rupert Soames who is leaving the group. Also joining the Board are Tom Skelton, CEO Misys Healthcare Systems, and Jasper McMahon, Director of Business Development.

Looking to the future, Kevin Lomax was not willing to call an upturn just yet, rather "*stabilisation*".

Comment When we were researching the Market Trends report in May we were rather surprised to find Misys ranking no. 8 in our top ten UK outsourcers. Its appearance was a result of its IFA business, which provides online services for IFAs. At its briefing Misys announced that it plans to prepare for a separate stock market listing within two years for the IFA business. It makes sense - Misys is a software company not an ASP provider and whilst the IFA portal boosts revenues to the tune of £412m, margins are a paltry 5%. Furthermore, proposed regulatory changes will make the market much less attractive in the future.

In common with other software companies Misys is finding it tough going, but its business model has all the components that serve organisations well – recurring revenues, services, a wide geographic spread and a diverse portfolio. In addition, Misys doesn't appear to have suffered quite so badly as some of its peers. Thus ILF revenues have fallen by 5% over the year to £131m but this is below the falls experienced by some of the other software companies. Its markets are not subject to as much price pressure as others and the company hasn't been plagued by having its inventory stuck in the channel, thereby affecting forward sales. Its maintenance programme has been in situ for many years, so it's avoided upsetting customers by introducing major changes (and price hikes) to its licencing structure, at a time when many are looking to conserve costs. Lastly, with over 70% of its turnover generated by recurring revenues it has a marvellous cushioning that many will be envious of.

LORIEN'S NEW 'RESOLUTION' MAY BE HARD TO STICK TO

Lorien, the IT staff agency and provider of non IT professional services, has released its results for the six months to 31st May 02. Turnover for the period decreased by 9.9% to £60.4m compared to the same six months in 2001, whilst turnover from continuing operations decreased by 5.9% to £58.5m. Operating profits took a sizeable boost of 45% to £1.37m but last year's pre-tax profit of £537K was converted to a loss of £6.7m as a result of the £7.5m hit from the disposal of its consulting business to **Anite**. Diluted loss per share was 36.8p compared to an EPS of 2.0p a year earlier.

Lorien plc Six months to 31st May	Turnover £m			Operating Profit* £m			Margin	
	2002	2001	Change	2002	2001	Change	2002	2001
Resourcing	51.2	55.3	-7.3%	2.6	2.8	-6.8%	5.0%	5.0%
Specialist Services	7.3	6.9	5.2%	1.5	1.4	3.5%	20.5%	20.9%
Consulting (discont.)	1.9	4.9	-60.9%	0.3	0.5	-43.7%	13.4%	9.4%
TOTAL	**60.4**	**67.1**	**-9.9%**	**4.3**	**4.7**	**-7.2%**	**7.2%**	**6.9%**

* Excludes central costs

Contractor revenues fell 7% to £50.4m, but the permanent business fell more dramatically – by a third to just £800K. Gross margins on the contractor business declined to 10.1%, down from 10.9% a year ago. Once again, *"cash cow"* Specialist Services division held the business up, with revenue increasing 5% to £7.3m, and 30% gross margins, up a shade from last year.

Plans for the coming period include expansion of the European business and the development of the recently launched managed services' arm, **Resolution IT Services**.

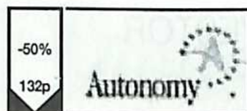
Executive Chairman Bert Morris was *"satisfied that current activity levels are consistent with our performance expectations for the current financial year"* and feels that market expectations of a full year profit of £2.5m are *"reasonable"*.

Comment: Everything was going much as expected in the analyst briefing – until they sprung on us the launch of their new 'managed services' business, Resolution. This is not 'managed services' as other ITSAs would understand it (i.e. managed agency services – sort of 'prime contractor') – it's basically a project house working on fixed price contracts. The division is led by Cliff Leach, who sold his consultancy business **Chatfield** to Lorien back in 1997, and then left to set up his own project agency. The hairs on the back of our neck stood to attention as this is a risky venture, especially in the current climate. Lorien FD Chris Hinton assured us that they will approach this market *"very cautiously"* and will manage it *"very tightly"*. Projects will be typically small (around £50K) though none have been signed up as yet. We are far from convinced about the wisdom of this move given Lorien's previous experience in the 'consultancy' arena. We really do hope they tread very carefully indeed. Lorien's shares ended the month down 1.3% at 79p.

ACCENTURE 'ASPIRES' TO GREATER THINGS IN MIDST OF DOWNTURN

Accenture lost some ground 'top line' during its Q3. Revenues for the three months ended 31st May 02 after reimbursements fell 2% to $3.43bn. Operating income fell 4% to $435m but pre-tax income climbed 3% to $442m. Revenue in EMEA grew 4% to $1.26bn. Highest growth came from Accenture's Government group and Comms & Hi-Tech group – but Financial Services 'got the bone' with a 16% revenue downturn. The boost in Comms & Hi-Tech was from *"large transformational outsourcing contracts"*. The news came about a week after announcing the company is to lay off around 1%-2% of its workforce, mainly in the US, UK and Australia. We hear that about 150 consultants in the UK are to go (from a total of c7000), mainly managers. The problem is that 'natural attrition' isn't high enough any more (surprise, surprise). Accenture are used to seeing attrition rates of some 10% to 15% - now it's down to 7%.

Comment: But it's not all bad news for Accenuture. The Inland Revenue has announced that Accenture and **EDS** have been shortlisted for the £4bn "ASPIRE" contract when it comes up for renewal in 2004. **BT** and **CGEY** are also on the list. We have to say the names on the list (other than EDS of course) surprised us. We had somewhat expected a fight between **CSC** and EDS. CGEY we can just about understand (but as best as we know they haven't ever undertaken an outsourcing deal of this magnitude before). But BT? The largest IT outsourcing deal of this kind that BT has, via **Syntegra**, is the Accord contract for the Department of Work and Pensions (DWP) which, Syntegra asserts, brought in c£100m last year. The Inland Revenue contract would be worth >£400m pa. *Ladies and gentlemen, please place your bets...*



AUTONOMY: DIFFICULTY WITH DEFINITIONS

Autonomy has announced results for the six months to 30th Jun. 02 showing revenue down 9% on H1 01, to $26.2m. Revenue was also down 14% quarter on quarter. PBT has dropped 60% to $4.4m (H1 01 was boosted by a $5.2m gain on foreign exchange), and diluted EPS, formerly $0.05 is now $0.04. Commenting on the results, Dr Mike Lynch, CEO, said: "*Autonomy today announced results in-line with its revised guidance.....we remain positive about our prospects, are encouraged by the performance in the U.S., and continue to monitor the situation in Europe*".

Comment: Despite the falling revenues and profits, there were some bright spots in Autonomy's results: the cash balance continues to improve ($148m compared to $137m this time last year), gross margin has increased from 96% to 98%, and the average contract size in Q2 was 17% higher than Q1's. Sales in the US have grown quarter on quarter, aided by a few $1m plus contracts, but UK/Europe and rest of the world took a real dive in Q2. Indeed Lynch commented on the "*unexpected return to weakness in Europe's economy*" that impacted European revenues. This resulted in the US accounting for 64% of total revenues (up from 40% FYE 01), Europe generated 35% of turnover (54% in 2001) and Asia 1%.

Autonomy displayed its usual bullishness, despite challenging market conditions close to home, increasing spend on R&D and sales & marketing during Q2.

We do have a bit of an issue with Autonomy and its exceptional costs. In our recently published Industry Trends report we had a bit of a rant on this subject. We argued that for a cost to be exceptional (in the common meaning of the word) it should be truly a one-off (often unforeseeable) occurrence. So-called 'restructuring' costs (i.e. lay-offs and office closures) due to poor business conditions is to our mind just a regular and expected cost of doing business. For example, costs associated with re-establishing a business after an unpredictable disaster (like September 11th) is an 'exceptional' cost. We facetiously (we thought) asked, "*...how many companies count hiring costs, or the costs of opening new offices, as exceptional?*" Well, it seem Autonomy does. In the briefing the company reported exceptional costs of $350K in relation to recruitment costs – it had increased its headcount by 5! Maybe Autonomy thought this was 'exceptional' because so many companies are laying staff off. But we can't let Autonomy off the hook that easily - in our Industry Trends report we reported that staff numbers in UK S/ITS companies actually went up by 13.5% in 2001. We've seen it all now!

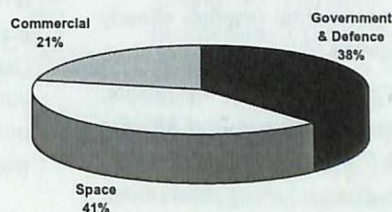
GROWTH DIFFICULT TO PREDICT

Vega's results for the six months to 31st Oct. 01 show turnover down a couple of % points to £17.6m, however LBT has improved from £1.3m to £332K, and loss per share has also improved from 5.79p to 1.9p.

The divisional performance was mixed:

- **Space**: Turnover increased by 3.4% to £14.4m. However, order intake was £14.9m compared to £19.9m in the previous year, which benefited from two multi-year extensions to existing contracts. Vega claims that *the "pipeline of opportunities at the year end is healthy, double that at the end of Apr. 01"*.
- **Government and Defence**: Turnover increased by 8% to £13.9m. The business returned to profitability with margin improvement coming from cost reduction and improved consultant utilisation. Order intake increased to £13.9m (2001: £10.6m), including the £6.5m Eurofighter contract. However, smaller orders were down slightly on the previous year.
- **Commercial**: Turnover declined by 16% to £7.6m. £0.9m of the reduction in turnover came from the aviation industry. Order intake was "*disappointing*" at £7.1m (2001: £8.6m) with performance in H2 particularly weak.

CE, Phil Cartmell (appointed May 01), commented on the outlook, "*Given current market dynamics it is difficult to predict the speed of growth that we can expect beyond this financial year, however our long term order book and the level of identified opportunities supports our belief that we will continue on the path to full recovery.*"



Comment: It's good to see Vega on the path to recovery (their words!), after a pretty disastrous FY01 that saw the company plunge into losses of £5.9m. Excluding amortisation of goodwill (£393K) Vega just sneaked into profitability during the period. Costs have been cut, but more significantly, Vega has improved utilisation rates of its consultants, and has recently secured the long awaited contract to develop ground training aids for Eurofighter. Vega admits that its growth beyond the current financial year is difficult to predict, but at least it goes forward with an order book of c£39m.

