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ovum HOLWAY

SYSTEMHOUSE

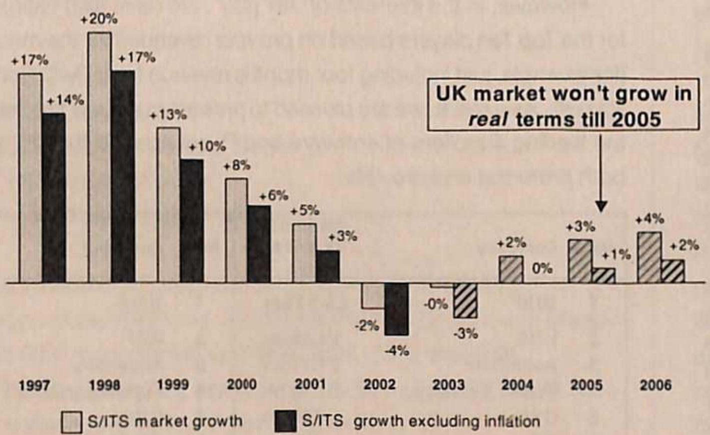
The monthly review of the financial performance of the UK software and IT services industry

MORE FOR LESS

It's official. We're in the doldrums and we're going to remain becalmed, certainly for the foreseeable future.

Last year we think we captured the real mood of the UK S/ITS market with our theme, *"make do and mend"*. The message from the customers was clear. Rather than invest in grand new IT projects with questionable return, customers were far more inclined to make do with what they already had. Any money being earmarked for IT was primarily to make existing systems (both hardware and software) work better together and last longer. Any business case to spend 'new' money on IT had to be able to *demonstrate* a sound return in the same financial year, else it would never get past first base.

The effect that this had on IT spending was more dramatic than even we had predicted. During last year we were expecting growth in the UK S/ITS market to be about flat – but even this would have meant a decline of some 2% in *real* terms (i.e. excluding inflation).



But now that all the numbers are in we have to admit that we called it too high! What actually happened was that the UK S/ITS market shrunk by just over 4% in real terms, to around £21.7bn. **This makes 2002 the worst year on record for UK S/ITS market growth.**

The reasons for the downturn are by now only too well known and we won't risk boring you by listing them all yet again. But one factor does bear repeating, and that is the lack of visibility of the 'next big thing'.

The new CIO agenda

And now we have to tell you we believe the mood of the market has changed again, and not for the better. All the signals we have been getting from the industry (i.e. the suppliers) and the market (i.e. the CIOs) point to a desire on the part of business to cut spending on IT. But this doesn't mean cutting back on what you might call 'IT delivery'. The message is simply that customers now want **more for less** from their IT investment.

We hear this from the CEOs of the suppliers who tell us that customers are driving even tougher deals. Indeed, they are even renegotiating existing long-term contracts to get keener pricing in the sure knowledge that the supplier can do little other than fight their corner hard – then comply.

And we have heard it directly from the CIOs of some of the world's largest commercial and government organisations whom we interviewed early in 2003. As we told you last month, today's CIO is working off the excesses of the late 1990s. Their new agendas are dominated by cost reduction. 'Do more with less' is today's drumbeat.

Cutting costs remains 'de rigeur'. But despite the general mood of cutbacks and rationalisation, CIOs *are* pushing ahead with e-business projects. Most of these projects are in the CRM, portals and business intelligence areas. But these are all well-established application areas. So you have to ask: where are the new applications that will encourage future investment? We're afraid the answer is, ***"there aren't any!"***.

Looking past the nadir

We've taken these messages to heart. As a result, we have further trimmed our forecasts in almost every facet of the UK S/ITS market – even outsourcing (which remains the engine of whatever growth there is in the UK S/ITS market). We've totted it all up and we predict that the market will shrink again this year, by 3% in real terms, marking the nadir (we hope) for the market. At current course and speed we think the market will stop shrinking in 2004 and that growth

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beyond will be in very low single digits. **Even so, this means that we will see five consecutive years where S/ITS market growth will be less than the forecast growth in GDP.**

Postscript: The first rule for IT management

In his excellent article in Harvard Business Review in May 03, business strategist Nicholas G Carr puts forward the view that the commoditisation of IT means that it is generally speaking no longer 'strategic', in the sense of being able to deliver a distinct competitive advantage to an individual company. Rather, IT is 'essential' as in, "we can't run the company without it", like electricity and phones. He goes a stage further, *"The only meaningful advantage most companies can hope to gain from an infrastructural (sic) technology (i.e. like IT) ... is a cost advantage – and even that tends to be very hard to sustain".*

On the basis of this premise (which he amply illustrates in his article), Carr devised three 'new rules' for IT management.

May be you can guess his first rule.

It's simply, ***"spend less".***

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IN THIS ISSUE

OTHER ARTICLES

INDICES (changes in May 03)

Holway S/ITS	**+27.1%**	**3430**
Holway Internet	**+20.5%**	**2294**
FTSE IT (SCS)	**+12.8%**	**384**
techMARK 100	**+10.8%**	**747**
Nasdaq Comp	**+ 9.0%**	**1596**

THE LEADERS CHANGE SHAPE

It has been a real challenge to derive the rankings for 2002 because some of the biggest players have changed shape dramatically over the past year or so. In particular:

- HP 'merged' with Compaq (effective May 02)
- IBM acquired PwC Consulting (effective Oct. 02)
- Atos Origin acquired KPMG Consulting UK & Netherlands (effective Sep.02)
- Logica 'merged' with CMG (effective Dec.02)

In addition, in Apr.03 BT reorganised its services businesses (yet again) to form BT Global Services. We have used this as a timely opportunity to unite all of BT's S/ITS revenues (basically, SI arm, Syntegra, and network management arm, Syncordia, as was) under the single brand.

Therefore, this year we have decided wherever possible to base our core rankings on the merged companies as they looked at the end of 2002, based on *proforma* results (i.e. as if the two companies had been merged since the beginning of the year). This allows us to gain a more accurate measure of revenue growth on a 'like-for-like' basis during 2002.

However, in the interests of 'fair play', we have also estimated the results for the Top Ten players based on *pro rata* revenues for the merged companies (for example, just including four months revenue from PwC Consulting in IBM's figures). As a result, we are pleased to present our 'Twin Top Tens' representing the leading suppliers of software and IT services to the UK market in 2002, both *proforma* and *pro rata*.

Rank	Company	*Proforma* UK S/ITS rev.	Rank	Company	*Pro rata* UK S/ITS rev.
1	**IBM**	**£2,518m**	**1**	**EDS**	**£2,385m**
2	EDS	£2,385m	2	IBM	£2,173m
3	Accenture	£1,178m	3	Accenture	£1,178m
4	Fujitsu Services	£1,101m	4	Fujitsu Services	£1,101m
5	CSC	£995m	5	CSC	£995m
6	HP	£800m	6	CGE&Y	£749m
7	CGE&Y	£749m	7	BT	£690m
8	BT	£690m	8	Microsoft	£649m
9	LogicaCMG	£675m	9	Capita	£645m
10	Microsoft	£649m	10	SchlumbergerSema	£640m

So, depending on which way you want to look at it:

- IBM became the leading supplier of software and IT services to the UK market in 2002, beating EDS into second spot, or

- EDS retained the top spot as the leading supplier of software and IT services to the UK market in 2002.

This is a great performance by EDS as, unlike IBM, they grew revenues in 2002 (by 2%) whereas IBM saw its UK software and IT services revenues decline, both on a proforma basis (by 17%) and on a pro rata basis (by 2%).

However, whichever way you choose to look at it, IBM certainly exited 2002 as the largest supplier of software and IT services to the UK market, and we would be surprised if it didn't retain this lead 'in its own right' in 2003.

HOLWAY COMMENT

WHITHER IT NOW?

The finalisation of the Ovum Holway Market Trends report this month (see page 1) confirms that, whichever way you look at it, 2002 was the worst year on record for the UK S/ITS sector. Our forecasts anticipate no relief in 2003. Rather than a "bottoming out" we see a continued decline. Our revised forecasts – now through to 2006 - give little cause for cheer either.

So where are we now heading?

If Ovum Holway has established a reputation for anything in the last few years it has been for being the *"gloomiest"* of all the forecasters. **But since we first forecast the post 2000 downturn in 1998, our trend lines have been remarkably and consistently accurate.** Indeed, as we have also often admitted, our major failing has been *not being gloomy enough*. Since 1998, every forecast we have made in May for the current year has turned out to be too optimistic by the time we have added up the actual results in the following May.

Even so, each forecast we make has been initially greeted with criticism – even derision. These reached a crescendo last November when we presented our first long term view of the industry in the ***"IT's all over now"*** presentation for the Prince's Trust Technology Leadership Group. We suggested that IT (which comprises S/ITS plus hardware) had entered a long period of maturity where average growth over any significant period (say a 10 year cycle) would be closely aligned to GDP.

"Gloomy" – The Times
"Glum" – The Daily Telegraph
"In a minority of cynics" – Financial Times
"Downbeat" – Computer Weekly
"Stop sneering and start recovering" – Computing.

...are just a selection of the press comments we got at the time.

But, when we produced that view, we believed that the bottom was already upon us and that GDP-type growth was likely from 2003 onwards.

The latest actuals + forecasts, however, show that by 2006, IT will have experienced six consecutive years of growth lower than GDP.

A RETURN TO DOUBLE-DIGIT GROWTH?

In 2000, IT had become equal to around 4% of the UK's GDP. By 2006 it will have reduced to just 3.4% of GDP. If IT were to finish the decade where it started – at 4% of GDP – we would have to see real growth rates in double digits returning in the later years of the decade.

We have often said that we believe we will never see double-digit growth in our sector again.

Every consistent double-digit growth rate period in the history of IT has been on the back of TWO major things

1 – a technological "Next Big Thing" (PCs, the internet etc.)

2 – an event (decimalisation, Big Bang, Y2K)

At this point:

1 – We cannot identify the NBT. We have never had a NBT which has taken less than five years from our identification of it to when it starts to make a significant impact on the revenue growth rates of the IT sector. So, if we identify a NBT this year, it's 2009 before it starts to impact growth of our market.

2 – The only "event" in the wings is the introduction of the Euro. Even if it happens, we doubt if its effect on the sector will be anything like that of Y2K and other "events".

So, bluntly, we wouldn't give you any odds on double-digit growth returning this side of 2010.

Rather, it's the opposite.

MORE FOR LESS

All of the inputs reaching us at the moment, BOTH from the supplier side and the client (CIO) side, indicate that we are in for a prolonged period where IT users will expect MORE but will be prepared to pay LESS.

Michael Dell wrote a very interesting letter to BusinessWeek (26th May 03) this month. He made the point that *"the continuing shift in customer preference to standards-based technology – and away from expensive proprietary systems – is further reducing the total cost of computing"*. He believed that customer demand for and from their computer systems would increase – but the amount they would spend on IT would not.

As we have said in previous articles, a few years back the major reasons for outsourcing in the private sector were things like transformation to new systems, access to expertise, improving quality of service, tighter cost control etc. Now everyone we interview puts cost savings at the top of their *"that's why I'm outsourcing"* list. Where the private sector goes today the public sector follows tomorrow.

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2010

So, let's postulate a decade;

- without a NBT. But of course with HUGE and constant technological innovation and evolution. For example, we see RFIDs (Radio Frequency Identification Devices) as a major opportunity. Without such opportunities, growth rates would be even worse!

