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ovum HOLWAY

SYSTEMHOUSE

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

IT's all over now!

Ovum Holway research has always concentrated on past, current and near term future forecasts for the UK IT, and in particular S/ITS, sector.

As readers of our reports, and those who attended the Ovum Holway presentation on 24th Oct. 02, will know, the 'excessive exuberance' of the high growth rates of the IT sector of late, have now come to a grinding halt. Indeed, growth is now negative and this serious recession is likely to last three years.

But what then? Will we see the 20% p.a. growth of 1998 returning?

We think not.

If you study any sector which is based on an engineering or technological development (railways, automotive sector, airlines, telecomms, TV and radio etc.) you will find growth goes through four phases:

- Pioneer
- Mass market
- Maturity
- Post maturity

The IT industry entered its pioneering phase after the war. We would contend that it was the introduction of third generation computers, like the IBM S/360 in 1964, that started the mass market phase as it made IT accessible to many businesses. All the major S/ITS companies we know of today were founded in the 1960s. The introduction of the PC in 1981 accelerated growth in this phase by making IT affordable to SMEs and individuals too.

In 1964, IT was <1% of the UK economy. After that it grew rapidly to the point where it was equal to 4% of the UK economy in 1999. Indeed S/ITS was only 0.1% of the economy in 1964 and has since grown its share of IT significantly as IT hardware's share has declined.

Indeed, S/ITS has grown 3-times faster than the UK economy since 1964 - 4-times faster in the 1990s.

If S/ITS continued to grow at that rate it would equal 100% of the economy by 2050.

Now, we think there is one thing that all readers will agree upon - that is impossible! After all we all need to eat, drink, be housed, move around etc.

We looked at every other engineering or technology-oriented sector of the UK economy over the last 100 years and couldn't find one that has managed to exceed 5% of the economy. They go to reach a kind of maturity level - and stay there.

The UK economy has grown on average by 2.5% p.a. in the last 40 years. It has only exceeded 5% in one year and has been negative on a number of occasions.

We contend that IT has now entered its maturity phase. IT's % share of the UK economy will stay at, or around, 4%, which means that growth for the next 40 years will be quite closely aligned to GDP growth. That means that we see growth mainly in the 0-5% p.a. range; with growth closer to 10% only in rare and exceptional years.

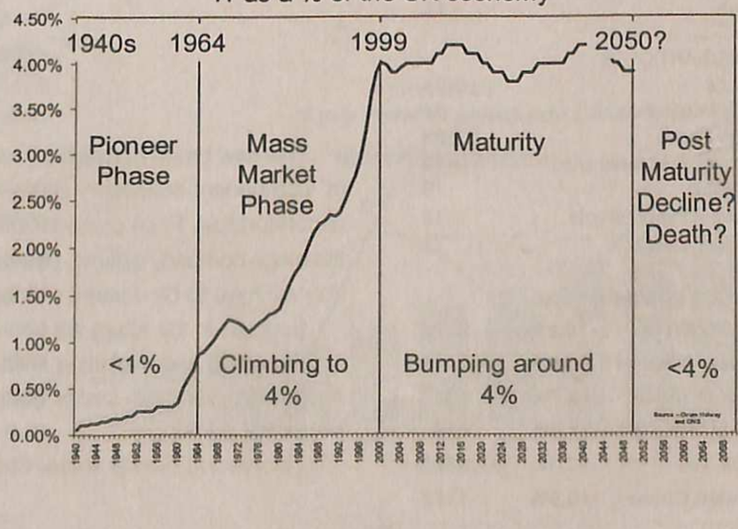
For an industry used to double digit growth rates year in, year out, this may come as something of a shock. Indeed, we suspect it will require quite a different set of management skills to take full advantage *(or even survive)* in such an environment.

But for those that can both accept maturity and adapt, the future could well be very rewarding.

Firstly, companies will need to be run for cash and profits. Not for growth alone.

It was positive sentiment towards the IT sector which sent shares prices into orbit. It was negative sentiment which plunged them to earth again. We do not see

IT as a % of the UK economy



[continued from page one]

such a degree of postive sentiment returning. Investors will look upon IT just like they regard other sectors in their maturity phases. Indeed, as we explained last month, dividends and yields will become the order of the day.

Secondly, do not think that maturity will put an end to **innovation**. We expect innovation to continue apace. The IT of 10, 20 years time will show major advancements.

Indeed, the main one will be **reliability**. Maturity has meant increased reliability in every other similar sector. Indeed, users will expect reliability and punish harshly vendors who don't deliver.

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INDICES (changes in Sep. 02)

Holway S/ITS	-15.2%	2376
Holway Internet	-17.3%	1715
FTSE IT (SCS)	-18.7%	267
techMARK 100	-18.8%	636
FTSE 100	-12.0%	3722
Nasdaq Comp	-10.9%	1172

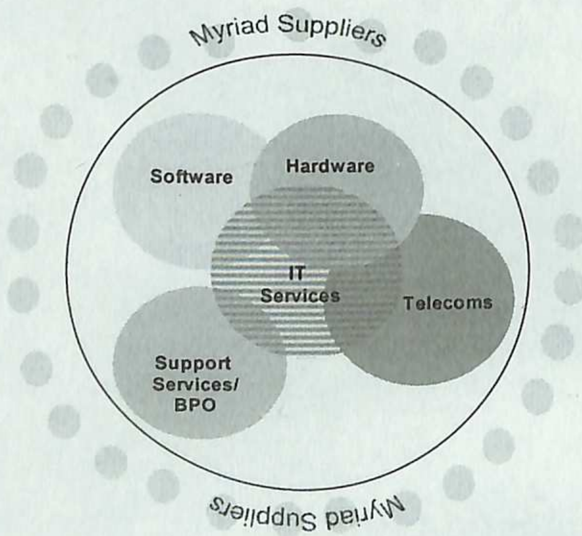
The IT industry has profited massively from its own unreliability. These days will end.

Indeed, **the days when fee rates, contractor rates and even wages are several times the national norm will rapidly come to an end.** We have already seen the first evidence with average wages in IT declining by 7% in the last six months. We see this as an irreversible trend. We see the skills required in the vast majority of IT-related jobs becoming much more similar to those associated with a 'trade' (like being a skilled motor mechanic) - and pay will fall accordingly.

The one thing that can be guaranteed during a maturity phase is **consolidation**. At the moment the Top Three suppliers to the IT sector worldwide have around 15% of the market. We see this rising to >50% within 20 years. In other words, the recent consolidations, like HP and Compaq or IBM and PwC Consulting, will look trifling compared to the couplings we will report in the years to come. You have to be BIG or NICHE in a mature market. The mid-sized players cannot survive.

Consolidation within software or hardware or IT services is one thing, but we see the unrelenting trend towards **convergence** accelerating too. IBM is a prime example at the moment and we see this model being attempted by others. We see telcos increasingly being drawn in. But we do not believe it will be the telcos doing the buying (as in DT and T-Systems). In the future, the telcos will be acquired by the IT companies.

Increasingly, IT services companies are moving into BPO. Indeed, we reckon that you just cannot survive as an IT oursourcer alone without a BPO operation or partner. So, over time, as shown in the diagram, we see all these sectors converging.



This new breed of mega companies will be 'serviced' by a huge number of 'component suppliers'. Being a component supplier will be increasingly uncomfortable. Price pressure will be enormous. However, if you don't play the mega company's game, you will exclude yourself from most of the market. You will have to be content with a local presence or a niche.

Success in the future will come from:

- spotting and exploiting shifts in the market. But remember in a mature market for every sub sector getting a larger slice of the cake, another sub sector will go hungry.

- increasing market share. Clearly consolidation will play a vital role here.

But IT companies will need much more **capable management** with experience in the market share game. In our view the current IT sector has few managers with such capability.

We don't anticipate IT's maturity phase ending in our lifetime. But remember that it has for other sectors like the railways. There then followed 50 years of decline.

Ovum Holway has for a long time linked its views to musical themes. *"There may be troubles ahead"*, *"Stormy weather"* and, this year, *"Yesterday"*.

"IT's all over now" is a particularly appropriate theme, being a Rolling Stones hit in 1964 just as IT entered its mass market phase. Few would expect great things of Mick Jagger in the future as he turns 60. On the other hand, Jagger seems quite capable of making the most of his "maturity".

So should we.

Want to know more?

Richard Holway is a founder member of the **Princes Trust Technology Leadership Group** which helps disadvantaged young people set up in IT.

On 18th Nov. 02, he is giving a presentation entitled *"IT's all over now"* at Bloomberg studios. Bloomberg is sponsoring both the venue and the catering. So not only does every penny go to the Princes Trust but the Government matches this £-for-£. Over £50,000 x2 should be raised. You get an invite in return for a donation of £250. More details on www.tlginvite.co.uk.

Holway has also produced a pamphlet on the medium to long range forecasts for the IT sector which will be provided to those attending the presentation.

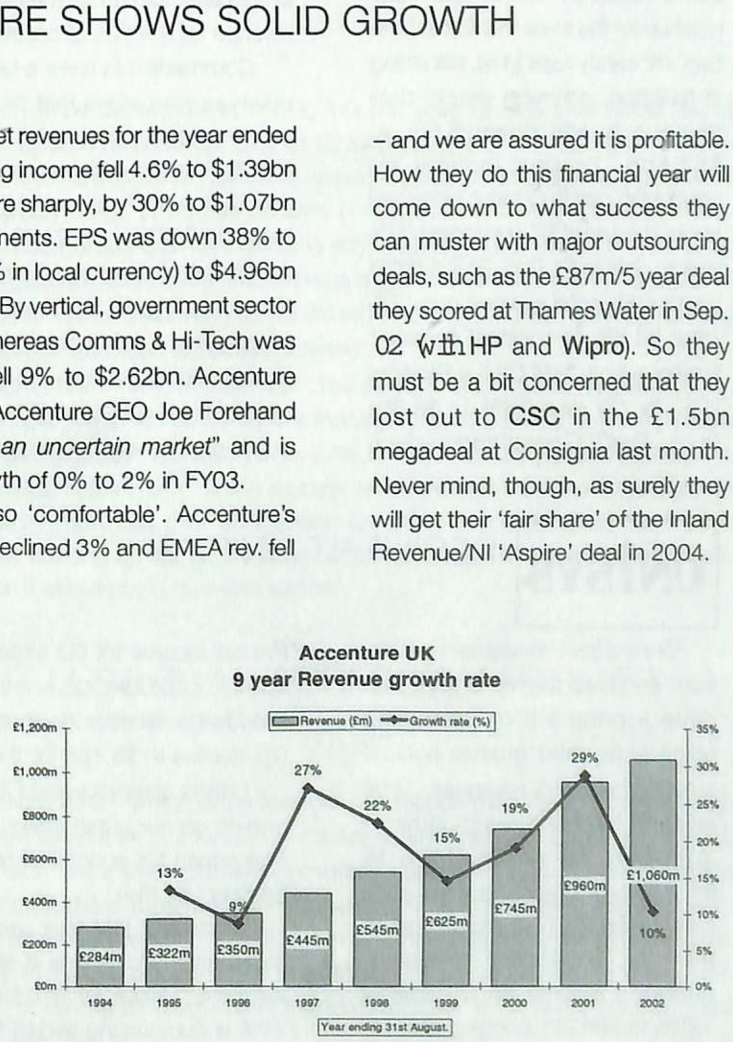
Copies are available to **SYSTEM**HOUSE subscribers at the special price of £250 from Ovum. Call Andrew Randles on 01252 740908 or e-mail ajr@ovum.com.