STUNNING RESULTS FAIL TO BOOST INVESTOR CONFIDENCE

Capita has announced interim results for the six months to 30th Jun. 02. The highlights were:

- Turnover was up 21% to £391m, compared to H1 2001, organic growth was close to 19%. Underlying organic growth, i.e. excluding acquisitions in 2001 and 2002, was 8%.
- PBT was up 38% to £29.0m
- EPS increased from 1.85p to 2.5p
- Contract wins are at record levels, with £1.1bn of new contracts in the first seven months of the year, compared to £744m for the whole of 2001
- Contract terms are now averaging 7-10 years giving Capita even higher visibility - 98% on this year's estimated turnover of £895m, and continued high visibility on 2003 turnover (14% growth in incremental revenue already visible).

Commenting on the results, Executive Chairman Rod Aldridge said: "*I am delighted to be able to announce such strong results today. Once again, the Group's earnings are growing strongly whilst continuing to be highly predictable and robust... (We are) very confident of the Group's prospects for the year as a whole and for our continued future growth*".

Comment – On the day Capita released these results its share price fell 1.3% to 258.5p. Considering the impressive results, and the fact that Capita has 98% visibility of its revenue estimate for the full year, the downward share price movement speaks volumes about current sentiment towards the IT services and support services sectors.

Capita Six months to 30th Jun.	Turnover £m			Profit before tax £m*			Margin	
	2002	2001	Change	2002	2001	Change	2001	2000
Business Services	130.9	117.9	11.0%	16.5	11.6	42.6%	12.6%	9.8%
Commercial Services	110.8	81.6	35.9%	10.1	6.7	50.0%	9.1%	8.2%
Integrated Services	64.0	54.1	18.3%	8.3	6.4	29.8%	13.0%	11.8%
Professional Services	78.0	69.4	12.4%	8.4	6.6	27.9%	10.8%	9.5%
	383.8	*323.0*	*18.8%*	*43.3*	*31.3*	*38.5%*	*11.3%*	*9.7%*
Acquisitions (Business Services)	7.4			1.0				
TOTAL	**391.2**	**323.0**	**21.1%**	**44.3**	**31.3**	**41.5%**	**11.3%**	**9.7%**

*Before Goodwill Amortisation

Capita also attempted to reassure investors that its accounting is "*consistently more conservative than required by the relevant accounting standards*" by outlining its accounting policies. However, investors are struggling to trust the word of company directors following the scandals surrounding Enron and Worldcom.

Capita continues to hold by the strategy that has served them so well, i.e. to grow via three routes: major contract wins, incremental growth and strategic acquisitions. Over the past six months, it has continued to make strides in all three areas:

Major contract wins: As well as contracts announced so far this year i.e. the BBC and TfL contracts, we saw the announcement of two more 'big-ticket' deals. The first is a £160m/ten year contract with Lincoln Financial Group, a major company in the Life and Pensions market in the UK. Capita will undertake life and pensions administration outsourcing work. Capita will acquire the processing and administration services and the associated assets of Lincoln for £5m. Lincoln's processing centre will become the base for Capita to establish this new business area, thus giving it the opportunity to make the same impact on the life and pensions market as it has had on the general insurance outsourcing market following its acquisition of **Eastgate**.

The second contract involves the formation of a new venture with four local authorities in Wales to deliver transport infrastructure contracts and provide professional support services. Capita will own 51% of the venture. The deal is worth £83m over ten years.

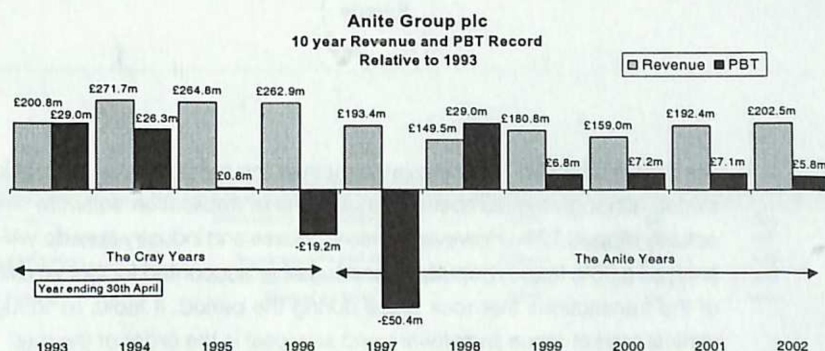
Incremental Growth: The individual businesses have continued to secure work from new and existing clients. However, Capita admits that it would like to improve the growth rate in this area by "*becoming more aggressive*". The past year has seen an unusually high level of big-ticket activity and as a result, the large contracts have benefited sometimes at the cost of the underlying business.

Strategic acquisitions: Capita continues to make strategic acquisitions and has four under its belt already in 2002, with an aggregate initial consideration of £43m. The largest transactions were of the **PwC** HR businesses (£14m) and of **Wynchgate Holdings**, an absence management services business (£18m). Capita has proved many times that it is capable of successfully integrating acquired businesses.

We have little reason to doubt that Capita's success will continue. The suspension of the ILA contract had an impact on the underlying growth for H102, but it's impossible to argue with estimated revenue growth of 20% for the full year particularly as most of this revenue is already visible. Additional revenues for H2 will be attributable to, for example, the BBC contract, which went live on 1st Jul. 02, and the Criminal Records Bureau (CRB) contract, which went live in March.

SHOPAHOLIC ANITE PAYS THE PRICE

Anite has announced results for the year ended 30th Apr. 02. Turnover from continuing operations rose 29% (19% organic) to £199.8m (total turnover rose 5.2% to £202.5m). PBT fell 19% to £5.8m and EPS of 0.7p in 2001 was converted to a loss per share of 0.6p. Commenting on the outlook, CE, John Hawkins said, *"For Solutions in the year ahead, we expect to see continued strong growth in travel and public sector with a flat performance from telecoms, reflecting the continuing uncertainty around the timing of 3G. In consultancy, we expect our business to continue to operate in tough marketplaces, but with the benefit of recent acquisitions overall performance should be broadly similar to last year*".



Comment –The diversity of Anite's portfolio ensured healthy headline figures for FY02. Last year, the stars of the show had been travel and telecoms; this year telecoms remained in the spotlight, to be joined by the public sector. Organic growth was as follows:

- **Public sector**: turnover up 29% to £42.6m, operating profits up 173% to £3.0m
- **Telecoms**: turnover up 28% to £31.5m, operating profits up 17.4% to £8.1m
- **Travel** – turnover up 16% to £23.6m, operating profit up 35% to £4.2m
- **Consultancy** – 9% increase in turnover but underlying profits declined by 35%.

The continued health of the telecoms business looks surprising at first. However, Anite is focused on niche areas of the telecoms market, with 85% of turnover attributable to wireless testing. Software testing is one area of the IT services market that, faced with a downturn in the sector, has held its head up. Unsurprising considering that product development must continue in good times and bad. In addition, Anite resisted putting all its eggs in the 3G basket and is still benefiting from demand in the 2/2.5G market. In the travel business, Anite was fortunate to sign the MyTravel (Airtours) contract (worth £15m over the next three years) before Sep. 11th. The consultancy business, unsurprisingly, is suffering from pricing pressure, particularly in France and Germany.

But despite the respectable headline results, Anite watched its share price plummet during July. One reason was the admission that profit in H103 would be lower than the previous year's first half. The reason is a significant increase in R&D spend (from £6m to £9.5m) in the telecoms and public sector businesses, and a more pronounced bias towards H2 due to increased sales in the public sector. In the longer term, Anite's newly formed alliance with Dati in Latvia (access to 300 developers) should reduce R&D costs by c15% annually.

Anite also suffered as speculation surrounding the accounting policies coming from support services contracts reached new heights (Capita was also a victim - see page 12). With Anite now attributing 28% of its turnover and 30% of Group orders to long-term contracts, and aiming to increase the proportion of managed services turnover to 50% within three years, it was a prime target for speculation. The Group's spending sprees, with companies purchased on deferred or performance related terms have added fuel to the fire and resulted in additional speculation surrounding the Group's ability to pay for its acquisitions.

As a result, Anite's results announcement was dominated by its attempts to calm investor's nerves. Firstly it outlined its accounting policies and revenue recognition rules, and then it outlined its forecasted earnouts (Anite undertook nine acquisitions in FY02). The rest of the month saw a further three announcements as it reached agreements with the sellers of companies it previously acquired. The agreements have sought to prevent the need to issue more shares than previously anticipated to meet its obligations. Shareholders have been concerned that if this were to happen, they would see the value of their shares diluted. Anite continues to review its earnout commitments.

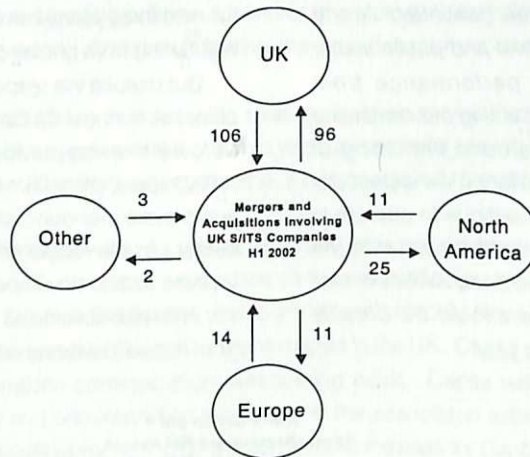
Going forward, Anite claims we can expect to see the rate of acquisitions slow, as it believes it has critical mass in its core markets. We doubt John Hawkins will be able to resist a few acquisitions! Hawkins stated that any acquisitions over the next year would most likely be in the public sector.