- where there is continued pressure on S/ITS costs. In particular on staff costs. This in turn plays into the hands of the offshore players – or those who partner or acquire them. Either way, revenues will be adversely affected.

- where users demand MORE for LESS. Indeed, where they want to see their companies spend <u>less</u> (as a % of revenues) on IT than they did in the 1990s but want a greater return on their investment.

- where there is far less customisation and far more use of standardised offerings.

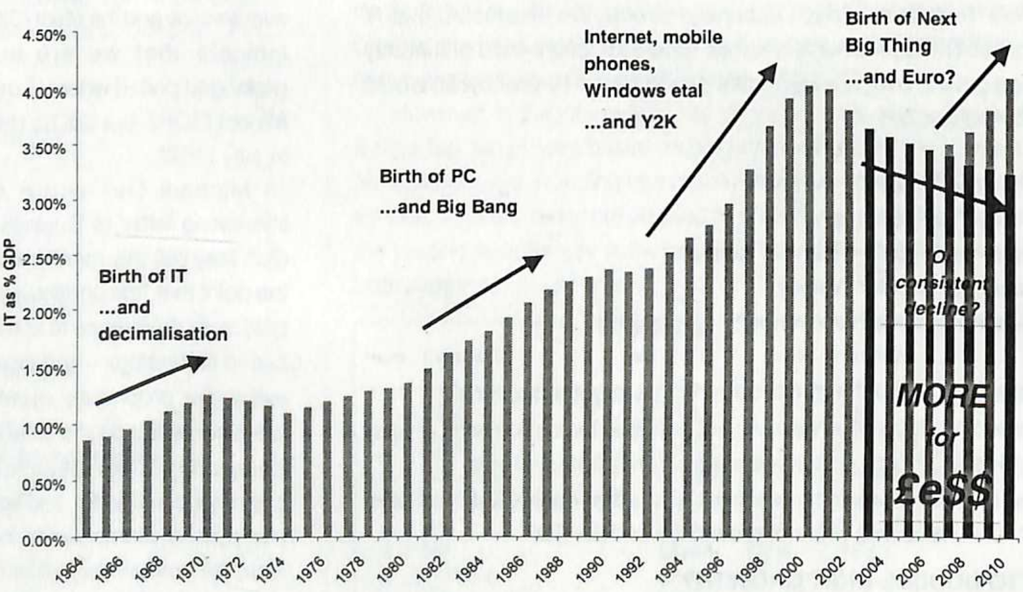
- where users turn to "consumer-strength" IT products because they are not only much, much cheaper but also easier to use and more reliable (a real win-win!).

Let's feed a pretty benign set of forecasts for the last four years of this decade into our model. Let's say that IT just remains where it is in 2006 until 2010. I.e. growth = inflation (currently let's estimate that at 2.5% p.a.) Before you explode again, let's also put that into context. *That growth would be much, much better than in the first half of this decade!*

But that means that a sector which started the decade at 4% of GDP ends it representing just 3.1% of GDP. By the way, that only takes us back to where we were in 1997.

GIVE US YOUR VIEWS

We would, as usual, welcome your feedback on this. Actually, if past experience is anything to go by, we will get it anyway! <u>mailto:rholway@holway.com</u>



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13%
160p

SAGE: HAPPY TO BE BORING

Sage has announced its interim results for the six months to 31st Mar. 03. At the Sage "headline" level, revenues were up 4% at £282.1m, PBT up 14% at £74.3m and EPS up 14% at 4.02p. But that's only when you strip out currency movements. The "bottom line" is that revenues were up only 1% if you take currency movements into account and an actual decline in organic growth of about 2% if you also strip out the minor acquisitions in the period.

Indeed, it was Sage's "boring" annuity revenues which really saved the day. Services revenues were up 6% to £168.8m and now represent 60% of revenues. Whereas software licences only grew by 2% (and probably not at all if you strip out currency movement). On the other hand Sage added 115,000 new customers making the base a credible 3.1m customers at the present.

- The UK did surprisingly well with revenues up a real 5% - again it was services and add-ons which held the day.

- Mainland Europe was a mixed story with revenues down 1% overall. France was down 6% but the Germany and Swiss businesses were up 10%.

- The US was the "star" with revenues up 8% and operating profits up 30%. The CRM/interact business grew 21% to £28.4m.

Comment: When we spoke with Paul Walker (CEO of Sage), he said how pleased he was to be *Boring* as ever! But these results really do show how reliable an asset 3.1m SMEs can be in *"tough times"*. Walker sees *"no improvement in market conditions in 2003"* and agrees with us that even in 2004, conditions will only improve in his market if general economic conditions drive it forward. To answer some of our critics who say that SME spend will more than compensate for the decline in large corporate IT budgets, Walker (and he should know!) sees no improvement in SME spend in 2003. So expect little revenue growth. BUT, Sage is pretty good at driving the earnings – and the cash (operating profit of £77.1m in the period generated cash of £100.6m). Indeed its operating margins of around 27.3% are among the highest in the UK.

Sage Six months Mar. 03	Turnover £m			Operating Profit £m			Margin	
	H1 03	H1 02	Change	H1 03	H1 02	Change	H1 03	H1 02
UK	80.2	76.7	4.6%	31.7	27.4	15.7%	39.5%	35.7%
France	46.9	49.7	-5.6%	11.6	14.4	-19.4%	24.7%	29.0%
Germany & Switzerland	19.3	17.4	10.9%	3.3	2.9	13.8%	17.1%	16.7%
US	107.3	102.7	4.5%	26.2	21.6	21.3%	24.4%	21.0%
Interact	28.4	23.5	20.9%	4.3	1.9	126.3%	14.0%	8.1%
TOTAL	282.1	270.0	4.5%	77.1	66.3	16.3%	27.3%	24.6%

Sage has also started to exploit industry-specific areas – starting in the US. They have launched industry-specific offerings based around their standard Peachtree products, for Not-for-Profit companies, small manufacturers, accountants and the construction industry. As Walker says, *"we would normally sell a Peachtree product for $200-$300. We can sell an industry-specific version for $500 single user or $1000 multiuser"*. We expect this to be rolled out in Europe and the UK. We also expect to see the continuation of modest acquisitions of small industry-specific companies to facilitate this.

So this is a credible performance at the earnings level in a tough market. The "problem" is how to drive the top/revenue line. But that is a problem facing nearly everyone at the moment. In the meanwhile, Sage and Walker are happy to continue to be Boring.

EXPERIAN PLAYS KEY ROLE FOR GUS

Retail and business services group **GUS** reported full year results a day after disposing of its home shopping businesses and its logistics and customer care business, **Reality**, to the Barclay brothers. Our focus is on GUS' credit information and services business, **Experian**, which plays on the fringes of 'our' BPO world. Sales at Experian grew by 8% (12% at constant currency) to £1.2bn and operating profits rose by 14% (20% at constant currency) to £256m, lifting margins from 20.1% to 21.4%. Experian's UK business saw sales rise by 13% to £298m.

As GUS disposes of its underperforming bits, Experian becomes more and more important. It currently generates 17% of GUS' total sales but 37% of operating profits, almost as much as from GUS' catalogue retail business, Argos, with revenues over £5bn.

In the UK, Experian is the market leader in consumer credit information and has a substantial business in credit risk management and credit card solutions and services. This latter is an area that **LogicaCMG** seems keen to play in, given their partnership with **Intelligent Environments**, although it looks as though Experian would have to be the main player to beat.

OUTSOURCING OPPORTUNITIES IGNITE BT GLOBAL SERVICES

BT's results for the full year to 31st Mar. 03 look pretty good at the earnings level – not so good at the top line. EPS was up 61% at 14.2p, PBT was up 44% at £1.8bn but revenue increased by only 2% to £18.7bn. These results were at the high end of expectations and sent BT shares up 4p to 188p on the morning of their announcement.

Our readers will be interested in the performance of the newly named **BT Global Services**. This used to be **BT Ignite** and comprises **Syntegra** (which used to be run by Bill Halbert until he was replaced by Tim Smart a few months ago) and BT Ignite Solutions (still run by Neil Rogers, and now renamed **BT Global Solutions**). Syntegra is mainly Systems Integration. Global Solutions is mainly Network Management and associated outsourcing.

Overall BT Global Services grew revenues by 17.5% to £5.3bn in the year to 31st Mar. 03. However, it was NOT profitable – group operating losses increased from £353m to £427m.

In Q4, what was BT Ignite Solutions – now BT Global Solutions - grew by 14%. This division, which is essentially BT's outsourcing outfit, looks to be on something of a roll propelled by some big signings (most impressive among which was the 1bn Euro deal with Unilever back in Nov. 02): *"Nearly all of the full year orders of £3.6 billion have come in the second half of the year and provide a solid base of contracted revenue for the future."*

In the SI space, meanwhile, Syntegra *"performed strongly in the quarter benefiting from the phasing of delivery against specific contracts in the government sector, achieving growth of 10 per cent in what remains a difficult market".*

We had reckoned BT's total UK S/ITS revenues to be £690m in the year to 31st Mar. 02. Rough calculations would indicate a c6% growth to c£735m in UK S/ITS revenues in year to 31st Mar. 03. If so, BT's S/ITS operations have clearly bucked the negative trend experienced in the market as a whole and its similarly sized "competitors" in particular.

We have given you our views on BT's S/ITS operations – and our proposed strategy for them - several times in the past. Basically we believe they should stick to what they are good at and partner with others who have the skill-set that BT lacks in the larger deals. This strategy has already seen rewards. Indeed, the coming year could have some major headline wins for BT if their proposals at, say, Inland Revenue and MoD were to be successful. What BT must NOT do is try to be a "onesourcer". Hence, our "problem" with the name change to BT Global Services. Anyway, both Pierre Danon and Andy Green (the CEOs of BT Retail and BT Global Services respectively) have assured us that it is NOT their intention to compete head on with **EDS** and **IBM Global Services**.

Assuming that BT sticks with the "Best of Breed"/Partnering strategy, there could be many opportunities for readers to "partner" with BT – if they have the complimentary skills that BT needs. Opportunities are few and far between in today's "challenging" market. This might just be one of the better ones around.

0%
7p

LOSSES DOWN AT INTELLIGENT ENVIRONMENTS

Intelligent Environments, provider of online software for financial services, announced its preliminary results for the year to 31st Dec. 02. Group revenues were 14% down on the previous year at £2.7m due to its withdrawal from the US market. Revenues from continuing operations rose 11% to £2.6m. Losses also reduced. The Group reported a LBT for 2002 of £2.9m compared to c£7m the year before. Similarly, loss per share eased to 2.1p from 13.5p.

Comment: Intelligent Environments has failed to report a profit since its flotation in 1996. There are signs of improvement, however. It has worked hard to cut costs in 2002, reducing operating expenses by 45% and the headcount by 41%. As a result, operating losses at the UK operations decreased by 52% to £2.7m.

At the same time, the Group's two large-scale projects have increased ongoing support and maintenance revenues by 46%. IE's relationship with **LogicaCMG**, which has developed a hosted service around its software, could also be lucrative in the future. However, in the short-term IE remains dependent on its shareholders and a sustained flow of new orders. Conserving cash and controlling costs are of paramount importance.