ACCENTURE SHOWS SOLID GROWTH

Accenture has reported its full year results. Net revenues for the year ended 31st Aug. 02 grew by 1% to $11.6bn but operating income fell 4.6% to $1.39bn (still a 12% margin). Pre-tax income fell much more sharply, by 30% to $1.07bn mainly due to a $321m loss on its venture investments. EPS was down 38% to $0.56. EMEA rev. managed an 11% increase (9% in local currency) to $4.96bn and now generates 43% of Accenture's business. By vertical, government sector did best, of course, growing 31% to $1.32bn, whereas Comms & Hi-Tech was down 2% to $3.18bn and Financial Services fell 9% to $2.62bn. Accenture claimed UK revenues were up 19% to £1.1bn. Accenture CEO Joe Forehand expects they will "*sustain a strong position in an uncertain market*" and is "*comfortable*" with expectations of revenue growth of 0% to 2% in FY03.

Comment: Maybe he should not be quite so 'comfortable'. Accenture's revenues in their Q4 (3 months to 31st Aug. 02) declined 3% and EMEA rev. fell 7% in local terms. We can't see how things will get materially better than that for them to show net growth over the next year. As for Accenture's local operation, we now understand that their UK revenues for last year (ended 31st Aug. 01) were $1.42bn, which we will now register as £960m based on our average 2001 exchange rates. Accenture's UK rev. for this year to 31st Aug. 02 were $1.7bn which we will record as £1.06bn based on our average year-to-date 2002 exchange rates, a 10% increase in local currency. Though not 19%, this is still a very creditable result in current market conditions. In any event, the UK was the fastest growing region - and we are assured it is profitable. How they do this financial year will come down to what success they can muster with major outsourcing deals, such as the £87m/5 year deal they scored at Thames Water in Sep. 02 (with HP and Wipro). So they must be a bit concerned that they lost out to CSC in the £1.5bn megadeal at Consignia last month. Never mind, though, as surely they will get their 'fair share' of the Inland Revenue/NI 'Aspire' deal in 2004.

Accenture UK
9 year Revenue growth rate



11%

31p

ALTERIAN HOLDS STEADY IN FIRST HALF

Data analysis software company **Alterian** has announced interim results to 30th Sep. 02. Turnover is pretty much static compared to the comparable period last year (£1.8m), but down 27% on the previous six months. But the 'good' news is that LBT has improved from £4.8m in H1 01 to £4.5m, and is much the same as the previous six months. Loss per share, previously 12.1p is now 11.4p.

David Eldridge, CEO, commented: *"Looking forward to next financial year, revenue growth is also underpinned by a strong recurring revenue stream and the maturing sales channel that has been built over the past two years"*.

Comment: Alterian reports that sales cycles have lengthened and several contracts have been deferred, but in the UK sales increased 29%, offsetting the 44% slump in US business. The company has done some restructuring and cut 33 jobs, which will result in annualised savings of c£2m. Alterian aims to become profitable by Q4, and to this end is concentrating efforts on generating revenue through existing partner relationships, and driving up recurring revenues (which currently account for approx. half of revenue). In the meantime the directors believe that Alterian has sufficient funds to see it through to profitability *(Ed: are we talking about the same sort of profitability here?)*. The shares ended the month 11% up at 31p.

IBM PEDALS HARD TO STAND STILL

IBM has been pedalling hard to stand relatively still in Q3. Total revenue for the three months to 30th Sep. 02 barely rose at all, still sitting at $19.8bn, although year-to-date revenue is still down 5.6% at $57.5bn. Pre-tax income for continuing ops in Q3 also remained about line-ball at $2.4bn (down 39% year to date to $4.8bn). EMEA didn't do so well - total revenue grew 1% - but fell 8% at constant currency. Revenue from IBM Global Services (IGS) for Q3 rose 2.4% to $8.9bn (exc. **PwC Consulting**, which became part of IBM from 1st Oct.), which left year-to-date revenue almost steady at $25.8bn. IGS gross margins in Q3 declined from 28.4% to 26.5%. Software revenue fell 3% (5% at constant currency), including middleware.

Comment: We were a bit surprised to see that middleware revenue was down as we believe that this is about the only part of the software industry that should be doing well in this 'make do and mend' market. But IBM did say that its flagship middleware product WebSphere grew rev 27% so the other products must have done dreadfully. On the home front, IBM was one of the losers to **CSC** for the £1.5bn outsourcing megadeal at Consignia last month, but the good news was their £700m outsourcing deal with Boots. Interestingly, IBM once again 'partners' with **Xansa**, which won a £54m application management contract at the Chemist chain also last month. This may give solace to both players who were unceremoniously turfed from their respective contracts at HBoS earlier this year. Xansa is also partnering CSC at Consignia, so it's great to see them back sticking to their AM knitting.

RESILIENT UNISYS

Born-again systems vendor-cum-services player **Unisys** has done a great job on managing costs in its third quarter against steadily declining revenues. Total revenue for the three months to 30th Sep. 02 declined 3% to $1.33bn bringing year-to-date revenue for the nine months down 9% to $4.05bn. However, operating income for Q3 soared 120% to $96.2m, bringing year-to-date growth up 39% to $272m. Pre-tax income for Q3 almost trebled to $88.1m, bringing year-to-date PBT up 12% to $200m. US revenue grew 3% in Q3 but European revenue declined. Worldwide services revenue declined 3% in Q3 to $1.02bn, making a total 6% decline to $3.1bn for the 9 months so far.

Unisys chairman and CEO Larry Weinbach reported *"continued revenue growth on our outsourcing business, primarily driven by strategic BPO"*. He maintained his outlook of 50% EPS growth for the year on total revenue of $5.5bn - $5.6bn.

Comment: If Unisys came in at the low end of expectations, that would represent a 9% decline in revenue for 2002 (they did $6bn last year). We had estimated Unisys' UK S/ITS revenue last year at around £460m of which about 45% is outsourcing and BPO. They are proving very resilient so full marks for strong management.

0%
27p
TRIAD

PUBLIC SECTOR TURNABOUT FOR TRIAD

Former *Boring Award* holder, **Triad** has reported a bleak set of interim results for the six months ended 30th Sep. 02. Turnover dropped 42% to £14.1m, as a PBT of £1.5m was converted to an LBT of £2.5m. Similarly EPS of 4.1p became a loss per share of 7.91p. Commenting on the outlook, Chairman, John Rigg, said, *"At present there is no sign of improvement in the Company's trading position, nor in market conditions, which are the worst I have encountered in almost twenty years in the industry"*.

Comment: The company laid the blame for the escalating losses on its very low utilisation rates in the systems business. Indeed, Triad's focus, with the exception of application support services, is predominately centred around those areas that are currently under the most pressure: consulting, application development, systems integration and resourcing (via ITSA brand **Generic Software Consultants**). Even so Triad does seem to be suffering more than most – not helped by the apparent lack of a coherent strategy. In its results for FY 02 the company announced that it was intensifying its efforts to grow its business in the public sector. Just six months later the company reports that *"early hopes for the public sector are not proving to be justified by subsequent experience, as a result the sales effort in this sector has been reduced."*

In the meantime the company has decreased ongoing costs by reducing staff numbers over the past twelve months by c25%, imposed a general salary freeze and made efforts to reduce property costs through the rationalisation of accommodation requirements. Its cash balances stand at c£6m (£11.3m FYE 2002) and the company is proposing to return up to £3.2m of *"surplus cash"* to shareholders by purchasing ordinary shares.

SchlumbergerSema

REVITALISED

A rather revitalised **SchlumbergerSema** has grown faster than its parent company in Q3. While oilfield services giant Schlumberger reported revenues for the three months to 30th Sep. 02 down 7% to $3.54bn and operating income down 38% to $227.6m, its IT arm grew revenue 6% to $896m. However, SchlumbergerSema's operating income slumped dramatically by 83% to just $4m, mainly as a result of charges for workforce reductions.

SchlumbergerSema's operating income year to date was about flat at $15m against revenue up 28% to $2.59bn. Most of the highlights were in SchlumbergerSema's UK business, especially public sector managed services and smart cards in mobile comms (T-mobile and Orange) and banking. SchlumbergerSema is not expecting any recovery in consulting and SI *"prior to the second half of 2003"* but expects managed services (particularly public sector) to *"remain relatively firm for the remainder of the year"* although pricing pressure is expected to remain *"intense"*.

Comment: Pretty well as expected as with other major league players. SchlumbergerSema claim they are managing to hold pricing relatively stable and have improved utilisation from 77% to 79% - a very good show. One of the 'jewels in the crown' is the disaster recovery business (the erstwhile SG-RS) which now has over 900 customers in 17 countries. They have been actively building up this business since Schlumberger acquired Sema and we reckon it should be a nice little earner.

27%
5p
knowledge
technology solutions plc

SMALL BUT LESS THAN PERFECTLY FORMED

Knowledge Technology Solutions (KTS) has announced revenues of just £76.5K in the year to 30th June 02. That represents a 49% drop compared to the period from 24th August 00 to 30th June 02. Meanwhile losses deepened from £194K to £451K.

Clearly KTS – which owns financial information website Sharepages.com Ltd and developer of information management solutions Cognita Ltd - has not made leaps and bounds of progress during the year. Looking on the bright side, the company is debt free and does have £487K cash in the bank. All in all though, barring a radical turnaround in its fortunes, KTS may be unable to avoid sharing the fate of so many other loss-making minnows. We would of course be delighted to report otherwise. KTS' share price finished the month up 27% at 5p

55%
41p

MSB INTERNATIONAL PLC

MSB: HOPING FOR A PERIOD OF STABILITY

Underscoring the woes hitting the UK ITSA market, **MSB International**, one of the Top Ten UK ITSAs, has seen its profits wiped out in the first half. Revenues for the six months to 31st Jul. 02 fell 43% to £47.6m, operating profits slumped 83% to just £123K and pre-tax profits zeroed out (were £416K). As a result, EPS is also zero (was 1.1p). New CEO (and ex-FD) Andrew Zielinski is disappointed *"not to be more optimistic about the short-term outlook and the full year results"*. He expects MSB to break even over the full year, having reduced the cost base in line with the fall in revenues.

Comment: MSB is diversifying into other sectors (finance, sales etc) to reduce its reliance on the IT sector, but for the time being it is heavily dependent on the UK IT sector for the majority of its 'traditional' business (c88% of revs in the year to Jan. 02). With a 43% drop in total revenues in H1, MSB is having an even tougher time than rivals **Parity**, whose UK ITSA revenues were down 26% in the 6 months to June and **Spring**, whose UK ITSA revenues were down 14% (also to end June).

As we expected, gross profit from MSB's permanent recruitment activities fell more sharply than contracts. Perm gross profit suffered a c55% fall (to £0.5m), compared to a 47% decline in contracts (to £6.8m). This decline pushed the perm operation into losses for the period.