M&A MORE OF THE SAME (WELL, LESS ACTUALLY) – S/ITS M&A ACTIVITY IN H1

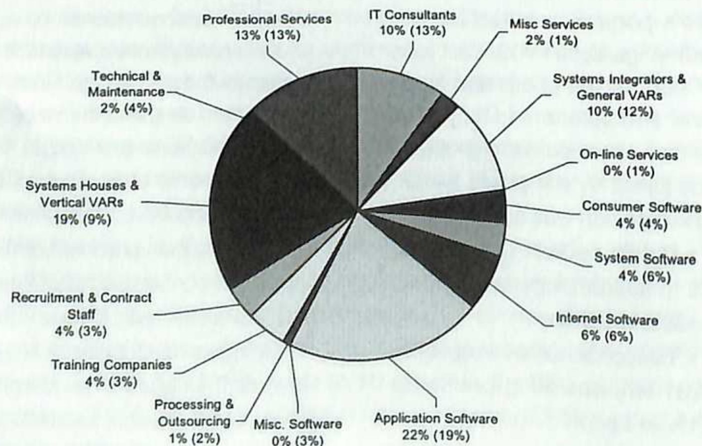
We've recently received M&A statistics for the first six months of 2002, from technology M&A specialists Regent Associates. The facts make grim reading for the sector as a whole, and for many of the brokers/advisors whose livelihoods depend on such activity. In summary:

- The total *value* of acquisitions in the sector involving UK companies fell 80% from $9.4bn in H1 2001 to $1.8bn.
- However the total *number* of deals held up much better, slipping 22% to 134.
- Which together means the *average* transaction value was $13.7m, way down on the average in H1 2001 of $54.4m. The *median* transaction value (probably a more meaningful indicator of the size of the deals being concluded) was also down from $7.8m to $5.1m. That's a median of just c£3.5m, which supports our earlier observations that smaller deals would hold up much better than bigger deals in the current climate.
- Q2 saw a definite improvement over Q1, with the number of deals up from 54 to 80. We expect many sellers accepted the fact that the sector has returned to 'sensible' valuations and that's the way things are going to stay (of course your company is worth more, but only to you!)
- UK S/ITS companies were clearly focused on activities here at home, and where they made acquisitions it was mainly of other UK players. Acquisitions of European and US companies were down 44% and 68% respectively.
- However, US players were more active, picking up almost twice the number of UK S/ITS companies during the period as in 2001. This suggests that the US may be feeling more confident, looking further afield for buying opportunities.

As a result of cross-border dynamics, the UK went from being a net buyer in H1 2001 (buying 28 more companies than were sold), to a *net seller*, selling 10 more companies than were bought.



- Applications software companies remained the most popular acquisition target, although the number of acquisitions of application software firms actually slipped 12%. However systems houses and industry specific VARS enjoyed a 56% leap in popularity, and together accounted for almost a fifth of the transactions that took place during the period. It looks as though vertical market focus (in software and services) is the order of the day.



[continued on page fifteen]

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Access Network Services	Maintenance & consultancy activities of Landis UK	Maintenance & consultancy	100%	n/a	Access bought Landis' maintenance & consultancy activities from the receivers.
Associate Undertaking	Patsystems	40% shareholding in eLocal, an Introducing Broker	40%	£575K	Patsystems's involvement in eLocal was part of its strategy to develop its North American business, but now it has decided that a minority interest will create a potential conflict of interest.
Easynet Group	Ision Internet AG and Ision Sales & Services GmbH & Co KG	German web-hosting, security solutions and access products	Majority of assets	c£2.2m	Easynet acquired the majority of Ision's web-hosting assets from the admininstrators. The business will be combined with Easynet's existing German operations.
Easynet Group	Wirehub! Internet B.V	Dutch ISP	100%	max £3.8m	Easynet acquired the Dutch ISP for £1.8m cash up front, with the balance payable by May 2004, contigent upon fufilment of certain criteria. Wirehub! turned over £3.4m and made an OP of £478K in 2001.
Evolution Group	Beeson Gregory	Corporate advisor & stockbroker	100%	£92.1m	Evolution merged with Beeson Gregory in an all share deal, valuing BG at c£92m. The combined operation will focus on investment banking services for small and mid cap companies. The enlarged group is to move to the official list.
Lastminute.com	Travelprice.com SA	Online travel and leisure	100%	£31.9m	Travelprice.com provides online travel/leisure solutions in France and Italy.
Lawson Software	Armature	SCM systems	Certain assets	EU7.8 m	Lawson has acquired certain assets of UK-based SCM specialist Armature.
Morse	SSI Computer Group Ltd	Reseller and associated services	100%	max. £6m	The acquisition extends Morse's presence in Ireland, and was at a PSR of 0.74.
Quantica	James Kimber Holdings Ltd/ James Kimber Education Ltd	Provider of work-based training	100%	max £967K	Recruitment & training company Quantica paid an initial consideration of £567K (cash & shares) for James Kimber Education. The balance is dependent upon renewal of certain contracts.
QXL Ricardo	Aucland.fr	French online auction site	100%	Undisclosed	QXL's French subsidiary acquired the rival auction site to gain economies of scale and "*accelerate*" its path to profitability.
Scientia Solutions Ltd	Knowledge Management Software's portal interests	Portal interests in the North East	100%	Nominal consideration	KMS divested assets, intellectual property, IT equipment etc to a MBO team led by the former MD of KMS' UK operations. 22 employees have transferred.
Specialist Computer Centres	Acuma's UNIX operations	VAR	100%	n/a	No consideration was given for the acquisition of Acuma's Unix operations, which turned over £30m and employed 35 staff.
Tornado Virtue	Streamway Netcasting Ltd	Online corporate communications	100%	£793K	Tornado paid £598K in shares and has agreed to repay a shareholder's loan of £195K.
Xpertise	John Bryce Training UK Ltd (formerly Aris Education)	IT training	100%	n/a	Xpertise acquired the training company from the receivers (free of all debt and liabilities).

Forthcoming IPOs

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Profectus	Consultancy to 3G Maintenance	S/ITS	CS	TBA	tbc	£100.0m	2002
System-C Healthcare	Healthcare IT Solutions	S/ITS	SP	TBA	tbc	£36.0m	2002
theoilsite.com	e-procurement exchange	Dotcom	B2B	AIM	tbc	£5.0m	2002
Vecta Corporation	e-business sales softw are developer	S/ITS	SP	AIM	tbc	£14.0m	2002
Xchanging	Support Services	S/ITS	CS	MAIN	tbc	£1.0bn	2002

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- Software companies continued to expand their product portfolios, and were responsible for over a third of all of the acquisitions involving UK S/ITS companies during H1. By contrast, IT services companies made 29% fewer acquisitions, as they looked to conserve cash.
- We were not surprised to see that private companies and divisions/subsidiaries continued to make up the vast majority of acquisition targets. Of course, divestment of non-core operations (typically to a MBO team or an established player in the sector) frees up management time and attention to focus on the core business. However we were surprised to see the total *number* of divestments taking place was down 13% - Regent's data shows this was not the case across Europe as a whole, where divestments within the S/ITS sector increased 42% during the period. We expect to see more UK companies selling off divisions in the months ahead.

These trends are very much a continuation of those seen in 2001. Subscribers to the Holway@Ovum service will be able to read more about M&A transactions, valuations and our recommendations (for would-be buyers and sellers) in the forthcoming ***Industry Trends 2002 Report***, to be published later this month.

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£4,291,000		£8,136,000	+89.6%
PBT	-£2,609,000		-£14,619,000	Loss both
EPS	-11.90p		-56.90p	Loss both

Affinity Internet Holdings Plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£11,312,000		£52,765,000	+366.5%
PBT	-£26,050,000		-£30,090,000	Loss both
EPS	-125.80p		-109.81p	Loss both

Alphameric plc

	Interim - May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£24,743,000	£56,848,000	£27,373,000	+10.6%
PBT	-£2,245,000	-£1,677,000	£187,000	Profit to loss
EPS	-2.20p	-2.39p	0.20p	Profit to loss

Alterian plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£2,078,000		£4,267,000	+105.3%
PBT	-£3,592,000		-£9,247,000	Loss both
EPS	-10.71p		-23.90p	Loss both

Anite Group plc

	Final - Apr 01		Final - Apr 02	Comparison
REV	£192,418,000		£202,510,000	+5.2%
PBT	£7,096,000		£5,764,000	-18.8%
EPS	0.40p		-0.60p	Profit to loss

Argonaut Games

	Interim - Jan 01	Final - Jul 01	Interim - Jan 02	Comparison
REV	£1,451,000	£4,396,000	£9,271,000	+538.9%
PBT	-£1,634,000	-£3,131,000	£4,027,000	Loss to Profit
EPS	-1.75p	-3.35p	3.82p	Loss to Profit

Autonomy Corporation plc

	Interim - Jun 01	Final - Dec 01	Interim - Ju 02	Comparison
REV	£19,975,000	£36,271,000	£18,172,000	-9.0%
PBT	£7,635,500	£9,146,896	£3,045,000	-60.1%
EPS	0.03p	5.00p	0.03p	+0.0%

Aveva Group Plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£28,100,000		£31,818,000	+13.2%
PBT	£5,225,000		£4,938,000	-5.5%
EPS	20.26p		19.48p	-3.8%

Axon Group plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£42,737,000		£42,762,000	+0.1%
PBT	£7,174,000		£5,464,000	-23.8%
EPS	8.60p		6.70p	-22.1%

Azlan Group plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£591,608,000		£610,100,000	+3.1%
PBT	£16,132,000		£18,400,000	+14.1%
EPS	10.20p		11.90p	+16.7%

Baltimore Technologies plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£69,371,000		£70,421,000	+1.5%
PBT	-£99,038,000		-£659,711,000	Loss both
EPS	-24.20p		-131.80p	Loss both

Bond International Software plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£9,376,878		£11,365,995	+21.2%
PBT	£1,031,979		£1,256,609	+21.8%
EPS	5.02p		6.11p	+21.7%

Business Systems Group Holdings plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£37,707,000		£24,224,000	-35.8%
PBT	-£148,000		-£10,510,000	Loss both
EPS	-0.37p		-12.84p	Loss both