1%
334p

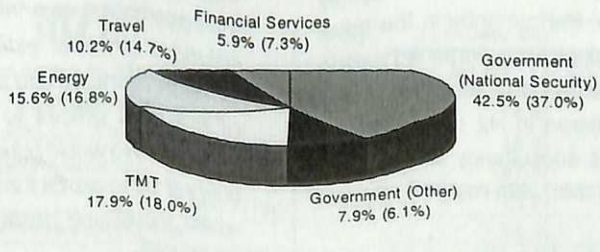
DETICA OUTPERFORMS THE PROJECT SERVICES MARKET

Detica, the IT services company providing consultancy and systems implementation services in the two markets of Customer Management and UK National Security, announced a highly commendable set of full year results (to 31st Mar. 03) this month. Against what we believe to have been a double-digit decline in the UK project services market in 2002, Detica's 19% increase in turnover to £39.2m and more importantly its 25% increase in pre-tax profits (before exceptional flotation expenses) is remarkable. Diluted EPS was up from 13.5p in 2002 (before flotation expenses) to 24.1p.

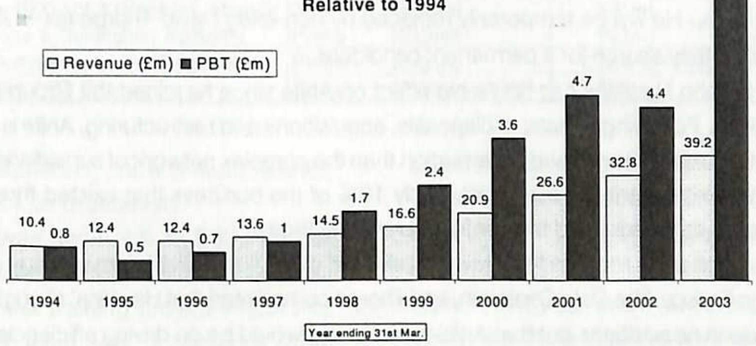
The bulk of the growth came from Detica's sweet spot, the Government sector, which saw turnover increase by 40% to £19.5m (50% of turnover) including turnover from National Security, which was up 37% to £16.6m. Nonetheless, turnover from the commercial sector still managed to rise by 4% (although the second half experienced a 4% decline).

Across the commercial sector, in financial services and travel that put in the worst performances – down 4% and 17% respectively. The other two commercial sectors increased revenues – TMT by 19% off the back of intensive work for 3,

Detica - 2003 Turnover by vertical
Total = £39.2m (2002: £32.8m)



Detica Group Plc
10 year Revenue and PBT Record
Relative to 1994



and energy by 11% mainly through the strengthening of its long-term relationship with Centrica.

Much of Detica's success can be attributed to its long-term client relationships but the Group also acquired 20 new clients over the year – 13 of which were in the commercial sector. CE, Tom Black commented that last year's float has "*undoubtedly*" raised Detica's profile in the marketplace. However, closing deals is still taking longer than in the past, particularly in the finance sector, so Detica has had to be ruthless in pulling out of opportunities with a low probability of closing.

This tight control of the business is one of the characteristics that define Detica. It is now very close to winning a Holway ***Boring Award***. The Group has had an unbroken record of profit and EPS growth since 1995 so only two more years to go!

We congratulated Tom Black and Andrew Alcock, FD, on the day of the results and asked Black his view of current market conditions. Detica still has plenty of opportunities in the government market with a strong order book, but he believes the commercial market is still basically flat. He also believes the 'make do and mend' mentality is still prevalent: "*Clients have spent a lot on expensive software in the past and are now spending more on services to make the software work harder*" - good news for Detica.

Black is happy with consensus forecasts which specify an increase of 13.2% in turnover to £43m and a double-digit increase in profits and stated, "*We remain competitive, continue to win new assignments and to secure high levels of repeat revenue from existing clients. The Board anticipates another good year*". Black's confidence is evident in the fact that Detica continues to recruit with employee numbers up 16% compared to the end of FY02. Acquisitions could be on the cards but currently the valuation expectations of potential targets are still "*very high*".

The share price ended the month up 1% to 334p. Possibly a bit disappointing given the overall rise in this month's S/ITS index.

20%
34p
Anite

ANITE: DEPARTURE OF CE OVERSHADOWS TRADING UPDATE

We were expecting a full year trading update but got more than we bargained for when **Anite** announced the resignation of long time CEO John Hawkins this month. He will be temporarily replaced by non-exec David Thorpe (ex-EDS) while they search for a permanent candidate.

John Hawkins has had a big effect on Anite since he joined the Group in 1997. Following a mass of disposals, acquisitions and restructuring, Anite is a much more streamlined organisation than the complex network of subsidiaries that existed prior to his arrival. Only 10% of the business that existed three years ago (travel and telecoms) still remains today.

The party line was that Hawkin's skill-set didn't fit with the future strategy of the Group. Alec Daly, Chairman, and Thorpe commented that Hawkins' strength was in acquisitions but that Anite's focus now would be on driving efficiencies out of the existing business. Reading between the lines, it sounds like shareholder pressure over the earn-out problems last year, coupled with the poor performance in the public sector business, forced the change. We were assured by Thorpe that he hasn't found any "*black holes*" in the finances.

Anite is now looking for an "*experienced executive with a track record of driving business forward through organic growth. Vertical market expertise would be an advantage*".

Trading Update

The announcement of Hawkins' departure was accompanied by a comprehensive trading update (for the year to 30th Apr. 03).

Performance over FY03 was as follows:

- Revenues are said to have grown "*in line with expectations*". Consensus forecasts at mid May 03 were for an increase of 11.5% to £200m.

- PBT for the continuing businesses before exceptional items, restructuring costs, and amortisation of goodwill) was "*at the lower end of expectations*". The most pessimistic broker's forecast at mid May 03 was for a decrease in profits of 34% to £18.6m.

- R&D costs for the year were up 61% from £6.2m to £10m.

- The bottom line will be affected by goodwill amortisation and impairment of £100m plus exceptional items and restructuring costs of £10m (mainly related to the public sector business) but with "*no future cash impact*". In addition, Anite will report a £16m net loss on disposal/closure of business including a £14m net loss incurred on the disposal of the loss-making German subsidiary GMO.

- At the year-end, Anite had net debt of £16m (2002: £11.5m) after paying out £27.6m in earnouts. 100% of the Group's potential earnout liabilities have now been renegotiated and capped.

- In the public sector business, "*the integration of thirteen acquisitions made in the division in recent years and the requirement to continue investment in our products has proved a greater task than was anticipated*". The majority of the c100 redundancies were in this business. Performance in the travel business was "*satisfactory*" however market conditions have worsened leading to a deferral in major customer projects. The core telecoms testing business continued to grow revenues but profitability suffered in H2 due to pricing pressure. In the International business (overseas consultancy and AM and support operations), the performance was "*creditable*" with margins retained in the double-digits.

On the outlook for the current year, Chairman Alec Daly, commented, "*Markets remain tough with no immediate signs of improvement. The focus will be on organic growth, tightly managed continuing businesses and working to position the Group for recovery*".

- A "*similar trading pattern*" is expected, but H1 profits will be less than H1 profits in the previous year due to further restructuring and continued R&D.

- The opening order book at the start of the year was £91m. The public sector order book was up 23% at £48m.

Anite commented that underlying margins targeted for the public sector would only be realisable once the investment in new products has finished and R&D begins to reduce.

Comment: Alec Daly, Chairman, and David Thorpe, Interim CE, made it clear in the conference call that they were very happy with the performance of the travel, telecoms and consultancy businesses in tough marketplaces. All these businesses are said to be producing "*extremely good margins*".

Their disappointment clearly relates to the performance of the public sector business. Whilst the division experienced revenue growth, it has an "*unacceptably high*" level of overheads. This is going to be addressed in the next couple of weeks and will result in H1 earnings being depressed by about £2.5m.

The Group will now look to grow organically. Daly commented that their positioning as a "*niche vertical solutions provider extending into managed services and BPO*" is one of the best places to be at the moment. We would agree. The trick now will be to exploit the opportunity whilst increasing productivity and profitability.

13%
98p

"A" FOR EFFORT

RM, the UK-based supplier of software and IT services to the education sector, has announced interim results for the six months ended 31st Mar. 03. The results, which were ahead of market expectations, show a much leaner, more focused RM working hard to get back to profitability.

RM Strategic Contract Wins				
Contract	Prime/Sub	Status	Value	Term
Classroom 2000 Lot 3 (Northern Ireland)	Sub	Signed	£21m	5 yrs
Qualifications & Curriculum Authority	Prime	Signed	£23m	6 yrs
South Yorkshire eLearning Programme	Prime	Signed	£34.4m	44 months
South Lanarkshire Council	Prime	Preferred bidder	>£30m	7 yrs

Headline revenue for the six months was down 4% to £85.4m, but underlying turnover (i.e. excluding the contribution from Learning Schools Programme, a one-off lottery funded teacher training project which has now finished), grew 12% to £84.6m, from what was "*a relatively weak comparative period*". Even allowing for the fact that H1 02 was not RM's finest hour, the company's performance has certainly outpaced growth in the S/ITS education sector as a whole. Indeed, we believe the market for S/ITS in the education sector actually *contracted* in 2002 and is likely to grow only marginally in 2003 (see our latest report - *UK Public Sector Market 2003 - The Market for Software and IT Services*).

Operating costs were reduced by 8%, but RM remained loss making at the operating and pre tax levels, albeit with a much improved performance than in H1 02 - operating loss was £2.4m (compared to £14.6m) and pre tax loss was £1.8m (£14.1m). Diluted loss per share was 1.8p (11.2p).

Commenting on the outlook, Tim Pearson, Chief Executive, said: "*As always RM's core business is highly seasonal, and the first half is not a good indicator of full-year performance. Whilst it is difficult this year to predict the impact of the school budget settlement, I believe that RM will see good progress for the year as a whole*".

Comment: We believe that Tim Pearson, and his management team, deserve a pat on the back (or a house merit!) for getting RM back in shape. OK, so the company is not yet making a profit, but H2 is traditionally RM's strongest half, contributing the majority of revenue and an even greater proportion of gross profit, so things are heading in the right direction.

All three of RM's activitiescreased revenues in H1:

- Infrastructure software and services rose 6%
- PC & third party products increased 14%
- And education software and services grew 15%.

A year ago, RM put in place a strategic projects team, and here the company has scored some significant successes, winning £110m of business since the year-end. These projects added c£1m to turnover in H1, and whilst they are not going to contribute significantly to profits during 2003, they help improve revenue visibility.

They also demonstrate that RM can put together (or be a subcontractor in) winning consortia. On the Classroom 2000 project, RM is subcontractor to **SX3**, whilst on the QCA contract it is prime with Indian IT services company **Tata Infotech**, educational assessment services supplier **ICAA** and RM's own subsidiary 3T Productions working as subcontractors. The South Yorks contract will be delivered in partnership with **FD Learning** (a subsidiary of **Tribal Group**) and a number of local education providers.

The focus for H2 is about "*digesting*" these wins, and (quite rightly) delivering - indeed we were told not to expect many more wins in the next six months. The bid pipeline includes three PFI projects (worth c£50m), but none of these are going to be awarded in this financial year.

Simply being in the public sector is no guarantee of success, and with school budgets under pressure from competing priorities, growth in the education sector is likely to remain modest in the year ahead. But RM has got its house in order, and we will be disappointed not to see it back in the black at the year-end.