We met up with MSB's CEO Andrew Zielinski, following the results announcement – having been FD for the past four years he has, as you would expect, a strong grip on the financials. And in the current climate that's just what's needed. Zielinski also has his feet firmly on the ground. We were pleased to hear that MSB no longer aspires to become a 'global human capital solutions' provider (in all fairness they were just one of many ITSAs/training companies that seemed to temporarily lose the plot and start calling themselves a Human Capital Management business). Instead he reconfirmed MSB's commitment to its core IT and telco recruitment business.

Whilst the headline numbers make pretty grim reading, MSB does have its house in order. Firstly it has a 'clean' balance sheet. Having never made an acquisition there's no goodwill lurking on the balance sheet, cash flow is positive (up from £3.1m to £7.0m) and debt collection is well in hand. MSB has also bitten the bullet and cut costs by 42% - in line with revenue – via a combination of lower staff costs, property and other expenditure.

MSB International Six months to 31st July	H1 03	H1 02	Change
Total company revenue (£m)	47.6	83.6	-43.1%
Total company gross profit (£m)	7.3	14.0	-47.6%
Total company operating profit (£m)	0.1	0.7	-83.4%
Total company pre-tax profit (£m)	0.0	0.4	Profit to breakeven
Gross margin (%)	15.4%	16.7%	
Operating margin (%)	0.3%	0.9%	
Pre-tax margin (%)	0.0%	0.5%	

Then there are some new initiatives. Zielinski is uncomfortable with MSB's reliance on the IT sector, so has set about creating finance and sales recruitment divisions (expect to see engineering as well before the year end). In three years he hopes to be generating 20-25% of net fee income from non-IT recruitment. He is also serious about addressing IT opportunities in the public sector (we never could understand why they hadn't got around to it before), and plans to hire the necessary skills and experience to give MSB a fighting chance.

Above all, what Zielinski intends to bring to MSB in the next few years is stability. After the many board changes in recent years, and with the ITSA sector suffering so much, that's just what employees and shareholders will be hoping for.

Sun microsystems

THE DARK DAYS CONTINUE

The dark days continue for **Sun Microsystems**. The Silicon Valley-based firm has announced a drop of 4% in its revenues for Q1 (to end Sep. 02), compared to the same period last year. Sun has succeeded in 'improving' its net loss (from $180m to $111m) but is keeping purse strings tight and announced further plans to cut costs. Most significantly, the company will lay off 11% of its workforce around the world – that's 4,400 people. This follows the 3,900 job losses announced a year ago. *"Tough times require tough decisions"* concluded CEO Scott McNealy.

-13%
7p
TRANSWARE

WORKING CAPITAL UNDER STRAIN AT TRANSWARE

Transware - provider of localisation services - has announced results for the year to 30th Jun. 02. Revenue has grown 22.9% to £12.8m, however PBT has fallen from £1.6m to £320K, and EPS dropped from 3.59p to 0.33p. Brian Raven, Chairman, commented on outlook, "*Transware has become a leaner and more efficient Group…mindful of on-going market volatility, we believe that future prospects are good and look forward with renewed confidence.*"

Comment: At a time when very few S/ITS companies are reporting any revenue growth, we would like to be able to congratulate Transware on its bumper growth in FY02. But behind the headline numbers, there's a raft of issues that have been distracting management attention (and no doubt, infuriating investors), most of which have been self-inflicted! Complications over tax on options granted to Brian Raven (Chairman) and Oliver Cooke (FD) have now been resolved, with both now taking responsibility for settling employee's tax liabilities arising on any option exercised. Transware has also exited an arrangement with **Smartforce** (one of the biggest e-learning content providers), "*by mutual agreement*". The arrangement, entered into at the start of the FY, delivered a small profit, but termination of the contract has cost £1.8m. Without this exceptional charge Transware would have improved on FY01's profits. Transware retains its "*preferred supplier*" status with Smartforce, but future levels of spend are no longer guaranteed.

Like most S/ITS companies Transware has taken action to bring overheads down, and says it has cut out £1.5m per annum. The planned move from the Main market to AIM should also reduce costs.

As if things weren't tough enough, Transware had difficulty securing additional banking facilities, and in Aug. the Directors stepped in with a £500K short-term loan. With further financial support from the directors (£253K) and Enterprise Ireland (£407K), Transware believes it is "*adequately funded going forward*".

This is all such a pity, as much of Transware's strategy is sound, and it has made some good progress this past year or so. For instance, it has won business outside of the IT community (Transware's traditional customer base), and can now count pharmaceutical, retail, legal, and hospitality firms amongst its customer base.

We hope Transware will now put all these issues behind it, and concentrate on getting back to the 14%-15% profit margins enjoyed in FY00 and 01.

-12%
215p
CODA scisys

THE APPLIANCE OF SCIENCE

CODASciSys, the software firm formerly known as Science Systems, has posted very respectable results for the six months to 30th June 02. The "*specialist supplier of skilled IT services, consultancy, bespoke solutions and CODA financial solutions*" posted a revenue increase of 2% to £33.6m. Pre-tax profits were £2.9m compared to £2.6m in the H101 and EPS was up from 6.4p to 7.4p.

It's worth taking a closer look at the two halves of the CODASciSys cake. The Group is made up of the CODA Division, as acquired from Baan in early 2000, and the Science Systems Division (SSD). The CODA division, which focuses on the delivery of analytic applications, financial solutions and consultancy based around the CODA product suite, increased revenues by 3.6% to £20.1m (24% licence sales, 32% consultancy and 43% support and maintenance). Overall, we are told, "*prospects remain encouraging*".

Meanwhile SSD, which concentrates on delivering professional software services and third party packaged software, saw revenues decrease marginally from £13.6m to £13.5m. The Industrial subsidiary revenues were down 18% (to £3.6m) but the Utility subsidiary sales were up 21% (to £5.2m). The revenues of the Space and Commercial subsidiaries saw a marginal decrease in revenues (£4.3m and £0.4m respectively). The division noted some significant contract wins in the public sector.

Commenting on the outlook, Chairman Cliff Preddy stated "*CODASciSys has continued to make good progress despite the prevailing business climate. The Group has the financial strengths, forward strategies and focus both to weather the current sector turbulence and take advantage of new opportunities as they present themselves*".

Lets face it, these results represent a commendable performance in the present climate. How many firms in our sector can report improvements in

[continued on page eight]

46%
34p
HARVEY NASH

FOCUSING ON THE BOTTOM LINE

For the six months to 31st Jul. 02 Harvey Nash reported revenue down 34% to £83.5m. LBT deepened from £1.1m to £6.6m as did fully diluted loss per share – from 3.95p to 14.16p. Commenting on the results David Higgins, CEO, said: "*In line with our peers we currently see no improvement in the markets in which we operate. The US economy remains fragile and demand in the UK and Europe is weak, however, our focus will be to continue to maintain our operating base in line with our revenues*".

Comment: Frankly the 34% decline in Harvey Nash's revenues came as no surprise, especially as the company chose to exit the Resource Management market during last year. Resource Management contributed £12.5m in the comparable period last year (and £19m in the full year), so we were expecting to see the impact this time around. What we, and Harvey Nash, are more interested in is a return to profitability in the longer term, and that is only possible if the costs are under control and cash is being tightly managed.

Harvey Nash Group plc Six months to 31st July	Turnover £m		
	H1 03	H1 02	Change
Total company revenue (£m)	83.5	126.4	-33.9%
Total company gross profit (£m)	18.2	28.4	-35.8%
Total company operating profit (£m)	-6.0	-0.1	Losses deepen
Total company pre-tax profit (£m)	-6.6	-1.1	Losses deepen
Gross margin (%)	21.8%	22.5%	
Operating margin (%)	-7.1%	-0.1%	
Pre-tax margin (%)	-7.9%	-0.9%	

Performance across Harvey Nash's different geographies was mixed:

· As we expected UK revenues fell sharply, to £44.2m. The UK operations also went from profit (£1.5m) to loss (£351K) during H1. Resourcing (contractor recruitment) remained profitable but Consulting (executive search & selection, interim management, HR consulting etc) and File Search (general perm recruitment) dragged things down.

· The US remained loss making (although losses improved from £979K to £305K), as revenue fell 37% to £4.4m. However Harvey Nash tell us that the US operation is now close to breakeven.

· Business in Asia Pac inched forward 3%, but it too was loss making. Current trading in Asia Pac is near to breakeven.

· Meanwhile Europe proved the most robust. Revenues were down 20% to £34.5m but the geography remained profitable at the operating level. As in the UK, Resourcing was the profitable part of the European operation.

On a positive note, Harvey Nash maintained gross profit margins at 21.8% during H1 (exactly in line with FY02) – this is no mean feat in today's competitive ITSA market. However, the business was loss making at the operating level (even if we ignore the impact of goodwill amortisation during the period). Turning to the cash position, Harvey Nash was able to report positive cash flow during H1 and a reduction in net debt to £9.3m (at H102: £28.0m).

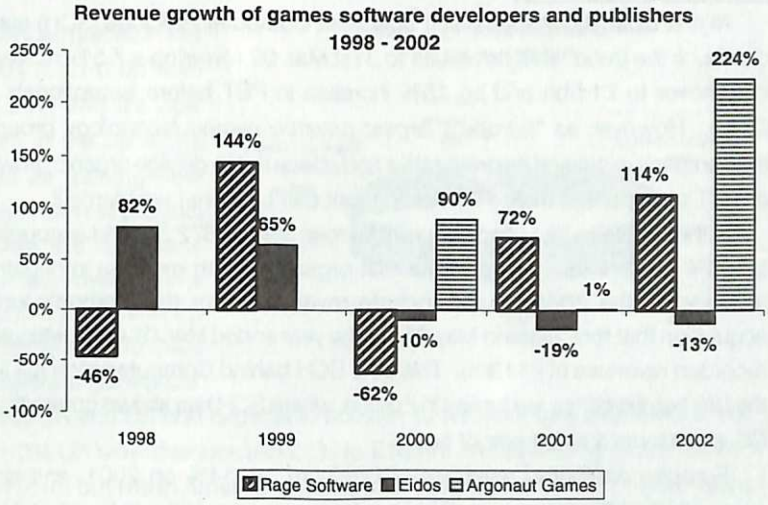
Harvey Nash Group plc Six months to 31st July	Turnover £m		
	H1 03	H1 02	Change
UK	**44.2**	**75.7**	**-41.7%**
Europe	34.5	43.2	-20.1%
US	4.4	7.0	-37.3%
Asia Pacific	0.4	0.4	2.9%
TOTAL	**83.5**	**126.4**	**-33.9%**

Looking forward, rationalisation of property is expected to save c£3m per annum, and the business is being run on the basis that market conditions are *not* going to improve. This realism, coupled with a focus on improving margins and profits, gives us confidence that Harvey Nash is on the right track.

[continued from page seven]

profits, as well as an 11% increase in dividend? So what are Mr Preddy and his team doing right? As we have said previously, buying CODA from Baan was a smart move; it's allowed the company to benefit from the reputation of the product. In addition, the company has an excellent base of long-term recurrent annual support and maintenance revenues – currently in excess of £20m per annum. Combine this with its broad spread of sectors and geographies and we can see how the company is coping with current market conditions. Meanwhile, CodaSciSys also acknowledges that, "*for the immediate future, we anticipate that growth will be at a rate lower than our long-term historic trends*". This is music to Ovum Holway ears. And it may be this sort of level-headed optimism that allows CodaSciSys to continue the trend of unbroken profits growth achieved since its flotation on AIM in 1997.