Capita Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£323,000,000	£641,940,000	£391,222,000	+21.1%
PBT	£20,984,000	£53,026,000	£29,043,000	+38.4%
EPS	1.85p	4.67p	2.50p	+35.1%

Charteris Plc

	Interim - Jan 01	Final - Jul 01	Interim - Jan 02	Comparison
REV	£4,829,000	£13,276,000	£8,725,000	+80.7%
PBT	£61,000	£828,000	£591,000	+868.9%
EPS	0.14p	1.52p	0.90p	+542.9%

Clarity Commerce plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£3,518,000		£7,620,000	+116.6%
PBT	-£1,145,000		-£221,000	Loss both
EPS	15.82p		-2.51p	Loss both

Clinical Computing plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£2,259,201		£2,179,894	-3.5%
PBT	-£328,673		-£1,369,934	Loss both
EPS	-1.30p		-5.50p	Loss both

CMG plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£810,400,000		£920,400,000	+13.6%
PBT	£83,100,000		-£588,600,000	Profit to loss
EPS	7.80p		-99.60p	Profit to loss

CODASciSys plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£49,624,000		£64,820,000	+30.6%
PBT	£2,732,000		£5,054,000	+85.0%
EPS	6.50p		11.70p	+80.0%

Comino Group plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£21,436,000		£20,560,000	-4.1%
PBT	£3,233,000		-£576,000	Profit to loss
EPS	16.30p		-3.80p	Profit to loss

Compass Software Group plc

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

Compel Group plc

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

Computacenter plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£1,990,620,000		£2,093,423,000	+5.2%
PBT	£55,571,000		£34,900,000	-37.2%
EPS	20.80p		9.90p	-52.4%

DCS Group plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£140,010,000		£104,900,000	-25.1%
PBT	-£14,451,000		-£4,600,000	Loss both
EPS	-55.46p		-22.58p	Loss both

Delcam plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£17,011,059		£18,248,122	+7.3%
PBT	£1,642,845		£853,565	-48.0%
EPS	19.60p		9.70p	-50.5%

Detica Group Plc

	Final - Mar 01		Final Mar 02	Comparison
REV	£26,602,000		£32,841,000	+23.5%
PBT	£4,684,000		£5,928,000	+26.6%
EPS	16.50p		20.80p	+26.1%

Diagonal plc

	Interim - Jun 01	Final - Nov. 01	Interim - Jun 02	Comparison
REV	£44,955,000	£82,182,000	£33,902,000	-24.6%
PBT	£2,920,000	£4,256,000	£1,607,000	-45.0%
EPS	1.71p	2.26p	0.77p	-55.0%

Dicom Group Plc

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

Dimension Data Plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£765,283,000	£1,474,501,000	£808,178,000	+5.6%
PBT	-£26,427,000	-£1,152,888,000	-£481,439,000	Loss both
EPS	-5.20p	-11.15p	-37.20p	Loss both

DRS Data & Research Services plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£11,653,000		£10,054,000	-13.7%
PBT	£563,000		£665,000	+18.1%
EPS	1.12p		1.36p	+21.4%

Easynet Plc

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

ECsoft Group plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£73,204,000		£59,327,000	-19.0%
PBT	£1,370,000		-£18,345,000	Profit to loss
EPS	-4.80p		-169.70p	Loss both

Eidos plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£156,628,000		£173,528,000	+10.8%
PBT	-£96,358,000		-£14,171,000	Loss both
EPS	-84.50p		-10.70p	Loss both

Electronic Data Processing plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£5,107,000	£10,408,000	£4,323,000	-15.4%
PBT	-£360,000	-£306,000	-£414,000	Loss both
EPS	-1.38p	-1.14p	-1.66p	Loss both

Epic Group plc

	Final - May 01		Final - May 02	Comparison
REV	£8,041,000		£7,227,000	-10.1%
PBT	£1,569,000		£835,000	-46.8%
EPS	6.05p		3.10p	-48.8%

Eurolink Managed Services plc

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

Eyretel Plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£39,362,000		£50,017,000	+27.1%
PBT	-£2,325,000		£648,000	Loss to Profit
EPS	-2.19p		0.49p	Loss to Profit

Financial Objects plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£18,369,000		£17,526,000	-4.6%
PBT	-£887,000		£1,046,000	Loss to Profit
EPS	-2.61p		0.84p	Loss to Profit

Flomerics Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,455,000	£12,875,000	£5,966,000	+99.5%
PBT	£110,000	£308,000	£147,000	+180.0%
EPS	0.55p	1.72p	0.75p	+212.7%

Focus Solutions Group plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£2,273,000		£5,073,000	+123.2%
PBT	-£2,437,000		-£2,590,000	Loss both
EPS	-9.70p		-10.30p	Loss both

Gladstone Plc

	Interim - Dec 00	Final - Jun 01	Interim - Feb 02	Comparison
REV	£6,418,033	£6,022,092	£4,020,569	-37.4%
PBT	-£4,541,865	-£16,336,496	-£3,380,671	Loss both
EPS	-14.90p	-47.45p	-9.74p	Loss both

Glotel Plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£165,367,000		£98,352,000	-40.5%
PBT	£757,000		-£4,445,000	Profit to loss
EPS	1.40p		-8.60p	Profit to loss

Gresham Computing plc

	Final -Oct 00		Final - Dec 01	Comparison
REV	£23,325,000		£24,761,000	+6.2%
PBT	-£4,273,000		-£973,000	Loss both
EPS	-9.38p		-3.32p	Loss both

Guardian IT plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£85,186,000		£114,679,000	+34.6%
PBT	-£224,000		-£94,538,000	Loss both
EPS	-5.20p		-136.50p	Loss both

Harrier Group Plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£11,163,749		£17,052,456	+52.7%
PBT	-£1,325,523		-£1,144,750	Loss both
EPS	-4.76p		-3.59p	Loss both

Harvey Nash Group plc

	Final - Jan 01		Final - Jan 02	Comparison
REV	£226,249,000		£235,720,000	+4.2%
PBT	£12,971,000		-£11,346,000	Profit to loss
EPS	24.63p		-39.38p	Profit to loss

Highams Systems Services Group plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£20,662,000		£16,777,000	-18.8%
PBT	-£2,032,000		-£298,000	Loss both
EPS	-10.43p		-1.45p	Loss both

Horizon Technology Group Plc

	Final - Jun 00		Final - Jun 01	Comparison
REV	£180,417,000		£249,091,000	+38.1%
PBT	£6,915,000		-£10,037,000	Profit to loss
EPS	7.86p		-15.30p	Profit to loss

Host Europe Plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£4,160,000		£9,529,000	+129.1%
PBT	-£14,364,000		-£34,419,000	Loss both
EPS	-1.78p		-3.38p	Loss both

Hotgroup plc (was Rexonline)

	Interim - Oct 00	Final - Apr 01	Interim - Oct 01	Comparison
REV	£923,000	£2,006,000	£1,338,000	+45.0%
PBT	-£70,000	£216,000	-£874,000	Loss both
EPS	1.10p	2.80p	-7.00p	Profit to loss

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

I S Solutions plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£11,237,000		£10,873,000	-3.2%
PBT	£547,000		-£222,000	Profit to loss
EPS	1.17p		-1.06p	Profit to loss

ICM Computer Group plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£31,520,000	£66,678,000	£32,384,000	+2.7%
PBT	£1,773,000	£4,668,000	£1,923,000	+8.5%
EPS	6.10p	16.00p	6.60p	+8.2%

IDS Group plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£12,855,000		£35,355,000	+175.0%
PBT	-£28,250,000		-£18,138,000	Loss both
EPS	-107.42p		-31.96p	Loss both

Innovation Group plc (The)

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£13,122,000	£43,695,000	£62,426,000	+375.7%
PBT	£1,359,000	-£10,806,000	-£3,474,000	Profit to loss
EPS	-0.21p	-0.21p	-3.88p	Loss both

Intelligent Environments Group plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£8,810,556		£3,111,584	-64.7%
PBT	-£2,523,413		-£6,979,561	Loss both
EPS	-5.97p		-13.53p	Loss both

Intercede Group plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£2,014,000		£1,193,000	-40.8%
PBT	-£1,125,000		-£2,188,000	Loss both
EPS	-8.80p		-11.70p	Loss both

IQ-Ludorum Plc

	Final - Dec 00		Final- Dec 01	Comparison
REV	£2,146,000		£4,192,000	+95.3%
PBT	-£1,859,333		-£5,308,000	Loss both
EPS	-3.85p		-6.66	Loss both

ISOFT Group plc

	Final - Apr 01		Final - Apr 02	Comparison
REV	£31,131,000		£60,102,000	+93.1%
PBT	£5,310,000		£12,178,000	+129.3%
EPS	3.06p		7.61p	+148.7%

ITNET plc

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

Izodia Plc

	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

	Final - Mar 01		Final - Mar 02	Comparison
REV	£3,786,000		£7,099,000	+87.5%
PBT	-£645,000		£716,000	Loss to profit
EPS	-10.47p		16.67p	Loss to profit

K3 Business Technology Group Plc

	Final -Dec 00		Final - Dec 01	Comparison
REV	£14,250,000		£7,972,000	-44.1%
PBT	-£5,191,000		-£1,373,000	Loss both
EPS	-29.20p		-3.60p	Loss both

Kewill Systems plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£68,737,000		£48,144,000	-30.0%
PBT	£3,279,000		-£57,638,000	Profit to loss
EPS	0.50p		-75.20p	Profit to loss

Knowledge Management Software plc

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

Knowledge Support Systems Group plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£2,803,736		£1,020,520	-63.6%
PBT	-£2,116,580		-£9,768,556	Loss both
EPS	-3.00p		-12.17p	Loss both

Logica plc

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

London Bridge Software Holdings plc

	Final - Dec 00		Final - Dec 01	Comparison
REV	£56,702,000		£74,070,000	+30.6%
PBT	£4,662,000		£4,725,000	+1.4%
EPS	1.85p		1.73p	-6.5%