RM plc Six months to 31st March	Turnover £m		
	H1 03	H1 02	Change
Infrastructure software & services	26.2	24.8	6%
Education software & services	15.9	13.8	15%
PC & 3rd party products	42.5	37.2	14%
SUBTOTAL	**84.6**	**75.8**	**12%**
Learning Schools Programme	0.8	13.3	-94%
TOTAL	**85.4**	**89.1**	**-4%**

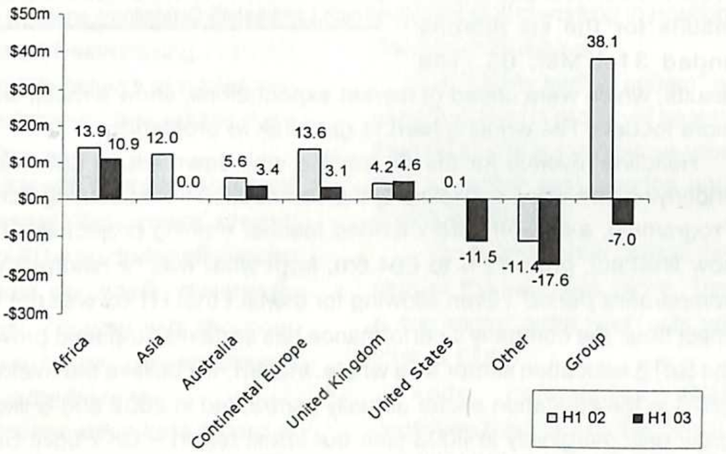
60%
26p

UK IS BEST OF MIXED BUNCH AT DIDATA

Dimension Data, which highlights its key differentiator in these tough times as "*the ability to provide cost-effective application network solutions to a global client base*", has announced results for the six months to 31st Mar 03. Total turnover for the period was down 8.1% to $1bn compared to the same six months in 2002, whilst an operating profit before goodwill and exceptionals in H102 was converted to a loss of $7.0m. The loss was attributed to pressure in the US and Asian markets.

Pre-tax losses were $194.6m (H102: $693.3m) after exceptional costs of $22.9m (H102: $350.8m), which included severance costs, write-off of capital assets and investment write-down and impairment of goodwill. The loss per share for the period was 14.5c compared to 53.6c in H102.

DiData: Operating profit/loss by geography (H1 02 vs H1 03)



All regions other than the US were profitable at the operating level. In the UK, turnover increased by 10.6% to $114.1m compared to the same six months in 2002 (and up 24% compared to the previous six months) reflecting a "*good performance in the Network Integration business*". Operating profit was up 10.7% to $4.6m (H102: $4.2m) with operating margin unchanged at 4.1%.

Across the service offerings in the UK (and compared to the previous six months), product revenues were up c2% at $37.4m, managed services revenues ("*process driven revenues of a recurring nature*") were up 26% at $52.9m and professional services revenues doubled to $23.7m.

Chairman, Jeremy Ord, commented, "*Going forward, our challenge is to continue to work harder and smarter to return loss-making operations to profitability, increase client penetration, grow sales and margins and enhance the value of our proprietary technology and brands*".

Comment: DiData must have been disappointed to report an operating loss (BEFORE exceptionals and goodwill), but the headline figures mask a very mixed bag of regional results. The UK was one of the bright spots reporting a 27% increase in constant currency revenues. This achievement was in no small part due to the efforts of the new management team, led by UK CE Russell Bolan, which has focused on enhancing the sale of services and solutions and improving the contribution from recurring revenues and managed services.

We are pleased to see that in the UK, and across the Group as a whole, the revenue contribution from services is growing. Total services revenue now represents some 67% of total UK revenues (43% of Group revenues), up from 59% (35%) in H2 02. And this isn't because product revenues have fallen – the Group's services revenues also grew in absolute terms, from $370m to $422m.

Despite the growth of services, gross margins at the UK business have fallen in from c23% to c19% on a like-for-like basis, the result of an accounting anomaly (moving certain personnel costs from fixed overheads to the cost of sales line) and the growing contribution from the lower margin FMT business – a mobile switching technology offering. Revenue levels from the FMT business are capped, however, and Ord assures us that the UK's gross margins are not expected to deteriorate any further.

Going forward, we expect the UK business to continue to focus on managed and professional services and to work on growing its customer base – which may well mean trying to tap into the public sector, one of the few growth areas at the moment. The UK call centre business, The Merchant's Group, also has potential for growth following a number of recent contract wins.

At the Group level, the picture is much less rosy. In fact, the UK was the only region to grow operating profit relative to the same period last year. And if the UK was the bright spot, then the US was a black hole, turning a $116K profit in H1 02 into a $11.5m loss. The network integration business, which is heavily reliant on the financial services sector in New York, was particularly badly affected, reporting a 24% drop in revenues. Ord claims he is

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monitoring the performance of the US division on a month-by-month basis and "*will act accordingly*". DiData is reluctant to give up its US business, which it sees as key to its global offering. But, unless there are signs of improvement in the next few months, we believe the management team will have to make some tough decisions about its US (and possibly Asian) businesses - and sooner rather than later if they are to conserve cash.

The good news, however, is that the management team now seems prepared to make those tough decisions and is under no illusions about the state of the IT market and its prospects. Ord acknowledged the fact that the market has shrunk and changed. "*IT investment will be subdued for quite some time to come*," he said, adding: "*we do not see a change in the foreseeable future*". But having "*cut its cloth*", DiData is determined to make the best of it going forward.

We wish them well.

1%
97p
mmt

REASONS TO BE CHEERFUL

MMT Computing has released its interim results for the six months to 28th Feb. 03. Turnover fell 14% on the same period last year to £12.5m. Last year's £93K PBT became an LBT of £266K – exceptional items and goodwill amortisation contributed £155K to this figure. Loss per share worsened to 1.9p, compared to last year's loss of 0.3p (after exceptional items and goodwill).

Commenting on the outlook, Chairman Tom Hall said: "*There is a strong pipeline of current key prospects and we are confident that the product will become the international market leader within the field of utility pricing. ... In the short to medium term, there does not appear to be any major recovery within the IT services sector, although I remain confident that we will continue the recovery when more normal business conditions resume*".

Comment: We were slightly disconcerted to read the phrase "*when more normal business conditions improve*" in Hall's statement. Regular readers will know our views on the 'when market conditions improve' sentiment. However, we believe Hall is right to expect no short to medium term recovery in the market. MMT does have some reasons to be positive, however. For a start, it benefits from a healthy balance sheet, with a net cash position of £6.1m (2002: £6.0m). And its Systems Solutions Division has managed to double profits to £0.28m (before tax and exceptionals) despite fewer sales opportunities and continued pressure on fee rates, all of which pushed turnover for the division down 6% to £8.9m. This division is also expanding into the public sector, one of the few growth areas.

MMT's other two divisions – Packaged Solutions and Management Consultancy – faired less well:

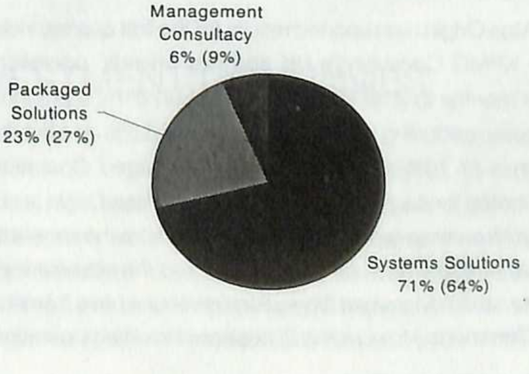
- Packaged Solutions returned to an operating loss of £0.37m (before tax, exceptionals etc.), having made a small (£0.08m) profit last year. The high cost of developing PowerQuote Universal coupled with reduced demand for enhancement work, are putting pressure on the division and future success will depend on converting its "*strong and sizeable prospect pipeline*" into sales.

- Similarly, Management Consultancy suffered from its exposure to the insurance market and made a small (£0.02m) operating loss.

BREAK AND SELL OPPORTUNITY

We've said before that MMT's three divisions look like a good break-and-sell opportunity and this view hasn't changed. The Packaged Solutions division might appeal to a number of candidates, including **LogicaCMG** (a services partner of MMT in the energy sector). And the Management Consultancy operation might suit an Indian offshore player looking for a front-end into the UK insurance and banking sector. We think these sorts of decisions need to be made sooner rather than later.

MMT Computing - H1 03 business mix by activity
Total = £12.5m (2001:£14.6M)



39%
2p

COMINO FINDS ITS NICHE

Comino, provider of software solutions for social housing, local government and occupational pensions administration, has reported a promising set of results for the year ended 31st Mar. 03. Revenues are up 19% on FY02 to £24.5m and last year's £576K pre-tax loss was converted into a PBT of £1.2m. As a result, EPS came in at 8.9p, compared to FY02's 3.5p loss.

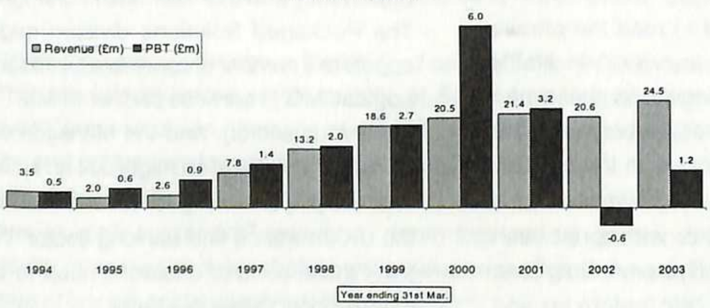
Comino's Social Housing and Local Government divisions bring in the majority of its revenues (accounting for 42% of turnover each) and between them account for nearly all of the operating profit. The profit split between the two is currently weighted towards Social Housing, but Comino expects Local Government's share to increase as its recurring revenues grow and operating margins improve.

The Occupational Pensions division is still struggling, however, returning an operating loss as a result of *"the much publicised problems with the pension industry"* and extensive product development in the period.

Network services provider Comino Connect, reported revenues of £1.3m and made a small profit of £50K. Similarly, Comino Techflow, the business that is now largely based on providing consultancy and management reporting to Comino's customer base, is *"aimed at early breakeven and profitability"*.

Commenting on the results, David Quysner, Chairman, said: *"The results were achieved in an uncertain economic climate and in a difficult period generally for the 'software and computer services' sector. Against this backdrop, the results are very positive and demonstrate the potential for sustainable profitability and growth"*.

Comino Group plc
10 Year Revenue and PBT Record
Relative to 1994



Comment: Comino seems to have found its niche in Social Housing and Local Government. Both divisions are doing well with order books that are up by 102% and 117% respectively on the same time last year. It is also good to see the Local Government division return to profitability. Comino is partnering with facilities management players, such as **BT** and **Steria**, in local government (as well as winning contracts in its own right), in other words, it has stuck to what it's good at and not tried to provide its own FM facilities. This sensible move is beginning to pay off – Comino has already signed contracts with Luton, Bexley and Rotherham as a result. The Group's next challenge will be to *"manage [Occupational Pensions] back to profit"*. This will not be an easy task in the current market - perhaps Comino would be better to focus all its efforts on social housing and local government.

ATOS ORIGIN: OUTSOURCING GROWTH HAS MODERATED

Atos Origin has reported results for the first quarter, including the contribution from KPMG Consulting's UK and Netherlands' operations. Revenues for the three months to 31st Mar. 03 totalled Eur781m, a pro forma increase of 4.2%. However, excluding KPMGC, revenues fell 6.5% on a like-for-like basis *"reflecting declines of 10% and 4% in SI and Managed Operations respectively"*. UK accounted for 11.5% of group revenues. Atos Origin is still projecting *"modest reported revenue growth"* this year, mainly from the consolidation of Atos KPMGC *"offset by some revenue erosion in SI and the adverse impact of exchange rate movements"*. Managed Operations revenues have *"stabilised"*.