THE FICKLE MARKET FOR ENTERTAINMENT SOFTWARE



October saw updates from a number of players in the entertainment software market. With upbeat messages, Argonaut Games and Rage Software both announced FY02 results. However, Eidos, famous for the Lara Croft Tomb Raider series of games, released a trading update, which sent its share price falling by 15% on the day of the announcement (although it has since rebounded).

This raft of announcements follows the recent launches of the new generation of games consoles, such as Microsoft Xbox and PlayStation2. We are also about to enter the Christmas period – unsurprisingly one of the busiest times of the year for this industry. But the overall message was clear. Conditions in the market can be perfect but when it comes down to it, suppliers are always at the mercy of a fickle bunch of consumers.

28%
24p

Argonaut Games: Argonaut is a company with *Harry Potter* on its side. And this was the secret to its success in the year to 31st Jul. 02. It's amazing what a bit of wizardry can do! Turnover trebled to £14.2m but more importantly red turned to black as the company reported a pre-tax profit of £2.8m (2001: pre-tax loss of £3.1m). Diluted EPS was 2.87p (2001: loss per share of 3.35p). Julian Paul, non-executive Chairman, commented, "*Argonaut has the game engines, the development teams, financial security and the publisher relationships to capitalise on this anticipated growth in the market over the coming years*".

'Harry Potter and the Philosopher's Stone' has already been released by Argonaut and brought in £5.9m of royalties (out of a total royalty income of £6.1m). The next *Harry Potter* game is due for release just before Christmas. If Argonaut can prove that its games are high quality and popular, there is no reason why it can't sign agreements to develop the games for the next five Harry Potter films. So far so good. In the long-term it must continue to invest in winning the rights to other popular titles.

50%
2p

Rage Software: Rage managed to more than double its turnover to £12.2m in its FY02. It was the "*David Beckham Soccer*" games which met the punters' approval and hence were the biggest contributing factor to turnover, bringing in £4.2m. Pre-tax losses 'improved' from £17.1m to £16.1m, after goodwill amortisation and impairment of £5.4m (2001: £7.5m). Diluted loss per share was 4.1p compared to 5.28p in 2001.

John Roberts, Chairman, commented, "*Our industry is expecting its biggest ever Christmas trading period... Your board has repeatedly stated that the significant investment over the last few years in development and acquisition of licences was planned to coincide with the predicted growth in the industry brought about by the ever increasing installed bases of (these) consoles. We have been successful in achieving this*".

-2%
115p

Eidos: Eidos proved that the launch of the next generation consoles is not a guarantee of success. High profile games are also essential, and it helps if they are released on schedule. Unfortunately, Eidos once again proved that releasing games on schedule is not its strong suit. The company announced that it had "*decided to reschedule the release of two key franchise titles – 'Lara Croft Tomb Raider: The Angel of Darkness' and 'Championship Manager 4'*". The announcement went on to say that both games are in the final stages of development and testing and are scheduled for release in February 2003. Significantly, this means that the new Tomb Raider game will fail to hit the shelves in time for Christmas.

But Eidos claims that the later launch date will not adversely affect budgeted sales for the full year. It is testament to its portfolio approach that two of its other titles already hold the number one and two positions in the UK charts. Rage also benefited from this approach, as it published 15 products compared to five in its previous financial year.

SPECIALIST COMPUTER HOLDINGS - BUCKING THE TREND

At first blush it does look as if **Specialist Computer Holdings** (SCH) really did *"buck the trend"* with its results to 31st Mar. 02 revealing a 7.5% increase in turnover to £1.5bn and an 18% increase in PBT before exceptionals of £34m. However, as *"Europe's largest privately owned technology group"*, the company exercised its prerogative and chose not to divulge organic growth or PBT post exceptionals. Frustrating, but can't say that we blame it.

In the UK, sales including acquisitions rose 3% to £872.5m and accounted for 56% of turnover. We estimate that organic growth must be in negative territory, as the 2002 figures include revenues from the **Compelsource** acquisition that took place in May 01 (for the year ended Mar. 01 Compelsource recorded revenues of £113m). This puts SCH behind Computacenter (CC) in the UK, but the tables are turned in Europe, where SCH has shown competitors CC and Morse a clean pair of heels.

Europe contributed revenues of £672.9m, up 14% on 2001, and now accounts for 44% of turnover. SCH has been very acquisitive in Europe which two years ago generated just £40m of revenues. The company didn't release a profits breakdown by its UK and European operation, so it's impossible to tell if it is having as hard a time making a profit in Europe as CC and Morse currently are. We must assume that it can't be all bad as SCH is continuing to pursue its *"aggressive European acquisition strategy"*. In the first six months of the present financial year it has undertaken a further three acquisitions in France addressing both the reseller and distribution channels:

· Metrologie, *"one of France's leading distribution businesses"*, which is now trading as ETC Metrologie.

· EBC Informatique *"largest independent PC systems integrator in eastern France"*, which will be integrated with Allium.

· Best'Warte - a distributor of high-end enterprise computing systems.

All three acquisitions were of the bargain basement kind, i.e. the companies were in the French equivalent of administration. So we would guess that there is still much work to do there. But on the plus side Sir Peter Rigby has a reputation for turning companies around.

We'd like to have seen a bit more detail on SCH's services business, especially in light of the successes that both Morse and CC are notching up in this area. Indeed, SCH's margins have tended to be lower than those of CC and Morse so it's important that it continues to build up its services business to help offset declining product margins.

Looking forward SCH acknowledges it is not immune to the downturn, and reports *"that its seven principal European markets are all experiencing severe downturns in overall business volumes and subsequent pressure on margins"*. Not surprisingly SCH *"doesn't see any likelihood of these trading conditions improving in the short term"*.

REFLECTING CURRENT TRENDS IN THE MARKET

EDS has also announced Q3 results to 30th Sep. 02. Revenues in the quarter decreased 3% (5% at constant currency) to $5.41bn. On an organic basis (removing the impact of currency fluctuations, acquisitions and divestments) revenues were down 6%. EPS, previously 44 cents is now 18 cents, and net income, previously $212m, is now $86m. Operating margin has more than halved from 12% to 5.2% as a consequence.

EDS's results reflect many of the trends we currently see in the S/ITS market: reduced discretionary spend within *existing* contracts, fewer new sales ($3.0bn during the quarter compared to $6.8bn this time last year), and increased effort, and therefore costs incurred, in pursuing sales. Adding to this, EDS' numbers include a writedown associated with the US Airways and WorldCom bankruptcies, costs incurred due to *"underperformance"* of contracts (primarily in Europe), and asset impairment.

Dick Brown, Chairman and CEO, outlined the steps EDS is taking to *"align (EDS) with current market realities and put this company back on a path to greater profitability"*. These include:

· 3-4% cut in staff numbers over the next few quarters, with between 800 and 1,000 jobs to go by the year end

· other measures to reduce overheads by $75m in 2003

· divesting several non-core operations (expected to raise $500m)

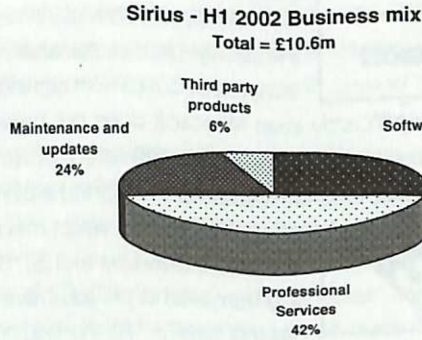
· and, most interestingly, shifting a *minimum* of 1,500 applications development and client contact positions to *"high-quality, low-cost solutions centers around the world"* next year. Incidentally, EDS has had an Indian subsidiary since 1996, employing c650 staff (a lot less than **IBM** and **Oracle** do for instance). We expect to see India, or possibly EDS' solutions centre in the Czech Republic (established 1998), benefit from this move.

4%
120p

SIRIUS SUCCESS IN THE UK

We couldn't accommodate Sirius' results last month, so here they are now. In the six months to 30th Jun. 02, turnover rose 17.5% to £10.7m and PBT was up 10X to £1.4m (from £114K). EPS was 4.7p compared to 0.2p in 2001. Commenting on the outlook, Ian Yeoman, Chairman, said, "*After an outstanding first half year, Sirius enters the second half of 2002 with confidence in its ability to sell and deliver across its principal product sets, both directly and through alliances. There is a considerable prospect pipeline with a healthy order book*".

Comment: Sirius has delivered all that it promised when it announced its year end results in Apr. 02, and more so! Revenues were up, boosted by deferred revenues gained in late 2001 (£3.1m up from £2.9m), and it's now back in the black! As well as gaining new business in all product areas the company has also invested in a partnership programme "*to help scale the organisation*" in the UK and US and expects to achieve its first joint sale with CMG in H2.



The UK saw revenues rise 23% to £10.4m and operating profts rise 81% to £2.1m but North America remains in a "*purchasing lull*", with sales halved at £323K and an operating loss of £151K (£438K in 2001). However, Sirius remains committed to the Americas, despite the fact that revenues are a quarter of what they were in 2000. Sirius needs to conquer this market to be deemed a global player, but doesn't want to drag itself down by over ambitious plans. Thus it is taking a very pragmatic approach opting for partnerships rather than acquisitions to get a hold in the US. The company believes it has got a foot in the door and reports that it has secured interest in its product set – let's hope it can replicate the success it has had in the UK.

34%
53p

ALL CHANGE AT XANSA

Xansa has announced a number or organisational and board changes to underpin its "*streamlining programme*".

Organisational: The overall structure of the company will be organised by key geographic regions and associated profit centres, namely: UK, North America, Continental Europe and Asia Pacific. There will also be a separate Business Process management (BPM) business unit, "*to address the exciting potential for rapid growth*" in this marketplace. The new structure is also intended to reflect the importance of the Indian operations.

Board Changes: As a consequence of the redesign of the company structure, a number of Board changes have been announced, to be effective from 1st Jan. 03. Each will be reporting to Chief Executive, Alistair Cox:

· Steve Weston, currently Managing Director, Systems Integration Business, will become Managing Director, Xansa UK.

· Allan Wood, currently Managing Director, Enterprise Solutions Business, will become Managing Director, Business Process Management, leading the worldwide development of the business.

· Peter Gill will join the company and the Board as Finance Director. He is currently CFO of the Penguin Group, the Consumer Books Publishing Division of Pearson plc.

· Geoffrey Dunn, the current CFO, will be leaving Xansa in order to pursue other interests and has resigned from the Board with immediate effect. Mark Thurston, Xansa's Chief Control Director, will assume temporary responsibility for the finance function in the interim.

· Lyn Barrat will continue in her role as Commercial Director, as will Saurabh Srivastava in his role as Executive Chairman, Xansa India.

· Jo Connell has expressed a wish to retire from Xansa and, therefore, will relinquish her role as Managing Director from 1st Jan. 03. However, Connell has agreed to continue to work directly for CE, Alistair Cox, in 2003, to "*manage the streamlining programme and to ensure a smooth transition to the new organisational structure*". She will remain on the Board during that time. Connell has been with Xansa for the last 25 years and on the Board for the last eleven.

· New appointments will be made to lead the North American, Continental European, and Asia-Pacific business, although these will not be Board positions.

LIGHT AT THE END OF THE TUNNEL

So is the tide finally turning for the software sector? The recent spate of quarterly results for the period ended 30th Sep. 02 from the likes of **Microsoft**, **SAP** and **Autonomy** would suggest so, as all reported rises in revenue.