Lorien plc

	Interim - May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£67,090,000	£139,028,000	£60,449,000	-9.9%
PBT	£537,000	£1,997,000	-£6,346,000	Profit to loss
EPS	2.00p	8.10p	-36.80p	Profit to loss

Macro 4 plc

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

Manpower SoftWare plc

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

Marlborough Stirling Plc

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

Note: The companies listed on pages 16-19 are those companies in our S/ITS index with revenue of >£2m. Also included in our index are: **Actinic, Atlantic Global, BSoftB, Earthport, Easyscreen, Ffastfil, I-Document Systems, Internet Business Group, Knowledge Technology Solutions, Myratech.net, Netcall, PC Medics Group, Software for Sport, Stilo International, Superscape, Systems Integrated, Ultrasis Group**

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

MERANT plc

	Final - Apr 01	Final Apr 02	Comparison
REV	£215,433,000	£87,068,000	-59.6%
PBT	-£50,046,000	-£55,442,000	Loss both
EPS	-37.90p	-46.80p	Loss both

Microgen plc (highlighted)

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£11,020,000	£21,009,000	£12,271,000	+11.4%
PBT	£59,000	£251,000	£103,000	+74.6%
EPS	0.10p	2.80p	-0.50p	Profit to loss

Minorplanet Systems Plc

	Interim - Feb 01	Final - Aug 01	Interim - Feb 02	Comparison
REV	£16,400,000	£52,900,000	£58,400,000	+256.1%
PBT	-£400,000	£5,300,000	-£6,800,000	Loss both
EPS	0.12p	7.89p	-5.47p	Profit to loss

Mission Testing Plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£4,988,000	£10,515,000	£9,028,000	+81.0%
PBT	£195,000	£967,000	£637,000	+226.7%
EPS	1.01p	4.43p	2.39p	+136.6%

Misys plc (highlighted)

	Final - May 01	Final - May 02	Comparison
REV	£858,500,000	£1,036,300,000	+20.7%
PBT	£97,100,000	£34,700,000	-64.3%
EPS	13.00p	3.70p	-71.5%

MMT Computing plc

	Interim - Feb 01	Final - Aug 01	Interim - Feb 02	Comparison
REV	£16,858,000	£31,112,000	£14,575,000	-13.5%
PBT	£1,106,000	-£2,792,000	£93,000	-91.6%
EPS	4.80p	-19.40p	-0.30p	Profit to loss

Mondas plc

	Final - Apr 01	Final - Apr 02	Comparison
REV	£2,702,141	£3,741,673	+38.5%
PBT	-£1,504,042	-£2,177,858	Loss both
EPS	-9.50p	-10.10p	Loss both

Morse Holdings plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£307,986,000	£586,076,000	£226,001,000	-26.6%
PBT	£13,804,000	£19,194,000	-£3,385,000	Profit to loss
EPS	6.30p	7.70p	-4.80p	Profit to loss

MSB International plc

	Final - Jan 01	Final - Jan 02	Comparison
REV	£157,760,000	£145,987,000	-7.5%
PBT	£2,584,000	£1,889,000	-26.9%
EPS	7.50p	6.40p	-14.7%

Ncipher Plc

	Final - Dec 00	Final Dec 01	Comparison
REV	£13,455,000	£14,367,000	+6.8%
PBT	-£1,790,000	-£3,237,000	Loss both
EPS	-2.18p	-2.80p	Loss both

NetBenefit plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£2,656,000	£6,353,000	£3,004,000	+13.1%
PBT	-£15,103,000	-£21,663,000	-£633,000	Loss both
EPS	-93.40p	-134.40p	-3.40p	Loss both

Netstore plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£1,152,321	£3,563,923	£1,733,293	+50.4%
PBT	-£5,425,820	-£11,829,902	-£3,775,783	Loss both
EPS	-6.14p	-13.32p	-4.23p	Loss both

Nettec plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£17,311,000	£16,416,000	-5.2%
PBT	-£8,582,000	-£36,066,000	Loss both
EPS	-8.00p	-30.90p	Loss both

Northgate Information Solutions plc

	Final - Apr 01	Final - Apr 02	Comparison
REV	£107,194,000	£92,564,000	-13.6%
PBT	£2,200,000	£8,658,000	+293.5%
EPS	0.55p	2.91p	+429.1%

NSB Retail Systems plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£31,771,000	£93,818,000	+195.3%
PBT	-£16,505,000	-£89,319,000	Loss both
EPS	-7.87p	-22.63p	Loss both

OneclickHR Plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£4,083,781	£5,818,605	+42.5%
PBT	-£2,366,348	-£2,114,778	Loss both
EPS	-5.20p	-4.10p	Loss both

Orchestream Holdings plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£2,746,200	£14,784,000	+438.3%
PBT	-£10,541,300	-£35,017,000	Loss both
EPS	-10.40p	-30.70p	Loss both

Parity plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£269,228,000	£246,930,000	-8.3%
PBT	£12,810,000	-£3,265,000	Profit to loss
EPS	5.53p	-2.03p	Profit to loss

Patsystems plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£2,524,000	£5,811,000	+130.2%
PBT	-£9,612,000	-£15,161,000	Loss both
EPS	-7.80p	-11.40p	Loss both

Planit Holdings plc (highlighted)

	Final - Apr 01	Final - Apr 02	Comparison
REV	£19,070,000	£22,347,000	+17.2%
PBT	£2,720,000	£3,550,000	+30.5%
EPS	2.00p	2.70p	+35.0%

Protogana plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£4,895,000	£8,766,000	£2,629,000	-46.3%
PBT	-£2,667,000	-£10,238,000	-£2,312,000	Loss both
EPS	-2.90p	-9.00p	-0.70p	Loss both

PSD Group plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£88,549,000	£71,672,000	-19.1%
PBT	£21,385,000	£4,815,000	-77.5%
EPS	57.00p	10.20p	-82.1%

QA plc (was Skillsgroup) (highlighted)

	Interim May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£30,200,000	£55,300,000	£16,100,000	-46.7%
PBT	£400,000	£1,200,000	-£36,000,000	Profit to loss
EPS	-0.20p	-0.80p	-39.30p	Loss both

Quantica plc

	Final - Nov 00	Final - Nov 01	Comparison
REV	£23,753,000	£33,418,000	+40.7%
PBT	£3,768,000	£2,860,000	-24.1%
EPS	6.80p	4.93p	-27.5%

Raft International Plc

	Interim - Apr 01	Final - Oct 01	Interim - Apr 02	Comparison
REV	£5,027,000	£9,468,000	£3,394,000	-32.5%
PBT	-£5,000	-£826,000	-£1,148,000	Loss both
EPS	-0.12p	-1.32p	-1.75p	Loss both

Rage Software plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£2,696,000	£5,731,000	£5,807,000	+115.4%
PBT	-£7,995,000	-£17,054,000	-£8,485,000	Loss both
EPS	-2.53p	-5.28p	-2.38p	Loss both

RDL Group Plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£21,226,000	£43,618,000	£28,352,000	+33.6%
PBT	£1,093,000	£1,990,000	-£455,000	Profit to loss
EPS	4.51p	7.93p	-1.28p	Profit to loss

Retail Decisions plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£17,674,000	£22,195,000	+25.6%
PBT	-£2,292,000	-£2,895,000	Loss both
EPS	-1.78p	-2.15p	Loss both

Riversoft Plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£5,168,843	£6,515,238	+26.0%
PBT	-£26,641,044	-£39,415,841	Loss both
EPS	-39.90p	-16.30p	Loss both

RM plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£110,716,000	£241,916,000	£89,133,000	-21.6%
PBT	£1,536,000	£15,207,000	-£14,131,000	Profit to loss
EPS	1.20p	11.20p	-11.20p	Profit to loss

Rolfe & Nolan plc

	Final - Feb 01	Final - Feb 02	Comparison
REV	£25,592,000	£25,584,000	-.0%
PBT	-£1,013,000	-£5,267,000	Loss both
EPS	-8.40p	-36.40p	Loss both

Royalblue Group plc (highlighted)

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£34,693,000	£66,253,000	£29,315,000	-15.5%
PBT	£2,025,000	£4,197,000	£3,984,000	+96.7%
EPS	3.10p	6.00p	8.50p	+174.2%

Sage Group plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£229,649,000	£484,137,000	£279,821,000	+21.8%
PBT	£59,156,000	£121,317,000	£65,146,000	+10.1%
EPS	3.18p	6.59p	3.50p	+10.1%

SBS Group plc

	Interim - Feb 01	Final - Aug 01	Interim - Feb 02	Comparison
REV	£23,106,000	£45,402,000	£16,996,000	-26.4%
PBT	-£388,000	-£3,621,000	-£606,000	Loss both
EPS	-3.20p	-39.50p	-6.60p	Loss both

SDL plc (highlighted)

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£16,747,000	£33,659,000	£28,131,000	+68.0%
PBT	-£2,770,000	-£5,098,000	-£2,002,000	Loss both
EPS	-6.50p	-11.56p	-4.02p	Loss both

ServicePower Technologies plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£3,292,000	£3,150,000	-4.3%
PBT	-£3,928,000	-£2,700,000	Loss both
EPS	-8.10p	-4.90p	Loss both

Sherwood International plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£54,277,000	£56,513,000	+4.1%
PBT	£6,634,000	-£11,012,000	Profit to loss
EPS	13.00p	-25.60p	Profit to loss

Sirius Financial Solutions Plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£17,135,457	£17,373,850	+1.4%
PBT	£727,215	-£281,000	Profit to loss
EPS	4.40p	-2.60p	Profit to loss

Smartlogik Plc

	Interim - Jun 00	Final - Dec 00	Interim - Jun 01	Comparison
REV	£12,707,000	£57,642,000	£1,738,000	-86.3%
PBT	-£910,000	-£131,694,000	-£10,438,000	Loss both
EPS	-0.60p	-79.20p	-6.00p	Loss both

Sopheon plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£7,763,000	£13,963,000	+79.9%
PBT	-£11,945,000	-£34,631,000	Loss both
EPS	-33.40p	-76.20p	Loss both