Comment: Atos Origin's SI business includes application management (which we treat as outsourcing) so we would expect the 'true' consulting & SI performance was even worse than the 10% decline reported. Even so, growth in outsourcing has clearly moderated, and this is pretty well the case for most of the other major players. Indeed, we will be reflecting this in our new market forecasts due out in mid-June.

CSC: RESULTS AND DEALS BRING CHEER

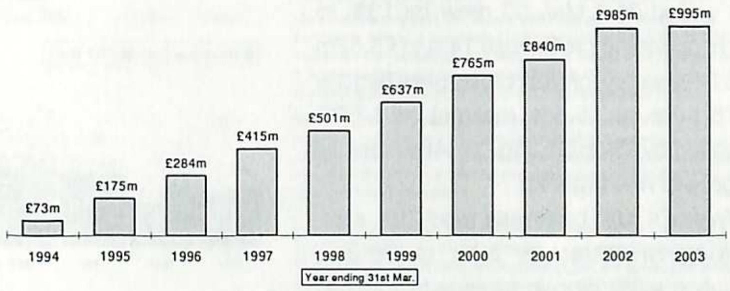
CSC was the last of the 'majors' to announce full year results. Worldwide revenues for the year ended 31st Mar. 03 were down fractionally (-0.3%) to $11.35bn although in constant currency the drop was more like 3.3%. But on the very bright side, pre-tax income rose 23% to $612m, lifting margins from 4.4% to 5.4%.

CSC chairman and CEO Van Honeycutt reported signs of *"stabilisation"* in consulting and system integration (C&SI) in North America - but not so in Europe and Asia. However, European outsourcing gave a *"solid performance"* and as a result, European revenues grew 1.6% to $2.98bn.

As for the UK, we've been speaking to CSC UK COO Keith Wilman and at first blush it looks like the company grew its UK revenues about 1% last year. This still leaves them a few pounds short of the 'magic billion' (we reckon £995m).

The UK business grew profit around 20%, but Wilman was at pains to point out that this was not due *to "slash and burn"*. Indeed, headcount if anything is a little up on the year, mainly as a result of new business signed at the likes of Dept. Health, Belron, Dun & Bradstreet and Bombardier.

CSC UK
10 year Revenue growth



As expected, outsourcing drove CSC in the UK - we estimate their outsourcing revenue grew around 3% to c£895m, mitigating a c15% drop in C&SI revenue to around £100m. Of course, revenues will receive a considerable boost this FY from the Royal Mail mega-deal, as announced this month. It's worth about £900m over ten years to the company, with the other Prism Alliance partners **BT** and **Xansa** picking up £450m and £180m respectively.

CSC also unveiled a £450m/10 year outsourcing contract with troubled telecoms supplier Marconi, covering IT help desk, desktop computing, networking and midrange operations. CSC will also develop and maintain software applications and provide telecommunications services (via BT, subcontracting to CSC).

In other news this month, CSC also featured in the Radii Consortium, along with **BT**, **CGE&Y** and **Thales UK**. This alliance announced it will be bidding for UK MoD Defence Information Infrastructure (DII) managed services work.

It's clear CSC is already benefiting from the shift towards 'multisourcing' in the UK outsourcing market. While 'onesource' deals - such as CSC's own new Marconi contract - will remain a feature of the IT services landscape, Ovum Holway believes more and more business is set to be granted to consortia. With its record in partnering to win deals in the UK so far, not to mention its stakes in Radii and the Fusion alliance (which we reckon has a chance of winning the Inland Revenue Aspire deal), CSC looks as well placed as any of the majors to remain a key beneficiary of the multisource trend.

NO RELIEF FOR IT INVESTMENT COMPANIES

Full year results from **3i** (to 31st Mar. 03) clearly demonstrate the strain that investment companies are currently under, particularly in relation to early stage technology investment. The substantial fall in the value of 3i's early-stage technology portfolio (a negative return of £671m) was a principal factor resulting in the Group's negative total return over the year.

A key element of 3i's strategy is to maintain a business balance with 40% of assets in buy-outs, 40% in

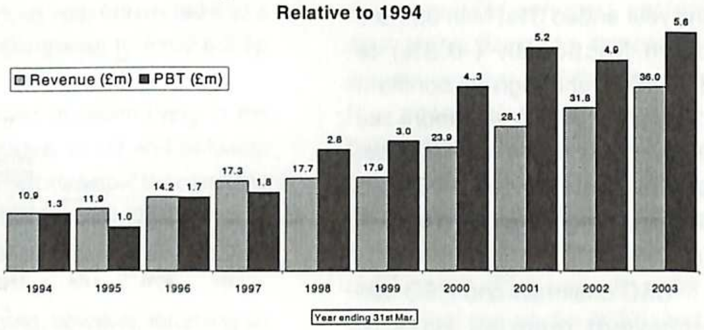
[continued on page fourteen]

12%
384p

VIVA AVEVA!

Engineering design software company **Aveva Group** (nee **Cadcentre**) has announced record revenues and profits with its latest full year results. Revenues for the year ended 31st Mar. 03 grew by 13% to £36m, operating profits rose 14% to £5.62m (a 15.6% margin), pre-tax profits grew by 13% to £5.58m (a 15.5% margin) and EPS increased by 9% to 21.24p. What is more, all the growth was organic.

Aveva Group Plc
10-year Revenue and PBT Record
Relative to 1994



Aveva's UK business was the star, growing revenues by 36% to £6.3m, mitigating a 5% drop in revenue to £11m in the rest of EMEA. The Americas revenue jumped 23% to £10.1m and Asia/Pacific turnover grew 17% to £8.5m.

It is little wonder that Chairman Richard King has *"confidence in being able to sustain satisfactory progress in the coming year"*.

Aveva has also done a pretty good job of moving towards a licence rental model. Recurring licence fees increased 13% to £20.9m, with initial licence fees growing 14% to £9.2m. Services revenues increased by 12% to £5.9m, helped along by its new managed service business, which got off to a good start with a $13m/3 year contract with DuPont signed in Jun. 02.

However, the company's fledgling consulting business has sailed into the doldrums, so it has cut back staff in that area *"to the point where any engagements can be handled with resources drawn from elsewhere in the group"*.

Comment: Excellent results from a company that has increased profits steadily since 1996, just a couple of years after its MBO. To achieve double-digit revenue and profit growth organically in a tough year like 2002 is pretty amazing. They seem to have the formula right. A good geographical spread of business, a decreasing dependence on lumpy initial licence fees, and a modest but growing services business.

In fact, their new managed services (i.e. application management) business may well turn out to be a nice little annuity earner (though not at software products margins, of course) as most of the 'usual suspect' AM players like **Xansa** et al would not have the technical ability to handle highly complex engineering design systems.

Aveva's shares rose 12% during the month ,not bad considering they launched on AIM back in Nov. 96 at just 200p!

[continued from page thirteen]

growth capital and 20% in early-stage technology companies. However, this balance increased significantly during 2000 and 2001 and resulted in the Group's short-term performance being damaged.

3i has sought to rebalance its portfolio and at the end of Mar. 03 had just 15% of its assets in early stage technology. Investment in early stage technology over the period was just £176m (compared to £420m in 2002 and £923m in 2001), representing just 19% of total investment.

Interestingly, 78% of this investment was in 3i's existing portfolio as opposed to completely new opportunities. This mirrors the trends highlighted by data provided to us by Cobalt Corporate Finance on the UK market.

3i has now restructured its early stage technology business so that it is more narrowly focused on the sectors *"believed to offer the best investment opportunities"*. It is also continuing to develop and nurture relationships with the larger technology companies as they are potential customers, partners or ultimate buyers of the individual portfolio companies.

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Aspect Internet Holdings Ltd	Nettec Solutions from Nettec plc	Designs, builds & supports content-managed corporate portals	100%	£600K	Nettec's disposal of its solutions business is conditional upon shareholder approval. This is the only trading company within the Group, so assuming approval is given, Nettec will be left as a cash shell.
Aspect Group	Bluewave Ltd (subsidiary of Danish Maersk Data Group)	Web-based business applications and managed services for large corporates	100%	n/a	Following on from the acquisition of Nettec Solutions, Apsect announced the merger with the online activities of Bluewave. Consolidation in the e-business space continues.
Eurovestech plc	KSSL (principal subsidiary of Knowledge Support Systems Group plc)	Price management and optimisation systems for the petroleum, convenience retail and telco industries	100%	£1m	Following the sale of its principal operating subsidiary, KSS proposes to place itself in voluntary liquidation and return its cash to shareholders (c£14m). This is equivalent to 18.5p per share - a far cry from KSS's float price of 220p in Mar. 00. AIM-listed Eurovestech first
General Atlantic Partners	Baan from Invensys	ERP software provider	100%	£85m	US private equity firm, GA, is believed to be putting the finishing touches to a deal to buy Baan. GA already owns a number of ERP players in the manufaccturing sector (SSA Global Technologies and Mapics), so Baan will be a good addition to the portfolio. Baan is reported to have lost c£18.3m on c£158m revenues in FY02.
Marlborough Stirling	Otter Risk Solutions	Provider of third party underwriting and claims risk management services to insurers, re-insurers and intermediaries in the life & protection markets	74%	£0m	Otter is a recently established company. Marlborough Stirling is acquiring a minimum 74% stake (at no cost) but expects to invest >£0.5m in Otter in new share capital and inter-company loans. They also have the option to buy the minority shareholdings five to ten years after the initial investment.
Nord Anglia	Yorkshire Post Training	Leeds-based skills training provider	100%	n/a	Education and related services provider, Nord Anglia picked up YPT, a skills and workforce training company, for an undisclosed sum. YPT has c£800K turnover, and delivers training for the public and private sectors. It will be integrated with Nord Anglia's training activities.
Torex plc	Protos Ltd	Maternity IT systems	100%	max £1.9m	Torex paid £1.45m on completion, in shares, with a further £0.4m payable depending on the level of cash in the business, for Nottingham-based Protos. The purchase fits with Torex' strategy of increasing its clinical software portfolio organically and by acquisition.
Touchstone Group	Microsoft Great Plains division of Tenon Group	Accountancy software reseller	100%	max £750K	Touchstone picks up a client list and a number of employees from the deal. It also "reinforces" the company's position within the Microsoft Business Solutions market place. £325K of the max. consideration is deferred, payable depending on profitability over two years.
Volvere plc	Amey Vectra Ltd (subsidiary of Amey plc)	Provider of consultancy & technical services to the process, nuclear, transport, defence & other highly regulated sectors	100%	£2m	Troubled support services player Amey, signalled its intention to dispose of this subsidiary back at its interims (Sep. 02). Volvere,an "*activist investor and turnaround specialist*" paid £2m in cash. Amey has the option to subscribe for 5% in Vectra at c£115K, for 3 years following the sale.

NAVY ADDS TO EDS'S BLUES

EDS turned in a pretty gruesome - but not unexpected - set of results for Q1 this month. Although total revenues for the 3 months to 31st Mar. 03 grew 2% to \$5.37bn, the company recorded an operating loss of \$104m compared to a \$591m profit for Q1 02. As a result last year's pre-tax income of \$527m turned into a pre-tax loss of \$164m and net income of \$354m in Q1 02 became a \$126m net loss.

It was EDS' megadeal with the US Navy that caused most of the grief, with the company taking a \$334m cumulative pre-tax loss. EDS does not expect this contract to turn cash flow positive until mid-2004. EDS also took a \$48m pre-tax hit for ex-CEO Dick Brown's severance deal.