· Microsoft's 26% rise in revenues to $7.8bn looks remarkably impressive and clearly underscores the strength and sustainability of Microsoft's position. However its revenues will no doubt have been boosted by customers signing up to its new maintenance model, the deadline for which was 31st Jul. 02. More significantly even Microsoft does not believe double-digit growth rates are sustainable in the medium-to-long-term, and has cited 7% p.a. as the estimated growth rate for its desktop applications over the next decade.

· Meanwhile in its Q3 results, SAP reported a 3% rise in overall revenues to EUR 1.7bn. Software revenues declined by 3% to EUR 435m, whilst maintenance revenues rose 10% to EUR 603m, resulting in an overall rise in product revenues of 4%. Service revenues rose by nearly 1% to EUR 642m. More significantly SAP removed its previous revenue guidance for 2002 and is not providing additional revenue guidance *"at this time"*. At the beginning of its financial year SAP was predicting 15% growth, this was downgraded to 5-10% growth at the end of H2.

45%
144p

· Autonomy's quarterly results revealed a 12.5% rise in revenues to $11.5m, and a return to profitability ahead of expectations. However this figure is still 34% down on the comparative period in 2000. And although Autonomy believes that *"there are signs of improvement in the market"* it was still difficult to offer guidance on future sales as the company enjoyed *"little visibility"*.

So, no, we don't think the tide has turned, moreover it isn't likely to this year. These rises had more to do with the robustness of the various business models than any hoped for upturn. More importantly, companies are acknowledging that when the market does pick up the growth rates will be much lower than previously experienced and they are cutting their cloths accordingly.

OUTSOURCING DEALS ARE STILL BEING DONE!

Outsourcing continues to be the bright spot in the UK S/ITS sector with several new contracts announced during October.

CSC had a bumper month! First off it announced that it had gained preferred bidder status (in partnership with Xansa and BT) for the £1.5bn/10-year IT outsourcing deal with Consignia. The contract is CSC's largest deal in the UK since its flagship contract with BAESystems and is great news for both CSC and Xansa, which is 'sticking to its knitting' and providing the application management. CSC UK's COO Keith Wilman hopes the ink on the Consignia contract will be dry by the end of the year and expects about 2,000 staff to transfer.

This was followed by the announcement of a contract with BT Ignite worth $130m (c£85m) over three years. CSC will provide application support and development services (as well as other internal desktop and server support services) for the global clients of Concert, the failed BT/AT&T joint venture, which are predominantly U.S-based. Over 400 BT employees transferred to CSC on 1st Oct.

And there was more! The High Street chemist Boots seems to have the outsourcing bit firmly between its teeth. At the beginning of the month it signed a £700m/10-year IT outsourcing deal with IBM Global services as well as a contract worth at least £54m with Xansa.

IBM's deal with Boots is expected to save the pharmacy chain £125m, which it will then invest in the development of new systems. The two companies plan to establish an *"innovation center"* in Nottingham to develop new technologies for Boots to deploy. As we've said before, Boots' strategy – to outsource existing systems and use the savings to fund new development – is virtually the only way any major new development projects will be undertaken for the foreseeable future.

Boots also expects to plough the anticipated £30m in savings from its seven-year contract with Xansa into further IT improvements. Under the terms of the contract (worth up to £90m to Xansa), Xansa is taking responsibility for the continued support and development of the business applications it has been working on since Jul. 01. As part of the deal 200 Boots IT staff will transfer to Xansa.

All in all, October's contracts are good news for the outsourcing market, coming hot-on-the-heels of recent high profile contract cancellations and re-negotiations brought on by consolidation activity, or bankruptcy, in the customer base. The termination by HBoS of its outsourcing contracts with Xansa and IBM (following the merger of Bank of Scotland and Halifax) was typical of a trend that threatened to crack the last bastion of the S/ITS market.

With consolidation in the client base set to continue, more contract terminations are inevitable, but as this month's contract announcements prove; it is not all doom and gloom.

THE INDIAN OFFSHORE WAVE GATHERS MOMENTUM

SYSTEMHOUSE advised readers last year that the Indian offshore phenomenon could not be ignored. Looking at the financial results we've recently seen reported by some of India's leading IT services firms, it's clear that the offshore wave has continued to gain impetus during 2002.

First there was **Infosys**, India's no. 2 software exporter behind **Tata Consultancy Services** (which hides its results within those of the Tata conglomerate). Infosys posted revenues for the quarter to end September 2002 of $181.4m – that's a 32% improvement compared to the same period last year. Operating income also climbed, from $45.2m to $55.4m. That gives Infosys an enviable 30% net margin. By the way, the reason we're quoting US Dollars here is that these larger Indian companies report results both under Indian accounting principles in Rupees and in the US, where their stock is listed on NASDAQ (in the case of Infosys, for example) or NYSE (as with **Wipro** and **Satyam**).

For its part, Infosys also announced 18 new clients in the quarter, plus a headcount increase of 1,800. The company even felt confident enough to raise revenue projections for the rest of FY03. CEO Nandan Nilekani commented that "*the increased acceptance of the offshore outsourcing model*" was a key factor in accelerating "*revenue growth beyond our internal projections*".

Meanwhile India's no.3 software exporter, Wipro, pitched in with revenues for the quarter of $140m. That represented an increase of 19% on last year. And again the net margin – at 19% - was enough to make much of the UK industry rather jealous. In his comments, Wipro's Chairman Azim Premji highlighted the link between the increasing use of offshore services and businesses' compulsion to cut costs. "*A challenging global business environment has made India-based offshore initiatives a key priority for global corporations*", he said. Given that an Indian software engineer can generally be billed – profitably! - at $25-30 per hour, this link is not hard to explain.

Satyam Computer Services, ranked at no.4, also managed to report progress: $13.2m net profit compared to a $37.6m loss last year, accompanied by revenue growth of 13.3%. Chairman B. Ramalinga Raju said, "*Satyam benefited from the growing trend towards higher offshore outsourcing, even as global IT services companies were affected by the challenging market scenario. In our opinion this trend is likely to continue and gain momentum*".

But lets get this in perspective. The Top 20 Indian software exporters turned over a combined total of $4.4bn in 2001/2 (out of a total Indian IT industry of $7-9bn). That's about £2.8bn, or the equivalent of 12% of the UK S/ITS market. But the vast majority (typically 60-75%) of the revenues of the leading offshore companies come from the US. So, in actual fact, we'd estimate that offshore services probably account for just 1-1.5% of today's UK S/ITS market.

Nonetheless, as we've said before, there's no room for complacency in the UK S/ITS industry. The offshore services players today may be relatively small but they are growing. We see the likes of Infosys, Wipro and Satyam increasing in scale, stature and confidence at a time when many onshore firms are less than buoyant. More and more, the offshore companies will seek to target end users directly, rather than just serving the onshore IT and software companies. Meanwhile, they will also look to satisfy their mounting ambitions in the BPO arena. And with cash in their pockets, the larger Indian players may well look to boost their onshore presence by hitting the acquisition trail.

	Q2 03 Revenues	Revenue Growth (vs Q2 02)	Q2 03 Net income
Infosys	$181.4m	32%	$46.7m
Wipro	$140m	19%	$44m
Satyam	$103.9m	13%	$13.2m

Ovum Holway will continue to investigate the offshore phenomenon and the key offshore companies over the coming months. Early in 2003, we'll be publishing a report on the subject and assessing in depth the impact on the S/ITS market and industry.

There was more evidence of movement offshore as the FT reported the winning of a contract with Pearson's US-based e-learning software arm, **Pearson Education Technologies**, by a small Indian company. Under the terms of the 3-yr/$20m deal, Bombay-based **Mentorix** will handle all product development for PET. While we've become accustomed to the progress of leading Indian players like **Infosys** and **TCS**, it's interesting to see a smaller offshore outfit (Mentorix has just 700 technicians) getting in on the act with a major client. Mentorix's niche skills (in this case in online learning software) were no doubt the key factor in their win.

In an unrelated incident, two Indian software firms pushed forward with a merger. The combination of **OrbiTech** and **Polaris** will produce a company with revenues around the $150m mark. That's well below the usual suspects like TCS and Infosys, but comfortably inside India's IT Top 20. And the deal may well be a sign of things to come in the offshore world – as in the UK S/ITS market, life could become uncomfortable for anyone who is not either very large or in a niche.

83% 72p CMG when IT really matters

MATCH MADE IN HEAVEN?

Logica 30% 156p

If **CMG** and **Logica**'s vital statistics were entered into a dating agency's computer, the chances are that the programme would come up with a match. The similarities are plain to see. Both global IT services companies focusing on a broad spread of vertical sectors across a broad range of geographies. And, of course, both trying to gain (or retain) a share of the mobile messaging market.

With the matchmakers hard at work, this month saw the announcement of a possible merger of the two companies. The press release stated, "*CMG confirms that a merger is subject to due diligence and will only be pursued if each Board is convinced that a transaction is in the interests of its shareholders*".

The transaction would be structured as an all-share merger, and would result in CMG shareholders owning 40%, and Logica shareholders owning 60%.

VITAL STATISTICS

If the merger were to go ahead, on current valuations it would create a £1bn company, with combined annual revenues of more than £2bn, and combined UK S/ITS revenues of c£700m, pushing it into the Top Ten of suppliers of S/ITS to the UK market. CMG boasts a total of 13,500 employees (3,400 in the UK) against Logica's 10,896 (4,640 in the UK).

Interestingly, at the height of the stock market boom in Mar. 00, CMG and Logica were worth a combined £19bn – more than 23x their combined market valuation today. And it was in Jun. 00 that CMG acquired **Admiral** for £1.4bn!

MATCH MADE IN HEAVEN?

At first blush, a merger makes sense. Not least because in today's S/ITS market, IT services companies must be either big or niche to survive. With critical mass gained, there will be some obvious cuts to be made. For a start, the two companies combined currently spend more than £70m per annum developing software products for multimedia messaging services.

In terms of geographic coverage, in their last financial years, the UK contributed 41% of turnover at Logica and 29% at CMG. In Europe, CMG is very strong in the Benelux, while Logica has a broader spread across Continental Europe. Outside Europe, CMG will benefit from Logica's superiority in the Americas, as well as Asia Pacific/Middle East. Whilst vertically, Logica will benefit from CMG's strength in the public sector (c20% of revenues in 2001, compared to Logica's 8%).

But size is not all that counts in business, and in terms of capabilities, instead of going for a 'perfect match', we would have liked to see CMG and Logica targeting companies to complement their own offerings. In the telco arena, CMG and Logica together had some two-thirds of the market for SMS equipment and software but have slipped to under one third with the new technology MMS. The merger would create a broader range of offerings to strengthen the merged entity's ability to compete against the likes of Ericsson and Nokia but it would also mean increasing exposure to a vertical in dire straits.