Spring Group plc

	Final - Apr 01	8 months to Dec 01	Comparison
REV	£374,448,000	£220,916,000	n/a
PBT	-£3,547,000	-£15,021,000	Loss both
EPS	-2.39p	-9.15p	Loss both

Staffware plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£37,857,000	£38,230,000	+1.0%
PBT	£3,042,000	-£3,250,000	Profit to loss
EPS	10.60p	-26.00p	Profit to loss

StatPro Group plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£3,172,000	£6,174,000	+94.6%
PBT	-£4,879,000	-£4,742,000	Loss both
EPS	-18.40p	-15.30p	Loss both

SurfControl plc

	Interim Nov 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£10,682,000	£27,839,000	£16,725,000	+56.6%
PBT	-£25,234,000	-£60,940,000	-£27,067,000	Loss both
EPS	-88.78p	-207.78p	-89.31p	Loss both

Synstar plc

	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£120,254,000	£238,198,000	£111,590,000	-7.2%
PBT	-£18,818,000	-£21,296,000	£1,570,000	Loss to profit
EPS	-11.80p	-13.80p	0.30p	Loss to profit

Systems Union plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£53,778,000	£78,385,000	+45.8%
PBT	-£105,924,000	£2,189,000	Loss to Profit
EPS	-125.30p	1.90p	Loss to Profit

Telecity Plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£14,053,000	£32,628,000	+132.2%
PBT	-£12,686,000	-£35,392,000	Loss both
EPS	-21.80p	-25.20p	Loss both

Telework Systems plc

	Final - Mar 01	Final - Mar 02	Comparison
REV	£21,947,000	£17,713,000	-19.3%
PBT	£4,173,000	-£5,068,000	Profit to loss
EPS	1.36p	-2.20p	Profit to loss

Terence Chapman Group plc

	Interim - Feb 01	Final - Aug 01	Interim - Feb 02	Comparison
REV	£21,830,000	£32,020,000	£6,021,000	-72.4%
PBT	£2,247,000	£8,124,000	-£2,748,000	Profit to loss
EPS	2.32p	6.30p	-3.59p	Profit to loss

Tikit Group plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£9,310,000	£9,123,000	-2.0%
PBT	£876,000	£1,006,000	+14.8%
EPS	5.48p	6.10p	+11.3%

Torex plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£88,425,000	£132,206,000	+49.5%
PBT	£5,133,000	£8,915,000	+73.7%
EPS	9.00p	9.90p	+10.0%

Total Systems plc (highlighted)

	Final - Mar 01	Final - Mar 02	Comparison
REV	£3,849,292	£5,384,299	+39.9%
PBT	£717,337	£1,415,606	+97.3%
EPS	4.90p	9.44p	+92.7%

Totalise Plc

	Final - Apr 00	Final - Apr 01	Comparison
REV	£870,217	£4,284,893	+392.4%
PBT	-£1,946,395	-£4,359,241	Loss both
EPS	-15.35p	-11.25p	Loss both

Touchstone Group plc

	Final - Mar 01	Final - Mar 02	Comparison
REV	£11,807,000	£14,187,000	+20.2%
PBT	£1,481,000	£1,770,000	+19.5%
EPS	9.80p	10.90p	+11.2%

Trace Group plc

	Interim - Nov 00	Final - May 01	Interim - Nov 01	Comparison
REV	£8,328,000	£15,656,000	£10,475,000	+25.8%
PBT	£1,085,000	£3,183,000	£771,000	-28.9%
EPS	5.25p	17.12p	3.12p	-40.6%

Transeda Plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£2,413,000	£6,510,000	£3,528,000	+46.2%
PBT	£46,000	£592,000	-£259,000	Profit to loss
EPS	0.08p	0.66p	-0.43p	Profit to loss

Transware Plc

	Interim - Dec 00	Final - Jun 01	Interim - Dec 01	Comparison
REV	£4,313,635	£10,417,322	£6,284,764	+45.7%
PBT	£452,647	£1,550,188	£622,147	+37.4%
EPS	1.11p	3.59p	1.40p	+26.1%

Triad Group plc

	Final - Mar 01	Final - Mar 02	Comparison
REV	£52,783,000	£41,567	-99.9%
PBT	£4,511,000	-£470,000	Loss both
EPS	12.14p	-1.36p	Loss both

Tribal Group Plc

	Final - Mar 01	Final - Mar 02	Comparison
REV	£17,465,000	£45,651,000	+161.4%
PBT	£699,000	£4,680,000	+569.5%
EPS	0.30p	6.60p	+2100.0%

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 00	Interim - Jun 01	Comparison
REV	£21,963,000	£48,477,000	£27,281,000	+24.2%
PBT	£111,000	£577,000	£431,000	+288.3%
EPS	-0.60p	-0.4	0.10p	Loss to Profit

Vega Group plc (highlighted)

	Final - Apr 01	Final - Apr 02	Comparison
REV	£35,661,000	£35,572,000	-.2%
PBT	-£5,882,000	-£763,000	Loss both
EPS	-26.87p	-3.53p	Loss both

VI Group plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£5,642,000	£6,456,000	+14.4%
PBT	£465,000	£726,000	+56.1%
EPS	1.05p	2.12p	+101.9%

Vocalis Group plc

	Final - Mar 01	Final - Mar 02	Comparison
REV	£2,701,000	£1,735,000	-35.8%
PBT	-£7,144,000	-£4,185,000	Loss both
EPS	-15.82p	-5.41p	Loss both

Warthog Plc (highlighted)

	Final - Mar 01	Final - Mar 02	Comparison
REV	£3,782,386	£8,858,117	+134.2%
PBT	£314,150	£487,791	+55.3%
EPS	0.65p	0.64p	-1.5%

Wealth Management Software plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£15,533,000	£12,009,000	-22.7%
PBT	-£251,000	-£6,346,000	Loss both
EPS	-0.67p	-15.24p	Loss both

Xansa plc

	Final - Apr 01	Final - Apr 02	Comparison
REV	£437,700,000	£515,100,000	+17.7%
PBT	£3,500,000	-£507,800,000	Profit to loss
EPS	-3.68p	-184.66p	Loss both

XKO Group plc

	Final - Mar 01	Final - Mar 02	Comparison
REV	£38,211,000	£38,880,000	+1.8%
PBT	-£19,611,000	-£14,938,000	Loss both
EPS	-73.80p	-56.40p	Loss both

Xpertise Group plc

	Final - Dec 00	Final - Dec 01	Comparison
REV	£5,758,000	£5,276,000	-8.4%
PBT	-£4,000,000	-£1,571,000	Loss both
EPS	-0.08p	-4.83p	Loss both