Business performance was also pretty grim. Contract signings were down nearly 60% to \$3bn, although we should bear in mind that EDS is being a bit more selective about which deals it pursues these days.

The core outsourcing business (Operations Solutions) saw flat revenues of \$3.58bn (at constant currency) as growth from major deals signed in 2002 was offset by a decline in business from ex-parent GM. EDS' Solutions Consulting revenues dropped 7% to \$1.33bn because of *"the weak economy and the associated slowdown in corporate discretionary spending"*. AT Kearney revenue fell 14% to \$239m for much the same reason, and their fledgling software arm, PLM Solutions, also saw revenue drop 11% to \$201m (all figures at constant currency).

New CEO Michael Jordan believes *"we have now addressed our major exposures ... and can focus on growing our core outsourcing business"*. EDS gave no guidance for full year outlook, but CFO Robert Swan says that the company will *"remain disciplined in pursuing the right business opportunities and not sacrificing the bottom line to top-line growth"*.

The good news in all of this is that there were no hidden skeletons that fell out of the cupboard in the wake of Brown's departure. But these results paint a bleak picture for the outlook of the S/ITS sector in 2003, with absolutely no sign of any upturn in demand, coupled with increasing pressure on margins. Even EDS' outsourcing revenue growth has essentially stalled, though – as outlined in our new Market Trends 2003 research - we are still forecasting that this part of the UK market will grow overall in 2003, albeit more slowly than in previous years. EDS is dead right to focus on the bottom line and generating cash.

AFA Systems plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£8,136,000		£6,013,000	-26.1%
PBT	-£14,619,000		-£10,638,000	Loss both
EPS	-56.90p		-41.90p	Loss both

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

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

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

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

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

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

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

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

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

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

Bond International Software plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£11,365,995		£6,399,629	-43.7%
PBT	£1,256,609		-£1,972,786	Profit to loss
EPS	6.11p		-13.79p	Profit to loss

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

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

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

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

Clinical Computing plc
	Final - Dec 01		Final - Dec 03	Comparison
REV	£2,232,158		£2,391,565	+7.1%
PBT	-£1,369,934		-£983,004	Loss both
EPS	-5.50p		-3.8	Loss both

CODASciSys plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£64,820,000		£66,378,000	+2.4%
PBT	£5,054,000		£5,726,000	+13.3%
EPS	12.70p		16.2	+27.6%

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

Compass Software Group plc
	Final - Nov 01		Final - Nov 02	Comparison
REV	£4,266,677		£4,829,562	+13.2%
PBT	£356,253		£398,649	+11.9%
EPS	1.61p		1.52p	-5.6%

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

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

DCS Group plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£104,900,000		£69,800,000	-33.5%
PBT	-£4,600,000		-£14,200,000	Loss both

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

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

Diagonal plc
	Final - Nov. 01		Final - Nov 02	Comparison
REV	£82,182,000		£63,618,000	-22.6%
PBT	£4,256,000		-£2,254,000	Profit to loss
EPS	2.26p		-4.56p	Profit to loss

Dicom Group plc
	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£75,622,000	£149,527,000	£80,338,000	+6.2%
PBT	£4,216,000	£3,521,000	£4,628,000	+9.8%
EPS	1.40p	3.50p	1.61p	+15.0%

Dimension Data plc
	Interim - Mar 02	Final - Sep 02	terim - Mar 03	Comparison
REV	£786,507,000	£1,489,600,000	£638,206,000	-18.9%
PBT	-£483,468,000	-£1,756,500,000	-£122,668,000	Loss both
EPS	-37.38p	-155.60p	-9.10p	Loss both

DRS Data & Research Services plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£10,054,000		£12,782,000	+27.1%
PBT	£665,000		£1,776,000	+167.1%
EPS	1.36p		3.68p	+170.6%

Easynet plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£28,607,000	£71,276,000	£42,361,000	+48.1%
PBT	-£10,586,000	-£292,667,000	-£53,077,000	Loss both
EPS	-38.40p	-440.50p	-47.90p	Loss both

Easyscreen plc
	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1,245,696	£3,236,111	£1,234,399	-.9%
PBT	-£2,188,965	-£4,289,119	-£2,237,521	Loss both
EPS	-4.70p	-9.34p	-4.30p	Loss both

Eidos plc
	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£75,912,000	£142,564,000	£102,167,000	+34.6%
PBT	-£2,245,000	-£30,655,000	£6,668,000	Loss to profit
EPS	-1.60p	-22.90p	3.10p	Loss to profit

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

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

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

Eurolink Managed Services plc
	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£4,131,000	£9,226,000	£4,512,000	+9.2%
PBT	£7,000	£155,000	£17,000	+142.9%
EPS	-0.38p	0.47p	0.03	Loss to profit

Eyretel plc
	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£24,151,000	£50,017,000	£21,385,000	-11.5%
PBT	£146,000	£648,000	-£5,626,000	Profit to loss
EPS	0.06p	0.49p	-3.77p	Profit to loss

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

Flomerics Group plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£12,875,000		£11,711,000	-9.0%
PBT	£308,000		£635,000	+106.2%
EPS	1.72p		3.23p	+87.8%

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

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

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

Glotel plc
	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£60,142,000	£98,352,000	£37,991,000	-36.8%
PBT	-£2,054,000	-£4,445,000	-£416,000	Loss both
EPS	-3.90p	-8.60p	-0.90p	Loss both

Gresham Computing plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£24,761,000		£11,578,000	-53.2%
PBT	-£973,000		£1,148,000	Loss to profit
EPS	-3.32p		2.45	Loss to profit

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

Harvey Nash Group plc
	Interim - Jul 01	Final - Jan 02	Interim - Jul 02	Comparison
REV	£126,359,000	£235,720,000	£83,489,000	-33.9%
PBT	-£1,103,000	-£11,346,000	-£6,576,000	Loss both

Highams Systems Services Group plc
	Interim - Sep 01	Final - Mar 02	Interim - Sep-02	Comparison
REV	£9,630,000	£16,777,000	£5,618,000	-41.7%
PBT	-£370,000	-£298,000	-£212,000	Loss both
EPS	-1.83p	-1.45p	-1.09p	Loss both

Horizon Technology Group plc
	6 months - Dec 01		Final - Dec 02	Comparison
REV	£104,088,000		£202,168,000	n/a
PBT	-£14,156,000		-£7,844,000	Loss both
EPS	-21.33p		-13.16p	Loss both

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

Hot Group plc
	Final - Apr 01		Final - Aug 02	Comparison
REV	£1,555,000		£2,831,000	+82.1%
PBT	-£165,000		-£4,710,000	Loss both
EPS	-2.46p		-31.42p	Loss both

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

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

IDS Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£16,038,000	£35,355,000	£15,983,000	-.3%
PBT	-£5,244,000	-£18,138,000	-£2,235,000	Loss both
EPS	-9.40p	-31.96p	-4.10p	Loss both

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

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

Intelligent Environments Group plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£3,111,584		£2,672,065	-14.1%
PBT	-£6,979,561		-£2,873,579	Loss both
EPS	-13.53p		-2.14p	Loss both

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

IRevolution plc
	17 mths Sep 01		Final - Sep 02	Comparison
REV	£6,433,000		£5,327,000	-17.2%
PBT	-£4,153,000		-£3,995,000	Loss both
EPS	-14.50p		-8.60p	Loss both

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

I S Solutions plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£10,873,000		£7,426,000	-31.7%
PBT	-£222,000		-£1,368,000	Loss both
EPS	-1.06p		-5.06p	Loss both

ITNET plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£176,446,000		£178,992,000	+1.4%
PBT	£10,467,000		£7,336,000	-29.9%
EPS	9.12p		3.01p	-67.0%

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

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

K3 Business Technology Group plc
	Final - Dec 01		Final - Dec 02	Comparison
REV	£7,972,000		£8,088,000	+1.5%
PBT	-£1,373,000		£266,000	Loss to profit
EPS	-3.60p		0.70p	Loss to profit

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

Knowledge Support Systems Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£512,658	£1,020,520	£600,805	+17.2%
PBT	-£4,582,815	-£9,768,556	-£1,490,049	Loss both
EPS	-6.20p	-12.17p	-1.82p	Loss both

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

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

Lorien plc
	Final - Nov 01		Final - Nov 01	Comparison
REV	£139,028,000		£113,588,000	-18.3%
PBT	£1,997,000		-£5,178,000	Profit to loss

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

Macro 4 plc

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

Manpower SoftWare plc

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

Marlborough Stirling plc

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

MERANT plc

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

Microgen plc

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

Minorplanet Systems Plc

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

Misys plc

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

MMT Computing plc

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

Mondas plc

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

Morse plc

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

MSB International plc

	Final - Jan 02		Final - Jan 03	Comparison
REV	£145,987,000		£84,062,000	-42.4%
PBT	£1,889,000		-£421,000	Profit to loss
EPS	6.40p		-2.32p	Profit to loss

Myratech.net Plc

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

Ncipher Plc

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

NetBenefit plc

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

Netstore plc

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

Nettec plc

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

Northgate Information Solutions plc

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

NSB Retail Systems plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£93,818,000		£73,359,000	-21.8%
PBT	-£93,470,000		-£186,232,000	Loss both
EPS	-22.63p		-49.05p	Loss both

OneclickHR plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£5,651,936		£4,689,010	-17.0%
PBT	-£2,281,447		-£3,473,846	Loss both
EPS	-4.50p		-6.40p	Loss both

Orchestream Holdings plc

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

Parity Group plc

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

Patsystems plc

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

Pilat Media Global plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,841,000	£6,139,000	£2,470,000	-13.1%
PBT	-£1,264,000	-£2,235,000	-£1,337,000	Loss both

Planit Holdings plc

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

PSD Group plc

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

QA plc

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

Quantica plc

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

Raft International plc

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

Rage Software plc

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

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

RM plc

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

Rolfe & Nolan plc

	Interim - Aug 01	Final - Feb 02	Interim - Aug 02	Comparison
REV	£12,026,000	£25,584,000	£10,701,000	-11.0%
PBT	-£680,000	-£5,267,000	£77,000	Loss to profit
EPS	-4.60p	-36.40p	1.20p	Loss to profit

Royalblue Group plc

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

Sage Group plc

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

SBS Group plc

	Interim - Feb 02	Final - Aug 02	Interim - Feb 03	Comparison
REV	£16,996,000	£32,089,000	£13,026,000	-23.4%
PBT	-£606,000	-£2,048,000	-£459,000	Loss both
EPS	-6.60p	-19.40p	-3.00p	Loss both

SDL plc

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

ServicePower Technologies plc

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

Sherwood International plc

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

Sirius Financial Systems plc

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

Software for Sport plc

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

Sopheon plc

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

Spring Group plc

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

Staffware plc

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

StatPro Group plc

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

SurfControl plc

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

Synstar plc

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

Systems Union Group plc

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

Telecity plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£32,628,000		£24,954,000	-23.5%
PBT	-£35,392,000		-£40,604,000	Loss both
EPS	-25.20p		-20.20p	Loss both

Telework Systems plc

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

Tikit Group plc

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

Torex plc

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

Total Systems plc

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

Touchstone Group plc

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

Trace Group plc

	Interim - Nov 01	Final - May 01	Interim - Nov 02	Comparison
REV	£10,475,000	£15,656,000	£8,432,000	-19.5%
PBT	£771,000	£3,183,000	-£2,135,000	Profit to loss
EPS	3.12p	17.12p	-13.86p	Profit to loss