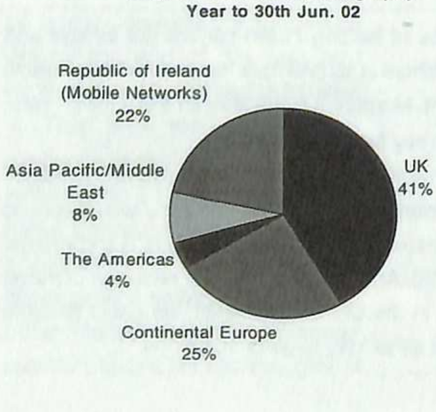
In our opinion, a better move for both companies would be to make selective acquisitions to boost their BPO and IT outsourcing offerings. Logica and CMG have struggled to get themselves seen as 'outsourcers' (at least outside the public sector), and as we have said many times before, outsourcing is the place to be.

WHO WOULD WEAR THE TROUSERS?

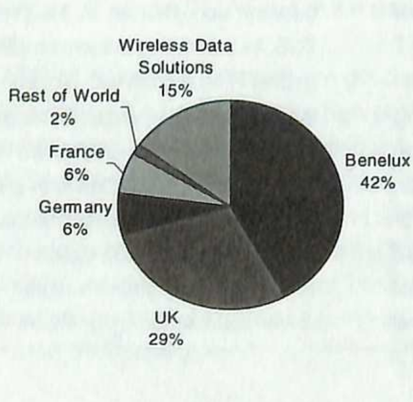
With Cor Stutterheim (Executive Chairman, CMG) being put forward as Non-Executive Chairman and Martin Read (Managing Director & Chief Executive, Logica) as Chief Executive Officer of the combined entity, it would appear that talks are at a pretty advanced stage. Both Stutterheim and Read are imposing characters so this working relationship would certainly be one to watch. The announcement makes no mention of the intended role for the current CEO of CMG, Alistair Crawford. He has held the position since February of this year.

No matter who's at the reins, the management will have to work hard to ensure service quality and financial stability do not suffer as attention is drawn to integration issues.

Logica - Turnover by Geography
Year to 30th Jun. 02



CMG - Turnover by Geography
Year to 31st Dec. 01



Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Chevin	Jyra research	Network services management software	100%	n/a	UK-based network management software player Chevin, has picked up complementary technology with its purchase of US Jyra Research. No consideration given.
City Practitioners Ltd	Terence Chapman Group/ TCA Consulting	Business & IT consultancy services for finance sector	100%	min £750K	CPL paid an initial £1 for TCA Consulting, with a further cash consideration of no less than 25% of revenues in the year after completion (min. £750K). Privately-owned CPL provides AM solutions to the financial services market, so it's a good fit. Following the sale TCG will be placed into voluntary liquidation enabling net cash (between £7.2m and £9.1m) to be returned to shareholders.
Dicom Group	ScanOptic GmbH	Electronic data capture (EDC) products & services to the German, Swiss & Benelux markets	100%	max £2.5m	Terms were £1.9m in cash up front, and the balance, also in cash, dependent on the performance of ScanOptic to end 2002. PSR was 0.36. Looks like a good purchase - not too big, and in line with Dicom's core business. Dicom already has a strong presence in parts of Europe, this acquisition will enhance that position.
Evesham Technology	Mertec	System builder	100%	n/a	PC manufacturer Evesham acquired Mertec for an undisclosed sum.
Finmatica	Mercia Software	Demand and supply chain software	100%	n/a	Italian Finmatica acquired specialist demand/supply chain mgmt software company Mercia, for an undisclosed sum.
GB Group	eWare Interactive Ltd	Data analysis s/w	100%	max £465K	Payment is dependent on performance over the next year, and tax savings from historical losses. GB also assumed £144K debt.
Minorplanet Systems	Transport Electrical & Security Ltd	Installer of vehicle management and fleet tracking systems	100%	n/a	Minorplanet, itself a developer of vehicle management systems, acquired TES with a combination of cash and shares.
Quantica	Selection Training	Work-based training	100%	max £300K	Selection provides work-based training for young people. Quantica paid £200K in cash initially, with the balance contingent on the renewal of a key contract.
Strategic investor'	Dicom's Austria-based SGA subsidiary ELSAT International	Samsung distributor	100%	£2.2m	Dicom has sold off its Samsung distribution division in Austria, to concentrate on its core EDC business. It still has a distribution activity in Switzerland, but we expect to see that disposed of soon.
SunGard	Monis Software	Derivatives analytics software	100%	n/a	US-based SunGard came to Guardian IT's rescue earlier this year. Here they are expanding their software portfolio. No consideration was given.
Swordfish Studios Ltd	Rage's Birmingham-based development studio	Games development	100%	£1	The disposal, to a company founded by Exec Director Trevor Williams and others, is part of Rage's strategy to reduce its fixed cost base. It still has four development studios, but annual running costs have been reduced by 31% this year. Assuming shareholders give the go ahead to the sale, Williams will resign from Rage.
TripleArc plc	Software business of DocuMedia Solutions plc	AIM-listed DocuMedia's software & technology division	100%	max £310K	TripleArc paid £145K up front, with up to £165K payable in cash over 3 years based on revenues.

Forthcoming IPOs

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Profectus	Consultancy to 3G Maintenance	S/ITS	CS	TBA	tbc	£100.0m	2002
System-C Healthcare	Healthcare IT Solutions	S/ITS	SP	TBA	tbc	£36.0m	2002
Xchanging	Support Services	S/ITS	CS	MAIN	tbc	£1.0bn	2002
Sporting Options	Online betting exchange	Dotcom	B2C	AIM	tbc	£15.0m	2003

TERENCE CHAPMAN R.I.P.

The Terence Chapman Group (TCG), provider of IT consultancy services to the finance sector, has announced that is to dispose of TCA Consulting, a wholly owned subsidiary of the Group, which carries out all its trading activities. **City Practitioners Ltd** (CPL) has proposed to acquire the business for an initial consideration of £1, together with a deferred cash consideration of the greater of £750K or 25% of revenues earned in the 12 months following completion, and 50% of revenues arising from any resale of Resellable Software Products. CPL is a *"London-based, private company, involved in delivering application management solutions to the financial services market"*.

Following the disposal TCG will have ***no trading activities***. As such, it is intended to propose that the company be placed into members' voluntary liquidation, thereby enabling net cash to be returned to shareholders. It is estimated that the amount of cash available to return to shareholders will be between £7.2m and £9.1m. The cancellation of TCG's shares is expected to take place on 18th Nov. 02.

Comment - TCA Consulting has been operating in a tough marketplace. The IT Consultancy market is in its second year of decline, and after the telecoms market, the financial services market is arguably the most uncomfortable market for a S/ITS company to be operating in. TCG sold **TCA Synergo**, a software company serving UK private client stockbrokers, in Apr. 01. Following recent reductions to the Group's cost base (the latest announced in June of this year) the revenues of the remaining division, TCA Consulting, continued to deteriorate, leading TCG to believe that the business would continue to incur operating losses for the foreseeable future. It looks like this latest development is the best option for shareholders. With 70.5m shares currently in issue, shareholders would get back between 10.2p and 12.9p per share. TCG floated in Jul. 99 at 135p, and reached a high of 668p at the beginning of 2000. The share price finished October at 11p, having fallen 22% in the month.

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£4,077,000	£8,136,000	£3,137,000	-23.1%
PBT	-£1417,000	-£14,619,000	-£2,163,000	Loss both
EPS	-5.60p	-56.90p	-8.50p	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

	Final Mar 01		Final - Mar 02	Comparison
REV	£33,882,000		£36,224,000	+6.9%
PBT	£5,109,000		-£9,272,000	Profit to loss
EPS	16.22p		-40.64p	Profit to loss

Alphameric plc

	Interim - May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£24,743,000	£56,848,000	£27,373,000	+10.6%
PBT	-£2,245,000	-£1677,000	£187,000	Profit to loss
EPS	-2.20p	-2.39p	0.20p	Profit to loss

Alterian plc

	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£1803,000	£4,267,000	£1807,000	+0.2%
PBT	-£4,753,000	-£9,247,000	-£4,485,000	Loss both
EPS	-12.10p	-23.90p	-11.40p	Loss both

Anite Group plc

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

Argonaut Games

	Final - Jul 01		Final - Jul 02	Comparison
REV	£4,396,000		£14,232,000	+223.7%
PBT	-£3,131,000		£2,763,000	Loss to Profit
EPS	-3.35p		2.87p	Loss to Profit

Autonomy Corporation plc

	Interim - Jun 01	Final - Dec 01	Interim - Ju 02	Comparison
REV	£19,975,000	£36,271000	£18,172,000	-9.0%
PBT	£7,635,500	£9,146,896	£3,045,000	-60.1%
EPS	0.03p	5.00p	0.03p	+0.0%

Aveva Group Plc

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

Axon Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£22,590,000	£42,762,000	£21,348,000	+89.3%
PBT	£2,428,000	£5,464,000	£1222,000	+125.0%
EPS	4.40p	6.70p	2.50p	+52.3%

Azlan Group plc

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

Baltimore Technologies plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£38,928,000	£70,421000	£22,065,000	-43.3%
PBT	-£550,646,000	-£659,711,000	-£42,968,000	Loss both
EPS	-110.00p	-131.80p	-8.50p	Loss both

Bond International Software plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£5,698,000	£11,365,995	£3,175,000	-44.3%
PBT	£443,000	£1256,609	-£2,085,000	Profit to loss
EPS	2.17p	6.11p	-13.80p	Profit to loss

Business Systems Group Holdings plc

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

Capita Group plc

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

Charteris Plc

	Final - Jul 01		Final - Jun 02	Comparison
REV	£13,276,000		£19,087	-99.9%
PBT	£828,000		£1588	-99.8%
EPS	1.52p		2.50p	+64.5%

Clarity Commerce plc

	Final - Mar 01		Final - Mar 02	Comparison
REV	£3,518,000		£7,620,000	+116.6%
PBT	-£1,145,000		-£221000	Loss both
EPS	15.82p		-2.51p	Loss both

Clinical Computing plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,176,000	£2,179,894	1102000	-6.3%
PBT	-£498,000	-£1,369,934	-598000	Loss both
EPS	-1.99p	-5.50p	-2.4	Loss both

CMG plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£456,700,000	£920,400,000	£442,800,000	-3.0%
PBT	-£10,200,000	-£588,800,000	£9,300,000	Loss to Profit
EPS	-2.60p	-99.60p	0.40p	Loss to Profit

CODASciSys plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£32,970,000	£64,820,000	£33,566,000	+1.8%
PBT	£2,599,000	£5,054,000	£2,869,000	+10.4%
EPS	6.40p	12.70p	7.4	+15.6%

Comino Group plc

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

Compass Software Group plc

	Interim - May 01	Final - Nov 01	Interim - May 02	Comparison
REV	£1961,614	£4,266,677	£2,244,772	+14.4%
PBT	£91,481	£356,253	-£15,004	Profit to loss
EPS	0.47p	1.61p	-0.68p	Profit to loss

Compel Group plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£235,731,000		£68,892,000	-70.8%
PBT	-£13,367,000		-£1,691,000	Loss both
EPS	-47.00p		-3.20p	Loss both

Computacenter plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,175,570,000	£2,093,423,000	£976,958,000	-16.9%
PBT	£29,259,000	£34,900,000	£24,405,000	-16.6%
EPS	10.60p	9.90p	8.60p	-18.9%

DCS Group plc

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

Delcam plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£9,004,000	£18,248,122	£9,518,000	+5.7%
PBT	£734,000	£853,565	£519,000	-29.3%
EPS	8.90p	9.70p	6.10p	-31.5%