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Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Jul-02	Capitalisation 31-Jul-02	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jul-02	Share price move since 28-Jun-02	Share price % move in 2002	Capitalisation move since 28-Jun-02	Capitalisation move (£m) in 2002
AFA Systems	SP	£0.37	£0.7m	Loss	0.09	304	-29.13%	-60.11%	-£11.49m	-£21.01m
Affinity Internet Holdings	CS	£0.81	£24.5m	Loss	0.46	6231	2.53%	-73.22%	£0.63m	-£57.14m
Alphameric	SP	£0.69	£69.9m	15.7	1.23	314	-15.95%	-37.16%	-£13.23m	-£41.33m
Alterian	SP	£0.38	£14.7m	Loss	3.44	188	-14.77%	-48.98%	-£2.51m	-£14.11m
Anite Group	CS	£0.37	£111.4m	Loss	0.55	213	-50.68%	-78.59%	-£114.32m	-£377.91m
Argonaut Games	SP	£0.26	£25.1m	11.5	5.70	271	-27.78%	-58.40%	-£9.71m	-£32.29m
Autonomy Corporation	SP	£1.32	£168.3m	0.6	4.64	40	-50.19%	-59.63%	-£169.58m	-£243.38m
Aveva Group	SP	£3.59	£60.7m	16.8	1.91	1793	-11.48%	-18.80%	-£7.80m	-£14.00m
Axon Group	CS	£0.95	£49.1m	9.8	1.15	540	-19.57%	-46.00%	£19.64m	-£40.66m
Azlan Group	R	£1.16	£128.6m	9.9	0.21	502	-18.37%	-13.48%	-£28.91m	-£17.01m
Baltimore Technologies	SP	£0.06	£29.5m	Loss	0.42	590	-4.17%	-62.30%	-£1.34m	-£48.72m
Bond International	SP	£0.21	£3.0m	3.9	0.26	323	-45.45%	-72.00%	-£2.51m	-£7.70m
Business Systems	CS	£0.04	£3.4m	Loss	0.09	36	-22.73%	-68.52%	-£1.02m	-£7.46m
Capita Group	CS	£2.93	£1,949.9m	29.2	2.82	79204	-6.09%	-40.23%	-£147.05m	-£1,280.23m
Charteris	CS	£0.89	£36.4m	29.7	2.74	983	-3.28%	0.00%	-£1.30m	£4.10m
Clarity Commerce	SP	£0.78	£10.8m	Loss	1.42	624	0.00%	-14.75%	£0.00m	-£1.84m
Clinical Computing	SP	£0.37	£9.2m	Loss	4.20	294	17.74%	21.67%	£1.38m	£1.63m
CMG	CS	£0.75	£462.3m	Loss	0.50	2055	-26.24%	-69.34%	-£164.39m	-£1,026.95m
CODASciSys (was Science Systems)	CS	£2.95	£74.4m	14.5	1.50	2287	-11.94%	-43.27%	-£10.04m	-£56.64m
Comino	SP	£1.62	£22.3m	Loss	1.08	1242	4.87%	-5.00%	£1.00m	-£1.20m
Compass Software	SP	£0.78	£9.0m	20.1	2.09	517	-3.13%	-15.76%	-£0.29m	-£1.71m
Compel Group	R	£0.63	£19.4m	Loss	0.08	500	-19.35%	-26.04%	-£4.63m	-£6.83m
Computacenter	R	£2.64	£488.3m	14.1	0.23	393	-11.43%	-23.62%	-£63.08m	-£151.11m
DCS Group	CS	£0.19	£4.6m	Loss	0.04	308	-21.28%	-35.09%	-£1.25m	-£2.51m
Delcam	SP	£1.25	£7.5m	11.1	0.41	481	-14.68%	-12.59%	-£1.30m	-£1.16m
Detica	CS	£3.48	£77.7m	16.7	2.37	869	4.98%	-13.13%	£3.68m	-£10.32m
Diagonal	CS	£0.62	£55.0m	12.2	0.66	894	-6.82%	-40.00%	-£4.02m	-£35.42m
Dicom Group	R	£4.33	£90.1m	44.4	0.64	1326	-3.35%	2.00%	-£3.04m	£1.76m
Dimension Data	R	£0.28	£360.6m	13.4	0.24	50	-31.71%	-66.86%	-£167.36m	-£727.36m
DRS Data & Research	SP	£0.21	£7.4m	15.5	0.73	193	-7.61%	39.34%	-£0.61m	£2.08m
Easynet	CS	£0.77	£47.7m	Loss	1.14	21	-9.41%	-70.83%	-£4.98m	-£115.98m
ECSoft Group	CS	£2.05	£23.1m	Loss	0.39	113	-18.00%	-59.61%	-£5.12m	-£36.27m
Eidos	SP	£1.18	£163.6m	Loss	0.94	5897	-7.81%	-34.44%	-£13.91m	-£86.02m
Electronic Data Processing	SP	£0.37	£9.0m	Loss	0.86	1118	0.00%	-27.00%	£0.00m	-£3.60m
Epic Group	CS	£0.73	£18.5m	23.5	2.56	695	32.73%	-16.57%	£4.62m	-£3.58m
Eurolink Managed Services	CS	£0.38	£4.0m	14.8	0.48	380	0.00%	-15.56%	£0.00m	-£0.73m
Eyretel	SP	£0.12	£18.4m	58.9	0.37	120	-71.76%	-83.56%	-£46.63m	-£93.33m
Financial Objects	SP	£0.49	£19.0m	12.3	1.09	211	21.25%	-41.57%	£3.29m	-£13.60m
Flomerics Group	SP	£0.53	£7.7m	15.5	0.60	2038	-1.85%	-33.75%	-£0.15m	-£3.92m
Focus Solutions Group	SP	£0.49	£12.6m	Loss	2.48	251	-8.41%	-52.20%	-£1.14m	-£13.14m
Gladstone	SP	£0.06	£2.5m	Loss	0.41	150	4.35%	-56.36%	£0.11m	-£2.26m
Glotel	A	£0.56	£21.2m	Loss	0.22	291	-10.40%	36.59%	-£2.52m	£5.68m
Gresham Computing	CS	£0.69	£33.3m	Loss	1.35	742	13.58%	167.96%	£3.94m	£20.86m
Guardian IT	CS	£0.79	£55.1m	Loss	0.48	310	-0.63%	-49.03%	-£0.40m	-£53.04m
Harrier Group	CS	£0.13	£3.8m	Loss	0.22	103	-5.36%	-74.02%	-£0.21m	-£10.41m
Harvey Nash Group	A	£0.43	£22.8m	Loss	0.10	243	-30.89%	-64.58%	-£10.27m	-£13.07m
Highams Systems Services	A	£0.08	£1.6m	Loss	0.09	222	14.29%	-45.76%	£0.19m	-£1.33m
Horizon Technology	R	£0.14	£7.9m	Loss	0.03	50	-27.03%	-57.14%	-£2.93m	-£10.53m
Host Europe	CS	£0.01	£15.6m	Loss	1.64	442	-16.67%	-35.57%	-£1.20m	-£4.50m
Hot Group (was RexOnline)	A	£0.24	£6.1m	48.1	3.05	286	-15.79%	-40.00%	-£1.14m	£0.85m
I S Solutions	CS	£0.14	£3.4m	20.1	0.31	503	-12.90%	-58.46%	-£0.51m	-£4.75m
ICM Computer Group	CS	£1.50	£29.7m	8.1	0.44	833	-25.00%	-50.00%	-£9.92m	-£29.63m
IDS Group	SP	£0.36	£20.3m	Loss	0.57	394	-19.32%	-26.04%	-£4.90m	-£7.20m
Innovation Group	SP	£0.76	£146.1m	Loss	2.53	332	-14.61%	-78.89%	-£24.96m	-£521.66m
Intelligent Environments	SP	£0.04	£5.6m	Loss	1.79	45	-10.53%	-19.05%	-£0.66m	£2.44m
Intercede Group	SP	£0.36	£5.8m	Loss	4.87	592	-12.35%	-36.04%	-£0.82m	-£3.27m
IQ-Ludorum	SP	£0.04	£3.4m	Loss	0.56	57	-10.53%	-65.31%	-£0.40m	-£6.40m
iRevolution	CS	£0.05	£2.1m	Loss	0.32	101	-66.67%	-78.05%	-£4.11m	-£7.30m
iSOFT Group	SP	£2.20	£258.3m	20.6	4.30	1995	-11.31%	-14.76%	-£32.94m	-£44.73m
ITNET	CS	£1.50	£109.3m	12.0	0.62	427	-14.08%	-39.84%	-£17.90m	-£68.63m
Izodia (was Infobank)	SP	£0.37	£21.6m	Loss	5.72	5874	-23.71%	17.46%	-£6.70m	£3.22m
Jasmin	SP	£1.96	£9.2m	11.6	1.30	1307	-7.11%	-22.22%	-£0.71m	-£2.67m
K3 Business Technology	SP	£0.14	£6.8m	Loss	0.86	103	-10.00%	0.00%	-£0.77m	-£0.01m
Kewill	SP	£0.23	£17.5m	Loss	0.36	455	5.75%	-46.51%	£0.87m	-£15.53m
Knowledge Management Software	SP	£0.02	£1.7m	Loss	0.29	12	-14.29%	-87.23%	-£0.28m	-£11.82m
Knowledge Support Systems Group	SP	£0.16	£11.6m	Loss	11.60	72	-3.08%	-11.27%	-£0.40m	-£1.52m
Logica	CS	£2.04	£911.7m	6.8	0.80	2794	2.00%	-68.13%	£17.91m	-£1,948.41m
London Bridge Software	SP	£0.43	£72.1m	13.3	0.97	1063	-48.80%	-76.19%	-£68.80m	-£230.80m
Lorien	A	£0.79	£15.4m	6.1	0.11	785	-1.26%	24.60%	-£0.20m	£3.10m
Macro 4	SP	£0.97	£20.1m	10.0	0.43	389	89.22%	-61.78%	£9.51m	-£32.39m
Manpower SoftWare	SP	£0.10	£4.2m	Loss	1.52	98	-13.64%	-62.00%	-£0.67m	-£1.79m