Transeda plc

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

Transware plc

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

Triad Group plc

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

Tribal Group plc

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

Ultima Networks plc

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

Universe Group plc

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

Vega Group plc

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

VI Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£6,456,000		£7,542,000	+16.8%
PBT	£726,000		£70,000	-90.4%
EPS	2.12p		-0.74p	Profit to loss

Vocalis Group plc

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

Warthog plc

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

Wealth Management Software plc

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

Xansa plc

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

XKO Group plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£20,433,000	£38,880,000	£21,614,000	+5.8%
PBT	-£4,777,000	-£14,938,000	£257,000	Loss to Profit
EPS	-18.20p	-56.40p	0.40p	Loss to Profit

Xpertise Group plc

	Final - Dec 01		Final - Dec 02	Comparison
REV	£5,276,000		£4,602,000	-12.8%
PBT	-£1,571,000		-£1,148,000	Loss both

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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-May-03	Capitalisation 31-May-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-May-03	Share price move since 30-Apr-03	Share price % move in 2003	Capitalisation move since 30-Apr-03	Capitalisation move (£m) in 2003
AFA Systems	SP	£0.18	£6.6m	Loss	1.10	148	14.94%	-6.84%	£1.10m	£2.10m
Affinity Internet Holdings	CS	£0.28	£9.2m	Loss	0.17	2115	0.00%	-26.67%	£0.00m	-£3.38m
AIT Group	CS	£0.31	£7.5m	Loss	0.21	204	200.97%	-11.43%	£4.99m	-£0.89m
Alphameric	SP	£0.45	£47.3m	7.5	0.76	208	-1.63%	-11.27%	-£0.82m	-£6.03m
Alterian	SP	£0.58	£22.5m	Loss	4.71	288	30.68%	55.41%	£5.22m	£8.00m
Anite Group	CS	£0.34	£114.1m	Loss	0.56	196	19.64%	42.55%	£20.04m	£35.14m
Argonaut Games	SP	£0.08	£8.1m	Loss	0.57	86	-36.54%	-52.86%	-£4.48m	-£8.83m
Autonomy Corporation	SP	£1.86	£211.7m	65.4	6.23	57	14.81%	6.29%	£13.55m	-£6.98m
Aveva Group	SP	£3.84	£65.4m	n/a	1.82	1918	11.97%	8.49%	£7.46m	£5.60m
Axon Group	CS	£0.82	£42.4m	19.1	0.98	466	0.00%	42.98%	£0.02m	£12.80m
Baltimore Technologies	SP	£0.32	£17.1m	Loss	0.49	328	56.10%	-28.89%	£6.13m	-£5.94m
Bond International	SP	£0.20	£2.8m	Loss	0.44	300	5.41%	11.43%	£0.14m	£0.29m
Business Systems	CS	£0.06	£5.0m	Loss	0.13	50	71.43%	26.32%	£2.11m	£1.10m
Capita Group	CS	£2.34	£1,561.0m	21.3	1.74	63255	-7.69%	-5.45%	-£123.89m	-£85.87m
Charteris	CS	£0.15	£6.4m	9.6	0.33	169	3.39%	-32.22%	£0.23m	-£3.00m
Clarity Commerce	SP	£0.59	£8.2m	Loss	1.07	468	0.00%	-15.83%	£0.04m	-£1.49m
Clinical Computing	SP	£0.45	£11.2m	Loss	4.69	359	56.14%	36.92%	£4.05m	£3.04m
CODASciSys (was Science Systems)	CS	£2.80	£71.1m	11.2	1.07	2171	-5.88%	14.29%	-£4.50m	£10.20m
Comino	SP	£1.85	£25.6m	19.0	1.04	1423	39.62%	45.10%	£7.30m	£7.99m
Compass Software	SP	£0.70	£8.3m	12.5	0.66	467	0.00%	6.06%	£0.00m	£0.51m
Compel Group	R	£0.54	£16.7m	11.6	0.26	432	-6.09%	-34.55%	-£1.13m	-£8.91m
Computacenter	R	£3.31	£621.8m	16.8	0.32	494	15.53%	18.21%	£90.79m	£102.90m
DCS Group	CS	£0.08	£1.9m	Loss	0.03	129	0.00%	-26.19%	-£0.00m	-£0.69m
Delcam	SP	£1.19	£7.2m	n/a	0.38	458	0.00%	-4.80%	£0.01m	-£0.35m
Detica	CS	£3.34	£74.7m	17.1	1.91	835	0.45%	-6.70%	£0.41m	-£5.30m
Diagonal	CS	£0.58	£51.4m	12.9	0.81	836	-0.86%	12.75%	-£0.50m	£5.80m
Dicom Group	R	£4.33	£90.0m	11.9	0.60	1326	18.49%	6.79%	£14.00m	£5.70m
Dimension Data	R	£0.26	£348.9m	Loss	0.16	46	60.00%	-10.34%	£130.80m	-£40.29m
DRS Data & Research	SP	£0.36	£12.1m	Loss	0.95	323	-6.58%	18.33%	-£1.10m	£1.70m
Easynet	CS	£1.27	£78.9m	Loss	1.89	35	47.95%	60.13%	£25.86m	£29.80m
Easyscreen	SP	£0.26	£14.2m	Loss	4.39	150	6.25%	2.00%	£0.90m	£0.90m
Eidos	SP	£1.64	£229.4m	Loss	2.24	8196	20.37%	30.16%	£40.51m	£54.66m
Electronic Data Processing	SP	£0.55	£13.6m	Loss	1.60	1684	23.60%	41.03%	£2.61m	£3.99m
Empire Interactive	SP	£0.05	£3.0m	Loss	0.12	87	39.73%	-30.13%	£0.42m	-£2.11m
Epic Group	CS	£1.13	£31.1m	20.0	4.30	1071	12.50%	46.10%	£5.77m	£11.60m
Eurolink Managed Services	CS	£0.31	£3.2m	55.4	0.35	310	0.00%	-10.14%	£0.00m	-£0.37m
Financial Objects	SP	£0.37	£10.1m	Loss	0.79	159	4.29%	-7.59%	£0.44m	-£0.80m
Flomerics Group	SP	£0.59	£8.6m	15.9	0.73	2250	8.33%	-14.60%	£0.74m	-£1.36m
Focus Solutions Group	SP	£0.23	£5.8m	Loss	1.14	115	-6.25%	55.17%	-£0.38m	£2.06m
GB Group	SP	£0.18	£14.1m	10.3	0.82	114	54.35%	29.09%	£4.94m	£3.10m
Gladstone	SP	£0.11	£4.4m	Loss	0.25	269	65.38%	115.00%	£1.75m	£2.36m
Glotel	A	£0.52	£19.5m	Loss	0.20	268	4.04%	-3.74%	£0.70m	-£0.80m
Gresham Computing	CS	£2.64	£124.1m	Loss	10.72	2839	200.85%	331.02%	£81.66m	£94.48m
Harrier Group	CS	£0.13	£3.6m	Loss	0.38	97	31.58%	47.06%	£0.88m	£1.16m
Harvey Nash Group	A	£0.34	£18.7m	Loss	0.08	191	-9.46%	-4.29%	-£2.00m	-£0.86m
Highams Systems Services	A	£0.09	£1.7m	Loss	0.10	243	34.62%	2.94%	£0.44m	£0.02m
Horizon Technology	R	£0.25	£16.6m	Loss	0.08	90	6.52%	19.51%	£3.20m	£4.60m
Host Europe	CS	£0.01	£15.6m	Loss	1.14	477	12.50%	-3.57%	£1.60m	-£0.20m
Hot Group (was RexOnline)	CS	£0.12	£5.6m	Loss	1.97	140	-2.08%	-16.07%	£0.29m	£1.66m
I S Solutions	CS	£0.09	£2.2m	Loss	0.30	335	44.00%	56.52%	£0.67m	£0.79m
ICM Computer Group	CS	£1.51	£29.9m	9.7	0.43	839	11.03%	-17.26%	£3.00m	-£6.20m
I-Document Systems	SP	£0.12	£17.1m	Loss	5.67	16	0.83%	2.98%	£0.30m	£0.60m
IDS Group	SP	£0.19	£10.5m	Loss	0.30	206	89.74%	42.31%	£9.06m	£3.05m
Innovation Group	SP	£0.11	£46.5m	Loss	0.46	49	55.17%	-2.17%	£18.30m	£24.19m
InTechnology	CS	£0.62	£84.9m	Loss	0.54	2460	0.00%	2.50%	£0.00m	£2.10m
Intelligent Environments	SP	£0.07	£9.3m	Loss	3.48	72	42.11%	92.86%	£2.97m	£4.70m
IQ-Ludorum	SP	£0.01	£0.7m	Loss	0.12	13	0.00%	-63.64%	£0.04m	-£1.46m
iRevolution	CS	£0.02	£0.7m	Loss	0.13	34	50.00%	20.00%	£0.28m	£0.11m
iSOFT Group	SP	£2.84	£351.1m	23.3	5.84	2582	7.78%	10.94%	£25.36m	£49.90m
ITNET	CS	£2.15	£157.2m	13.0	0.88	614	7.50%	11.69%	£11.01m	£16.50m
Izodia (was Infobank)	SP	£0.44	£25.9m	Loss	6.86	6985	0.00%	0.00%	£0.00m	£0.00m
Jasmin	SP	£1.12	£5.6m	6.8	0.78	745	0.22%	-27.44%	£0.31m	-£1.69m
K3 Business Technology	SP	£0.11	£5.4m	5.2	0.66	80	10.53%	23.53%	£0.53m	£1.04m
Kewill	SP	£0.42	£32.1m	Loss	0.67	825	34.68%	70.41%	£8.15m	£13.10m
Knowledge Support Systems Group	SP	£0.17	£12.6m	Loss	12.60	77	-20.93%	-17.07%	-£3.23m	-£2.50m
LogicaCMG	CS	£1.38	£1,033.0m	Loss	0.57	1890	24.89%	-8.00%	£208.20m	-£91.87m
London Bridge Software	SP	£0.47	£79.5m	Loss	1.28	1163	19.23%	86.00%	£13.30m	£37.10m