Detica Group Plc

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

Diagonal plc

	Interim - May 01	Final - Nov. 01	Interim - May 02	Comparison
REV	£44,955,000	£82,182,000	£33,902,000	-24.6%
PBT	£2,920,000	£4,256,000	£1607,000	-45.0%
EPS	1.71p	2.26p	0.77p	-55.0%

Dicom Group Plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£140,290,000		£149,527,000	+6.6%
PBT	£7,471,000		£3,521,000	-52.9%
EPS	22.80p		3.50p	-84.6%

Dimension Data Plc

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

DRS Data & Research Services plc

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

Easynet Plc

	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

ECsoft Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£34,119,000	£59,327,000	£20,710,000	-39.3%
PBT	£2,763,000	-£18,345,000	-£5,754,000	Profit to loss
EPS	8.40p	-169.70p	-51.00p	Profit to loss

Eidos plc

	Fifteen months Jun 01		Final - Jun 02	Comparison
REV	£170,579,000		£142,564,000	-16.4%
PBT	-£111,723,000		-£30,655,000	Loss both
EPS	-97.70p		-22.90p	Loss both

Electronic Data Processing plc

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

Epic Group plc

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

Eurolink Managed Services plc

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

Eyretel Plc

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

Financial Objects plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£8,711,000	£17,526,000	£6,780,000	-22.2%
PBT	£937,000	£1046,000	-£1,103,000	Profit to loss
EPS	1.22p	0.84p	-2.35p	Profit to loss

Flomerics Group plc

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

Focus Solutions Group plc

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

Gladstone Plc

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

Glotel Plc

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

Gresham Computing plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£13,026,000	£24,761,000	6152000	-52.8%
PBT	£1,675,000	-£973,000	2674000	+59.6%
EPS	2.59p	-3.32p	4.87	+88.0%

Harrier Group Plc

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

Harvey Nash Group plc

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

Highams Systems Services Group plc

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

Horizon Technology Group Plc

	Interim - Jun 01	Final - Jun 01	Interim - Dec 01	Comparison
REV	£102,239,000	£249,091,000	£120,000,000	+17.4%
PBT	-£13,905,000	-£10,037,000	-£3,850,000	Loss both
EPS	-18.40p	-15.30p	-6.84p	Loss both

Host Europe Plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£4,174,000	£9,529,000	£6,488,000	+55.4%
PBT	-£9,763,000	-£34,419,000	-£269,000	Loss both
EPS	-0.99p	-3.38p	-0.02p	Loss both

Hot Group plc

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

iRevolution Plc

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

I S Solutions plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£5,904,000	£10,873,000	£3,621,000	-38.7%
PBT	-£161,000	-£222,000	-£879,000	Loss boh
EPS	-0.73p	-1.06p	-3.48p	Loss both

ICM Computer Group plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£66,678,000		£68,871,000	+3.3%
PBT	£4,668,000		£4,478,000	-4.1%
EPS	16.00p		15.00p	-6.3%

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 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£13,122,000	£57,754,000	£62,426,000	+375.7%
PBT	£1,359,000	£3,073,000	-£3,474,000	-355.6%
EPS	-0.21p	-1.23p	-3.88p	Loss both

Intelligent Environments Group plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£1,948,000	£3,111,584	1426000	-26.8%
PBT	-£3,632,000	-£6,979,561	-1904000	Loss both
EPS	-8.30p	-13.53p	-1.51	Loss both

Intercede Group plc

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

IQ-Ludorum Plc

	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

iSOFT Group plc

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

ITNET plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£87,590,000	£176,446,000	£85,547,000	-2.3%
PBT	£4,072,000	£10,467,000	£2,800,000	-31.2%
EPS	3.47p	9.12p	0.47p	-86.5%

Izodia Plc

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

Jasmin plc

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

K3 Business Technology Group Plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£3,449,000	£7,972,000	£3,944,000	+14.4%
PBT	-£881,000	-£1,373,000	-£49,000	Loss both
EPS	-2.30p	-3.60p	-0.10p	Loss both

Kewill Systems plc

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

Knowledge 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

Logica plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£1,133,200,000		£1,102,300,000	-2.7%
PBT	£136,200,000		-£234,800,000	Loss both
EPS	20.60p		-58.40p	Loss both

London Bridge Software Holdings plc

	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£36,935,000	£74,070,000	£32,262,000	-12.7%
PBT	£2,362,000	£4,725,000	-£2,799,000	Profit to loss
EPS	0.84p	1.73p	-1.70p	Profit to loss

Lorien plc

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

Macro 4 plc

	Final - Jun 01		Final - Jun 02	Comparison
REV	£47,100,000		£39,405,000	-16.3%
PBT	£5,034,000		-£3,910,000	Profit to loss
EPS	9.40p		-18.80p	Profit to loss

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Manpower SoftWare plc
	Final - May 01		Final - May 02	Comparison
REV	£2,769,667		£3,299,320	+19.1%
PBT	-£740,126		-£1,252,691	Loss both
EPS	-5.10p		-5.10p	Loss both

Marlborough Stirling Plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£32,177,000	£73,369,000	£58,400,000	+815%
PBT	£5,053,000	£9,277,000	£2,795,000	-44.7%
EPS	192p	2.90p	0.15p	-92.2%

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

Microgen plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£11,020,000	£21,009,000	£12,271,000	+114%
PBT	£59,000	£251,000	£103,000	+74.6%
EPS	0.10p	2.80p	-0.50p	Profit to loss

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

Misys plc
	Final - May 01		Final - May 02	Comparison
REV	£858,500,000		£1036,300,000	+20.7%
PBT	£97,100,000		£34,700,000	-64.3%
EPS	13.00p		3.70p	-715%

MMT Computing plc
	Interim - Feb 01	Final - Aug 01	Interim - Feb 02	Comparison
REV	£16,858,000	£31,112,000	£14,575,000	-13.5%
PBT	£1,106,000	-£2,792,000	£93,000	-916%
EPS	4.80p	-19.40p	-0.30p	Profit to loss

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

Morse plc
	Final - Jun 01		Final - Jun 02	Comparison
REV	£586,076,000		£465,180,000	-20.6%
PBT	£19,194,000		-£124,000	Profit to loss
EPS	7.70p		-6.10p	Profit to loss

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

Ncipher Plc
	Inerim - Ju 01	Final Dec 01	Interim - Jun 02	Comparison
REV	£8,118,000	£14,367,000	£6,037,000	+77.0%
PBT	-£1,449,000	-£3,237,000	-£2,809,000	Loss both
EPS	-130p	-2.80p	-2.27p	Loss both

NetBenefit plc
	Final - Jun 01		Final - Jun 02	Comparison
REV	£6,353,000		£6,079,000	-4.3%
PBT	-£21,663,000		-£1,189,000	Loss both
EPS	-134.40p		-6.90p	Loss both

Netstore plc
	Final - Jun 01		Final - Jun 02	Comparison
REV	£3,563,923		£6,643,961	+86.4%
PBT	-£11,829,902		-£6,944,415	Loss both
EPS	-13.32p		-7.51p	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
	Final - Apr 01		Final - Apr 02	Comparison
REV	£107,194,000		£92,564,000	-13.6%
PBT	£2,200,000		£8,658,000	+293.5%
EPS	0.55p		2.91p	+429.1%

NSB Retail Systems plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£44,308,000	£93,818,000	£39,524,000	-10.8%
PBT	-£44,125,000	-£89,319,000	-£43,949,000	Loss both
EPS	-1109p	-22.63p	-1104p	Loss both

OneclickHR Plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,721,780	£5,818,605	£2,792,765	+2.6%
PBT	-£1,180,617	-£2,114,778	-£875,776	Loss both
EPS	-2.30p	-4.10p	-160p	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
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£130,367,000	£246,930,000	£95,958,000	-26.4%
PBT	-£1,468,000	-£3,265,000	-£820,000	Loss both
EPS	-0.48p	-2.03p	-0.17p	Profit to loss

Patsystems plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,207,000	£5,811,000	£3,568,000	+617%
PBT	-£5,502,000	-£15,161,000	-£5,133,000	Loss both
EPS	-4.30p	-1140p	-3.90p	Loss both

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

Protogana plc
	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£6,545,000	£8,766,000	£3,280,000	-49.9%
PBT	-£2,667,000	-£10,238,000	-£2,312,000	Loss both
EPS	-2.90p	-9.00p	-0.70p	Loss both

PSD Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£41,974,000	£71,672,000	£22,845,000	-45.6%
PBT	£5,529,000	£4,815,000	£135,000	-97.6%
EPS	13.90p	10.20p	-0.40p	Profit to loss

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

Quantica plc
	Interim - Jun 01	Final - Nov 01	Interim - Jun 02	Comparison
REV	£16,717,000	£33,418,000	£13,421,000	-19.7%
PBT	£1,596,000	£2,860,000	£504,000	-68.4%
EPS	2.74p	4.93p	0.74p	-73.0%

Raft International Plc
	Interim - Apr 01	Final - Oct 01	Interim - Apr 02	Comparison
REV	£5,027,000	£9,468,000	£3,394,000	-32.5%
PBT	-£5,000	-£826,000	-£1,148,000	Loss both
EPS	-0.12p	-132p	-175p	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	-128p	Profit to loss

Retail Decisions plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£9,685,000	£22,195,000	£13,619,000	+40.6%
PBT	-£548,000	-£2,895,000	-£1,873,000	Loss both
EPS	-0.47p	-2.15p	-0.69p	Loss both

RM plc
	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£113,716,000	£241,916,000	£89,133,000	-216%
PBT	£1,536,000	£15,207,000	-£14,131,000	Profit to loss
EPS	120p	1120p	-1120p	Profit to loss

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

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

Sage Group plc
	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£229,649,000	£484,137,000	£279,821,000	+218%
PBT	£59,156,000	£121,317,000	£65,146,000	+10.1%
EPS	3.18p	6.59p	3.50p	+10.1%

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

SDL plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£16,747,000	£33,659,000	£28,131,000	+68.0%
PBT	-£2,770,000	-£5,098,000	-£2,002,000	Loss both
EPS	-6.50p	-1156p	-4.02p	Loss both

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

Sherwood International plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£26,847,000	£56,513,000	£24,563,000	-8.5%
PBT	-£1,445,000	-£11,012,000	-£2,136,000	Loss both
EPS	-4.10p	-25.60p	-5.60p	Loss both

Sirius Financial Solutions Plc
	Interim - Jun 01	Final - Dec 00	Interim - Jun 02	Comparison
REV	£909,300,000	£17,135,457	£10,698,000	-37.6%
PBT	£115,000	£727,215	£1,359,000	Profit to loss
EPS	0.20p	4.40p	4.60p	Profit to loss

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
	Interim - Jun 01	8 months to Dec 01	Interim - Jun 02	Comparison
REV	£172,126,000	£220,916,000	£148,378,000	-13.8%
PBT	£677,000	-£15,021,000	-£9,491,000	Profit to loss
EPS	0.47p	-9.15p	-6.39p	Profit to loss

Staffware plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£19,127,000	£38,230,000	£18,231,000	-4.7%
PBT	-£3,369,000	-£3,250,000	£391,000	Loss to profit
EPS	-24.10p	-26.00p	0.30p	Loss to profit