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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 31-Jul-02	Capitalisation 31-Jul-02	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jul-02	Share price move since 28-Jun-02	Share price % move in 2002	Capitalisation move since 28-Jun-02	Capitalisation move (£m) in 2002
Marlborough Stirling	SP	£0.99	£222.2m	17.5	3.03	704	-10.05%	-51.95%	-£24.85m	-£244.55m
MERANT	SP	£0.85	£97.7m	Loss	1.12	411	-13.71%	-23.08%	-£15.43m	-£51.45m
Microgen	CS	£0.47	£30.2m	9.8	1.44	201	17.50%	-54.15%	£4.50m	-£21.93m
Minorplanet Systems	SP	£1.04	£75.8m	18.9	1.43	2114	-26.07%	-65.33%	-£26.72m	-£129.92m
Mission Testing	CS	£0.71	£12.4m	10.8	2.48	260	-11.25%	-56.31%	-£1.33m	-£15.51m
Misys	SP	£2.36	£1,359.1m	15.8	1.31	2936	-2.48%	-27.38%	-£33.85m	-£512.47m
MMT Computing	CS	£0.87	£10.5m	Loss	0.34	515	-7.49%	-21.36%	-£0.82m	-£2.82m
Mondas	SP	£0.31	£6.1m	Loss	1.63	407	-18.67%	10.91%	-£1.40m	£0.60m
Morse	R	£1.50	£192.1m	10.4	0.33	600	-16.20%	-21.05%	-£37.19m	-£51.19m
MSB International	A	£0.45	£9.1m	6.8	0.06	234	-21.93%	-47.34%	-£2.52m	-£8.12m
Ncipher	SP	£0.54	£68.4m	Loss	4.76	216	-12.90%	-32.08%	-£10.10m	-£32.20m
NetBenefit	CS	£0.09	£1.4m	Loss	0.21	43	0.00%	-34.62%	£0.00m	-£0.72m
Netstore	CS	£0.14	£13.6m	Loss	3.82	95	0.00%	-28.75%	£0.00m	-£4.08m
Nettec	CS	£0.07	£8.9m	Loss	0.54	30	-3.33%	-34.09%	£0.00m	-£4.62m
Northgate Information Solutions	CS	£0.32	£90.1m	0.9	0.97	121	1.61%	-5.97%	£1.40m	-£5.69m
NSB Retail Systems	SP	£0.14	£44.3m	Loss	0.47	1217	-26.32%	-42.86%	-£15.89m	-£33.28m
OneclickHR	SP	£0.22	£11.6m	Loss	2.00	538	-2.27%	-48.81%	-£0.30m	-£10.50m
Orchestream	SP	£0.03	£3.6m	Loss	0.24	15	-56.00%	-86.59%	-£4.58m	-£23.22m
Parity	A	£0.27	£40.6m	Loss	0.16	4417	-32.91%	-45.92%	-£19.97m	-£34.53m
Patsystems	SP	£0.08	£10.4m	Loss	1.79	75	-5.88%	-23.81%	-£0.60m	-£3.25m
Planit Holdings	SP	£0.47	£38.6m	17.4	1.73	1938	-9.71%	-15.45%	-£4.20m	-£7.10m
Protagona (was Recognition)	SP	£0.02	£6.1m	Loss	0.69	25	-30.00%	-56.25%	-£1.75m	-£7.89m
PSD Group	A	£3.53	£88.5m	25.6	1.23	1602	-7.84%	-22.95%	-£7.50m	-£26.30m
QA (was Skillsgroup)	CS	£0.28	£25.7m	Loss	0.46	126	-12.50%	-39.13%	-£3.70m	-£14.90m
Quantica	A	£0.54	£21.5m	9.8	0.64	435	-18.80%	-1.82%	-£4.60m	-£0.10m
Raft International	SP	£0.04	£2.6m	Loss	0.28	63	-15.79%	-60.98%	-£0.50m	-£4.10m
Rage Software	SP	£0.02	£12.2m	Loss	2.13	58	0.00%	-81.25%	£0.00m	-£18.87m
RDL Group	A	£0.25	£4.8m	5.7	0.11	272	-18.33%	-54.63%	-£1.09m	-£5.61m
Retail Decisions	SP	£0.05	£14.1m	Loss	0.64	68	0.00%	-73.68%	£0.00m	-£15.15m
Riversoft	SP	£0.18	£42.9m	Loss	6.58	189	2.90%	47.92%	£1.20m	£13.90m
RM	SP	£0.78	£72.7m	7.0	0.30	2214	5.44%	-67.37%	£3.70m	-£150.20m
Rolfe & Nolan	SP	£0.60	£8.8m	Loss	0.35	714	-10.45%	-27.27%	-£1.02m	-£2.75m
Royalblue Group	SP	£3.48	£105.8m	16.8	1.60	2044	18.80%	-43.27%	£16.70m	-£78.60m
Sage Group	SP	£1.34	£1,690.8m	19.1	3.49	51346	-21.24%	-41.58%	-£456.18m	-£1,203.68m
SBS Group	A	£0.12	£1.5m	Loss	0.03	115	-11.54%	-46.51%	-£0.19m	-£0.51m
SDL	CS	£0.59	£31.3m	Loss	0.93	390	19.39%	-13.97%	£5.11m	£2.59m
ServicePower	SP	£0.12	£5.9m	Loss	1.83	115	-14.81%	-48.89%	-£1.03m	-£5.63m
Sherwood International	SP	£0.84	£38.3m	Loss	0.68	2798	-8.70%	-36.36%	-£3.67m	-£20.73m
Sirius Financial (was Policymaster)	SP	£1.38	£24.4m	Loss	1.40	917	-3.51%	41.03%	-£0.90m	£8.80m
Smartlogik	SP	£0.00	£0.7m	Loss	0.01	2	0.00%	-87.50%	£0.00m	-£5.23m
Sopheon	SP	£0.08	£7.0m	Loss	0.50	119	-23.26%	-71.55%	-£2.13m	-£17.70m
Spring Group	A	£0.41	£60.8m	Loss	0.28	450	-25.69%	-47.74%	-£21.07m	-£55.57m
Staffware	SP	£3.40	£48.9m	Loss	1.28	1511	22.52%	1.49%	£9.04m	£0.76m
StatPro Group	SP	£0.18	£5.6m	Loss	0.91	219	-46.97%	-59.30%	-£4.96m	-£8.26m
SurfControl (was JSB)	SP	£4.20	£126.7m	Loss	7.57	2100	5.66%	-14.72%	£6.85m	-£21.85m
Synstar	CS	£0.51	£82.0m	Loss	0.34	306	-0.98%	-26.81%	-£0.89m	-£30.09m
Systems Union (was Freecom)	SP	£0.61	£62.4m	15.0	0.80	465	-23.90%	-27.54%	-£19.55m	-£23.65m
Telecity	CS	£0.06	£12.0m	Loss	0.85	8	-25.00%	-53.85%	-£4.00m	-£14.10m
Telework Systems	SP	£0.09	£15.3m	Loss	0.98	0	-22.73%	-79.01%	-£4.55m	-£57.75m
Terence Chapman Group	CS	£0.14	£9.9m	Loss	0.31	104	-12.50%	-65.85%	-£1.43m	-£19.07m
Tikit Group	CS	£1.09	£12.7m	15.9	1.39	948	-3.11%	-4.80%	-£0.42m	-£0.62m
Torex Group	CS	£5.60	£261.3m	22.0	1.98	10874	-7.44%	-23.02%	-£21.24m	-£59.04m
Total Systems	SP	£0.88	£245.4m	9.2	45.45	1651	-10.26%	-32.95%	£235.30m	£231.80m
Totalise	CS	£0.05	£0.5m	Loss	0.11	214	0.00%	5.88%	-£2.76m	-£2.58m
Touchstone Group	SP	£1.34	£14.0m	8.9	0.99	1276	3.08%	0.00%	£0.91m	£0.51m
Trace Group	SP	£0.63	£9.5m	5.1	0.56	500	-2.34%	-33.86%	-£0.23m	-£4.89m
Transeda	SP	£0.03	£1.7m	2.4	0.27	50	-47.37%	-89.80%	-£1.56m	-£15.00m
Transware	CS	£0.10	£3.6m	2.4	0.34	129	-23.08%	-77.78%	-£1.18m	-£11.93m
Triad Group	CS	£0.40	£8.6m	Loss	0.21	293	-19.39%	-57.75%	-£2.11m	-£15.21m
Tribal Group	CS	£2.52	£120.2m	38.2	2.63	1524	-12.06%	-22.62%	-£10.68m	£1.82m
Ultima Networks	R	£0.02	£3.9m	Loss	0.55	49	0.00%	-11.11%	£0.00m	-£0.49m
Universe Group	SP	£0.25	£8.9m	Loss	0.18	1111	-13.79%	-35.06%	£0.29m	-£2.49m
Vega Group	CS	£0.89	£16.4m	Loss	0.46	730	-4.30%	-36.43%	-£0.68m	-£9.38m
VI group	SP	£0.20	£7.2m	7.6	1.11	400	-6.98%	-33.33%	-£0.54m	-£0.39m
Vocalis Group	SP	£0.05	£6.3m	Loss	3.61	47	20.00%	-35.71%	£1.05m	£3.03m
Warthog	SP	£0.25	£11.8m	39.1	1.33	581	-20.63%	-41.18%	-£3.10m	-£6.00m
Wealth Management Software	SP	£0.14	£5.7m	Loss	0.47	104	-15.63%	-12.90%	-£1.05m	-£0.84m
Xansa (was F.I. Group)	CS	£0.91	£302.4m	Loss	0.59	2333	-12.50%	-74.29%	-£36.85m	-£852.14m
XKO Group	SP	£0.47	£12.5m	Loss	0.32	310	19.23%	-8.82%	£2.01m	-£1.19m
Xpertise Group	CS	£0.04	£2.5m	Loss	0.48	140	40.00%	-30.00%	£0.72m	£0.96m

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

SHARE PRICES TAKE ANOTHER TUMBLE

31-Jul-02	SCSI Index	3041.37
	FTSE IT (SCS) Index	396.06
	techMARK 100	773.70
	FTSE 100	4246.20
	FTSE AIM	683.80
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap	2063.35

Changes in Indices	SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/07/02 to 31/07/02)	-10.11%	-8.81%	-10.61%	-15.45%	-10.09%	-10.79%
From 15th Apr 89	+204.14%	+106.77%				
From 1st Jan 90	+230.55%	+79.77%				
From 1st Jan 91	+329.65%	+96.55%				
From 1st Jan 92	+191.08%	+70.32%				
From 1st Jan 93	+90.85%	+49.17%				+48.73%
From 1st Jan 94	+82.16%	+24.22%				+10.42%
From 1st Jan 95	+102.87%	+38.52%				+18.15%
From 1st Jan 96	+34.66%	+15.10%	-1.97%		-28.28%	+6.27%
From 1st Jan 97	+13.59%	+3.10%	-15.41%		-29.95%	-5.49%
From 1st Jan 98	+0.21%	-17.32%	-18.90%	-60.39%	-31.07%	-10.80%
From 1st Jan 99	-22.84%	-27.82%	-46.86%	-72.61%	-14.70%	-0.36%
From 1st Jan 00	-73.49%	-38.73%	-79.53%	-89.35%	-64.62%	-33.39%
From 1st Jan 01	-63.67%	-31.76%	-69.84%	-79.68%	-52.44%	-35.18%
From 1st Jan 02	-36.61%	-18.61%	-47.46%	-53.09%	-23.84%	-20.00%

End Jul 02	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move since 1st Jan 02	Move in Jul 02
System Houses	-35.5%	-74.9%	-66.2%	-39.1%	-7.6%
IT Staff Agencies	-70.9%	-74.7%	-59.7%	-27.2%	-15.1%
Resellers	-4.3%	-53.9%	-39.0%	-32.1%	-15.9%
Software Products	17.6%	-71.7%	-79.5%	-33.8%	-10.2%
Holway Internet Index	112.0%	-74.2%	-62.1%	-31.4%	-8.3%
Holway SCS Index	-22.8%	-73.5%	-63.7%	-36.6%	-10.1%

All the technology indices fell again this month, with the FTSE IT (SCS) index suffering the most with a 15.5% drop, highlighting the fact that the larger S/ITS companies have suffered more than the smaller companies.

Our Holway S/ITS index fell by 10.1% to end the month at 3041. In the last month a total of £1.7bn has been wiped off the value of quoted S/ITS companies. £11.4bn has been wiped off since the beginning of 2002. The total value of quoted S/ITS companies (£12.7bn) is now back to the level seen in 1997.

Not only that, the average P/E ratio of profitable quoted S/ITS companies now stands at just 15.5. We have not seen this level since 1995. The lowest average P/E on record was in the recession of the early 90s when the average fell to c13. Meanwhile the average PSR of companies in the Holway S/ITS index has fallen below 1 to stand at 0.83 - a level normally only seen by the resellers and IT staff agencies.

Eyretel suffered the biggest drop in its share price this month - down 72% to 12p - as it warned that revenues for the first half (to Sep. 02) are expected to be lower thatn the same period last year. **iRevolution, London Bridge Software,** and **Autonomy** all suffered falls of more than between 48% and 50% as they announced their latest financial results.

Macro 4 had by far the best month. Its share price increased by 89% to 97p as it reported "*a much stronger second half performamce*". However, the company was only really recovering from the 55% drop in its share price last month and is still 62% off its price at the beginning of the year.

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