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Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-May-03	Capitalisation 31-May-03	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-May-03	Share price move since 30-Apr-03	Share price % move in 2003	Capitalisation move since 30-Apr-03	Capitalisation move (£m) in 2003
Lorien	A	£0.58	£10.7m	Loss	0.09	575	7.48%	-17.86%	£0.70m	-£3.00m
Macro 4	SP	£0.60	£12.5m	Loss	0.32	242	33.33%	31.87%	£3.14m	£3.04m
Manpower SoftWare	SP	£0.11	£4.8m	Loss	1.44	111	48.28%	26.47%	£1.57m	£1.00m
Marlborough Stirling	SP	£0.29	£64.3m	Loss	0.53	204	1.79%	-19.72%	£1.10m	-£15.80m
MERANT	SP	£1.30	£133.4m	Loss	1.70	625	7.02%	53.25%	£6.25m	£44.60m
Microgen	CS	£0.51	£30.7m	Loss	1.21	218	27.50%	155.00%	£5.22m	£19.00m
Minorplanet Systems	SP	£1.13	£83.0m	Loss	0.67	2308	8.65%	-8.13%	£6.60m	-£7.00m
Misys	SP	£2.22	£1,236.0m	17.1	1.19	2759	15.80%	25.99%	£156.45m	£222.20m
MMT Computing	CS	£0.97	£11.8m	Loss	0.43	574	-1.03%	8.43%	£0.00m	£1.03m
Mondas	SP	£0.28	£5.9m	Loss	1.58	373	19.15%	12.00%	£0.95m	£0.91m
Morse	R	£1.27	£164.5m	Loss	0.35	508	9.01%	-0.39%	£13.00m	-£1.30m
MSB International	A	£0.53	£10.9m	Loss	0.13	279	11.58%	-2.75%	£1.16m	-£0.21m
Myratech.net	CS	£0.03	£0.8m	Loss	0.46	21	10.00%	-8.33%	£0.07m	-£0.08m
Ncipher	SP	£1.16	£28.8m	Loss	3.24	464	38.92%	90.16%	£8.70m	-£48.40m
NetBenefit	CS	£0.22	£3.5m	Loss	0.58	110	-4.35%	79.59%	-£0.23m	£1.56m
Netstore	CS	£0.27	£25.1m	Loss	3.78	177	35.90%	37.66%	£6.51m	£6.80m
Nettec	CS	£0.06	£7.2m	Loss	0.44	0	-22.58%	-11.11%	-£2.29m	-£1.06m
Northgate Information Solutions	CS	£0.28	£80.3m	12.2	0.87	108	21.74%	7.69%	£14.53m	£5.93m
NSB Retail Systems	SP	£0.05	£17.0m	Loss	0.23	435	-15.25%	-31.03%	-£2.00m	-£6.32m
OneclickHR	SP	£0.07	£3.9m	Loss	0.83	175	27.27%	-6.67%	£0.84m	-£0.28m
Parity	A	£0.11	£16.2m	Loss	0.09	1750	13.51%	-35.38%	£1.98m	-£8.70m
Patsystems	SP	£0.10	£12.5m	Loss	1.60	89	58.33%	-20.83%	£4.61m	-£3.10m
Pilat Media Global	SP	£0.02	£0.4m	Loss	0.07	88	-88.33%	-89.39%	-£3.47m	-£6.82m
Planit Holdings	SP	£0.20	£17.3m	5.1	0.78	813	-23.53%	-26.42%	-£3.90m	-£4.70m
PSD Group	A	£1.58	£39.6m	75.7	0.89	716	7.88%	-14.86%	£2.90m	-£6.80m
QA (was Skillsgroup)	CS	£0.06	£5.4m	Loss	0.17	26	9.52%	4.55%	£0.43m	£0.39m
Quantica	A	£0.30	£12.1m	Loss	0.46	242	39.53%	-10.45%	£3.41m	-£1.40m
Raft International	SP	£0.07	£4.5m	Loss	0.68	111	100.00%	133.33%	£2.23m	£2.55m
Rage Software	SP	£0.00	£2.6m	Loss	0.22	10	0.00%	-75.00%	£0.00m	-£5.47m
Retail Decisions	SP	£0.06	£16.2m	Loss	0.57	78	43.75%	43.75%	£4.94m	£4.90m
RM	SP	£0.98	£87.5m	Loss	0.43	2786	-13.33%	8.33%	-£15.40m	£5.20m
Royalblue Group	SP	£3.70	£116.3m	17.4	2.04	2176	8.03%	57.45%	£11.95m	£44.78m
Sage Group	SP	£1.60	£2,044.0m	21.2	3.70	61635	-12.79%	20.49%	-£283.95m	£359.50m
SBS Group	A	£0.09	£1.4m	Loss	0.04	88	-7.89%	-12.50%	-£0.12m	£0.15m
SDL	CS	£0.49	£26.2m	Loss	0.45	323	19.75%	61.67%	£4.30m	£10.00m
ServicePower	SP	£0.20	£11.0m	Loss	2.45	195	60.00%	150.00%	£4.58m	£6.87m
Sherwood International	SP	£1.05	£48.6m	9.2	0.93	3498	8.25%	36.36%	£3.66m	£13.49m
Sirius Financial (was Policymaster)	SP	£0.98	£17.3m	8.7	1.00	650	-2.99%	-11.36%	-£0.54m	-£2.20m
Software for Sport	SP	£0.03	£8.2m	Loss	2.70	234	-16.67%	-15.38%	£3.36m	£3.54m
Sopheon	SP	£0.23	£19.5m	Loss	1.40	331	109.09%	76.92%	£10.13m	£8.43m
Spring Group	A	£0.58	£87.4m	Loss	0.30	644	9.43%	26.09%	£7.80m	£18.35m
Staffware	SP	£3.88	£56.2m	21.0	1.44	1722	4.73%	63.16%	£2.96m	£22.00m
StatPro Group	SP	£0.23	£7.4m	Loss	1.03	281	36.36%	12.50%	£2.02m	£0.88m
SurfControl (was JSB)	SP	£6.20	£188.7m	Loss	5.03	3100	25.89%	48.50%	£40.19m	£62.80m
Synstar	CS	£0.63	£102.4m	19.3	0.46	382	6.33%	7.69%	£6.12m	£7.30m
Systems Union (was Freecom)	SP	£0.78	£80.5m	10.8	1.08	596	32.48%	6.90%	£20.14m	£5.70m
Telecity	CS	£0.07	£14.0m	Loss	0.56	9	47.37%	115.38%	£4.68m	£7.48m
Telework Systems	SP	£0.10	£16.9m	Loss	1.08	0	58.33%	72.73%	£6.05m	£6.97m
Tikit Group	CS	£0.81	£9.4m	n/a	1.14	700	-2.42%	-1.23%	-£0.68m	-£0.19m
Torex Group	CS	£4.37	£227.6m	12.5	1.41	8485	7.24%	35.50%	£25.42m	£74.90m
Total Systems	SP	£0.52	£5.4m	8.4	1.00	972	30.38%	21.18%	£1.23m	£0.96m
Touchstone Group	SP	£0.85	£8.8m	5.9	0.62	810	25.00%	-15.00%	£1.76m	-£1.63m
Trace Group	SP	£0.42	£6.4m	6.2	0.37	336	5.00%	-9.68%	£0.30m	-£0.70m
Transeda	SP	£0.02	£1.3m	Loss	0.22	35	40.00%	-41.67%	£0.50m	-£0.83m
Transware	CS	£0.03	£3.2m	Loss	0.25	42	8.33%	-53.57%	£1.89m	£0.72m
Triad Group	CS	£0.39	£5.8m	Loss	0.21	285	40.00%	32.76%	£1.66m	£1.44m
Tribal Group	CS	£3.33	£174.0m	20.5	3.81	2015	10.65%	39.12%	£16.71m	£50.60m
Ultima Networks	R	£0.01	£1.7m	n/a	0.83	21	-2.22%	-12.00%	£0.00m	-£0.24m
Universe Group	SP	£0.25	£9.8m	10.0	0.20	1111	2.04%	11.11%	£1.09m	£1.81m
Vega Group	CS	£0.67	£12.4m	Loss	0.35	549	8.94%	12.61%	£1.12m	£1.50m
VI group	SP	£0.12	£4.5m	Loss	0.60	240	-11.11%	-22.58%	-£0.56m	-£1.31m
Vocalis Group	SP	£0.03	£3.5m	Loss	2.00	26	100.00%	0.00%	£1.74m	£0.00m
Warthog	SP	£0.12	£5.8m	12.9	0.65	279	-9.43%	-31.43%	-£0.60m	-£2.49m
Wealth Management Software	SP	£0.13	£5.3m	Loss	0.48	96	47.06%	56.25%	£1.68m	£1.89m
Xansa (was F.I. Group)	CS	£0.94	£317.4m	Loss	0.62	2410	22.88%	70.91%	£63.20m	£134.64m
XKO Group	SP	£0.55	£15.2m	14.3	0.39	367	48.65%	50.68%	£5.24m	£5.39m
Xpertise Group	CS	£0.01	£0.7m	Loss	0.16	40	-63.64%	-73.33%	-£5.30m	-£1.98m

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GAINS ACROSS THE BOARD

31-May-03	S/ITS Index	3430.04
	FTSE IT (SCS) Index	384.00
	techMARK 100	747.31
	FTSE 100	4068.70
	FTSE AIM	615.30
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap	2029.90

Changes in Indices	S/ITS Index Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/05/03 to 31/05/03)	+27.05%	+3.63%	+10.83%	+12.86%	+7.46%	+10.75%
From 15th Apr 89	+243.00%	+98.13%				
From 1st Jan 90	+272.79%	+72.26%				
From 1st Jan 91	+384.56%	+88.33%				
From 1st Jan 92	+228.28%	+63.20%				
From 1st Jan 93	+115.24%	+42.94%				+46.31%
From 1st Jan 94	+105.44%	+19.02%				+8.63%
From 1st Jan 95	+128.79%	+32.73%				+16.23%
From 1st Jan 96	+51.87%	+10.28%	-5.31%		-35.46%	+4.55%
From 1st Jan 97	+28.11%	-1.21%	-18.30%		-36.96%	-7.02%
From 1st Jan 98	+13.02%	-20.77%	-21.67%	-61.60%	-37.97%	-12.25%
From 1st Jan 99	-12.98%	-30.84%	-48.67%	-73.44%	-23.24%	-1.98%
From 1st Jan 00	-70.10%	-41.29%	-80.23%	-89.67%	-68.16%	-34.47%
From 1st Jan 01	-59.03%	-34.61%	-70.87%	-80.30%	-57.21%	-36.23%
From 1st Jan 02	-28.51%	-22.02%	-49.26%	-54.52%	-31.47%	-21.30%
From 1st Jan 03	+26.44%	+3.26%	+15.19%	+12.87%	+2.06%	+11.50%

End May 03	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move since 1st Jan 02	Move since 1st Jan 03	Move in May 03
System Houses	-26.4%	-71.3%	-61.5%	-30.5%	38.4%	32.6%
IT Staff Agencies	-74.9%	-78.2%	-65.2%	-37.2%	-5.6%	14.5%
Resellers	19.7%	-42.4%	-23.8%	-15.1%	14.8%	21.9%
Software Products	19.0%	-71.4%	-79.2%	-33.0%	10.9%	11.1%
Holway Internet Index	129.4%	-72.1%	-59.0%	-25.8%	13.3%	20.5%
Holway S/ITS Index	-13.0%	-70.1%	-59.0%	-28.5%	26.5%	27.1%

May has seen further gains across the board for the key indices, with the markets building on the upswing that began in April. The FTSE 100 gained 3.6%, but this was eclipsed by the performance of Ovum Holway's S/ITS index, which posted a 27% rise to 3,471. The techMARK 100 also performed well in May - climbing 10.8% during the month – confirming it was the tech stocks that led the climb.

The 12.8% improvement for the FTSE IT (SCS) index suggests the smaller S/ITS companies have outperformed their larger rivals this month. Indeed, May's leading risers included **AIT Group**, which recorded a 201% gain and **Sopheon**, up 110%. Many larger cap companies didn't do badly either, however. **Gresham Computing**, for example, was a star performer climbing 201% while **DiData** was up 60%.

But not everyone could share in the good fortune. **Xpertise Group** was the gloomiest of the S/ITS pack with a 63% fall to just 1p. **Argonaut Games** (down 37%) and **Knowledge Support Systems** (down 21%) fared little better. Systems houses were the best performers this month, posting an average 33% gain. Software companies, resellers and ITSAs also managed double digit increases. As a result, ITSAs are the only group in negative territory for the year so far, at 5.6% below Jan 1st levels.

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