StatPro Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£3,172,000	£6,174,000	£3,031,000	-4.4%
PBT	-£4,879,000	-£4,742,000	£2,326,000	Loss both
EPS	-18.40p	-15.30p	-7.80p	Loss both

SurfControl plc
	Final - Jun 01		Final - Jun 02	Comparison
REV	£29,120,000		£37,538,000	+28.9%
PBT	-£63,746,000		-£48,084,000	Loss both
EPS	-217.40p		-156.55p	Loss both

Synstar plc
	Interim - Mar 01	Final - Sep 01	Interim - Mar 02	Comparison
REV	£120,254,000	£238,198,000	£111,590,000	-7.2%
PBT	-£18,818,000	-£21,296,000	£1,570,000	Loss to profit
EPS	-1180p	-13.80p	0.30p	Loss to profit

Systems Union Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£36,756,000	£78,385,000	£37,459,000	+19%
PBT	£679,000	£2,189,000	£1,616,000	+138.0%
EPS	0.60p	190p	160p	+166.7%

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

Telework Systems plc
	Final - Mar 01		Final - Mar 02	Comparison
REV	£21,947,000		£17,713,000	-19.3%
PBT	£4,173,000		-£5,068,000	Profit to loss
EPS	136p		-2.20p	Profit to loss

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

Tikit Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£4,704,000	£9,123,000	£3,731,000	-20.7%
PBT	£320,000	£1,006,000	£1,000	-99.7%
EPS	3.10p	6.10p	0.00p	-100.0%

Torex plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£61,954,000	£132,206,000	£77,608,000	+25.3%
PBT	£3,860,000	£8,915,000	£7,001,000	+814%
EPS	5.10p	9.90p	9.00p	+76.5%

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

Touchstone Group plc
	Final - Mar 01		Final - Mar 02	Comparison
REV	£11,807,000		£14,187,000	+20.2%
PBT	£1,481,000		£1,770,000	+19.5%
EPS	9.80p		10.90p	+112%

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

Transeda Plc
	Final - Jun 01		Final - Jun 02	Comparison
REV	£6,510,000		£5,751,000	-11.7%
PBT	£592,000		-£7,346,000	Profit to loss
EPS	0.66p		-11.72p	Profit to loss

Transware Plc
	Final - Jun 01		Final - Jun 02	Comparison
REV	£10,417,322		£12,806,946	+22.9%
PBT	£1,550,188		£319,574	-79.4%
EPS	3.59p		0.33p	-90.8%

Triad Group plc
	Interim - Sep 01	Final - Mar 02	Interim - Sep 02	Comparison
REV	£24,182,000	£41,567,000	£14,091,000	-417%
PBT	£1,519,000	-£470,000	-£2,527,000	Profit to loss
EPS	4.10p	-136p	-7.91p	Profit to loss

Tribal Group Plc
	Final - Mar 01		Final - Mar 02	Comparison
REV	£17,465,000		£45,651,000	+1614%
PBT	£699,000		£4,680,000	+569.5%
EPS	0.30p		6.60p	+2100.0%

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

Universe Group Plc
	Interim - Jun 00	Final - Dec 00	Interim - Jun 01	Comparison
REV	£21,963,000	£48,47[illegible],000	£27,281,000	+24.2%
PBT	£111,000	£577,000	£431,000	+288.3%
EPS	-0.60p	-0.4	0.10p	Loss to Profit

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

VI Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£3,083,000	£6,456,000	£3,200,000	+3.8%
PBT	£324,000	£726,000	-£357,000	Profit to loss
EPS	0.94p	2.12p	-104p	Profit to loss

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

Warthog Plc
	Final - Mar 01		Final - Mar 02	Comparison
REV	£3,782,386		£8,858,117	+134.2%
PBT	£314,150		£487,791	+55.3%
EPS	0.65p		0.64p	-15%

Wealth Management Software plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£6,356,000	£12,009,000	£6,074,000	-4.4%
PBT	-£3,246,000	-£6,346,000	£1,000	Loss to Profit
EPS	-7.85p	-15.24p	0.04p	Loss to Profit

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

XKO Group plc
	Final - Mar 01		Final - Mar 02	Comparison
REV	£38,211,000		£38,880,000	+18%
PBT	-£19,611,000		-£14,938,000	Loss both
EPS	-73.80p		-56.40p	Loss both

Xpertise Group plc
	Interim - Jun 01	Final - Dec 01	Interim - Jun 02	Comparison
REV	£2,936,000	£5,276,000	£2,120,000	-27.8%
PBT	-£231,000	-£1,571,000	-£333,000	Loss both
EPS	-0.74p	-4.83p	-0.46p	Loss both

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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Oct-02	Capitalisation 30-Sep-02	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Oct-02	Share price move since 30-Sep-02	Share price % move in 2002	Capitalisation move since 30-Sep-02	Capitalisation move (£m) in 2002
AFA Systems	SP	£0.19	£4.5m	Loss	0.55	158	-5.00%	-79.23%	-£0.23m	-£17.22m
Affinity Internet Holdings	CS	£0.62	£20.5m	Loss	0.39	4731	105.00%	-79.67%	£11.41m	-£61.17m
AIT Group	CS	£0.65	£15.3m	Loss	0.42	423	3.20%	-90.56%	£0.48m	-£123.16m
Alphameric	SP	£0.54	£56.4m	Loss	0.99	248	0.00%	-50.46%	£0.02m	-£54.78m
Alterian	SP	£0.31	£12.2m	Loss	2.85	155	10.71%	-57.82%	£1.16m	-£16.64m
Anite Group	CS	£0.18	£58.8m	Loss	0.29	102	-5.41%	-89.74%	-£3.32m	-£430.45m
Argonaut Games	SP	£0.24	£22.9m	7.1	1.61	247	28.38%	-62.00%	£5.00m	-£34.48m
Autonomy Corporation	SP	£1.44	£183.6m	45.1	5.06	44	45.45%	-55.96%	£57.36m	-£228.10m
Aveva Group	SP	£2.53	£42.8m	11.8	1.34	1263	-8.68%	-42.81%	-£4.03m	-£31.95m
Axon Group	CS	£0.47	£24.5m	8.5	0.57	269	-3.09%	-73.14%	-£0.72m	-£65.34m
Azlan Group	R	£0.77	£85.1m	6.2	0.14	333	-7.27%	-42.70%	-£6.66m	-£60.46m
Baltimore Technologies	SP	£0.05	£2.6m	Loss	0.04	513	17.65%	-67.21%	-£19.19m	-£75.57m
Bond International	SP	£0.18	£2.5m	0.8	0.22	269	6.06%	-76.67%	£0.14m	-£8.20m
Business Systems	CS	£0.04	£3.2m	Loss	0.09	34	0.00%	-70.37%	£0.00m	-£7.66m
Capita Group	CS	£2.24	£1.5m	25.2	0.00	60552	13.13%	-54.31%	-£1,316.33m	-£3,228.69m
Charteris	CS	£0.48	£19.6m	19.2	1.03	528	-44.12%	-46.33%	-£15.43m	-£12.70m
Clarity Commerce	SP	£0.74	£10.2m	Loss	1.35	588	-2.00%	-19.67%	-£0.17m	-£2.41m
Clinical Computing	SP	£0.32	£7.9m	Loss	3.63	254	-7.35%	5.00%	-£0.62m	£0.38m
CMG	CS	£0.72	£446.7m	Loss	0.49	1986	83.44%	-70.37%	£203.19m	-£1,042.54m
CODASciSys (was Science Systems)	CS	£2.15	£54.2m	10.2	1.09	1667	-12.24%	-58.65%	-£7.50m	-£76.80m
Comino	SP	£1.43	£19.6m	Loss	0.96	1096	-3.39%	-16.18%	-£0.70m	-£3.86m
Compass Software	SP	£0.80	£9.4m	19.7	2.19	533	0.00%	-13.04%	£0.00m	-£1.29m
Compel Group	R	£0.65	£20.0m	Loss	0.31	516	26.47%	-23.67%	£4.16m	-£6.18m
Computacenter	R	£2.38	£440.1m	15.6	0.21	354	1.06%	-31.16%	£4.58m	-£199.29m
DCS Group	CS	£0.12	£3.0m	Loss	0.03	200	4.35%	-57.89%	£0.13m	-£4.14m
Delcam	SP	£1.25	£7.5m	17.6	0.41	481	-6.72%	-12.59%	-£0.55m	-£1.16m
Detica	CS	£2.37	£53.0m	11.4	1.61	593	8.97%	-40.75%	£4.30m	-£35.04m
Diagonal	CS	£0.51	£45.1m	10.9	0.55	734	46.38%	-50.73%	£14.35m	-£45.25m
Dicom Group	R	£3.90	£81.1m	28.2	0.54	1196	9.86%	-8.02%	£7.28m	-£7.16m
Dimension Data	R	£0.22	£295.2m	Loss	0.20	39	37.50%	-73.96%	£89.16m	-£792.80m
DRS Data & Research	SP	£0.25	£8.5m	11.0	0.85	225	4.21%	62.30%	£0.33m	£3.27m
Easynet	CS	£0.65	£40.0m	Loss	0.96	18	4.88%	-75.57%	£1.93m	-£123.67m
ECSoft Group	CS	£1.33	£14.9m	Loss	0.25	73	-0.75%	-73.89%	-£0.20m	-£44.45m
Eidos	SP	£1.15	£159.1m	Loss	0.93	5747	-1.71%	-36.11%	-£3.07m	-£90.49m
Electronic Data Processing	SP	£0.39	£9.5m	Loss	0.91	1179	1.32%	-23.00%	£0.12m	-£3.11m
Epic Group	CS	£0.65	£16.4m	20.3	2.27	619	15.04%	-25.71%	£2.05m	-£5.70m
Eurolink Managed Services	CS	£0.33	£3.4m	0.1	0.41	325	0.00%	-27.78%	£0.00m	-£1.30m
Eyretel	SP	£0.10	£14.5m	18.6	0.29	95	0.00%	-86.99%	£0.02m	-£97.18m
Financial Objects	SP	£0.46	£17.8m	6.2	1.02	198	16.67%	-45.18%	£2.50m	-£14.79m
Flomerics Group	SP	£0.56	£8.0m	23.0	0.63	2135	21.98%	-30.63%	£1.45m	-£3.55m
Focus Solutions Group	SP	£0.11	£2.8m	Loss	0.56	56	-45.00%	-89.27%	-£2.31m	-£22.88m
Gladstone	SP	£0.05	£1.9m	Loss	0.31	113	-18.18%	-67.27%	-£0.41m	-£2.88m
Glotel	A	£0.48	£18.0m	Loss	0.18	247	21.79%	15.85%	£3.24m	£2.49m
Gresham Computing	CS	£0.63	£30.4m	Loss	1.23	677	-33.16%	144.66%	-£15.19m	£17.93m
Harrier Group	CS	£0.09	£2.4m	Loss	0.14	66	3.03%	-83.33%	£0.07m	-£11.77m
Harvey Nash Group	A	£0.34	£18.0m	Loss	0.08	191	45.65%	-72.08%	£5.67m	-£17.87m
Highams Systems Services	A	£0.08	£1.6m	Loss	0.10	229	0.00%	-44.07%	-£0.00m	-£1.27m
Horizon Technology	R	£0.21	£12.0m	Loss	0.05	75	-12.77%	-34.92%	£0.63m	-£6.40m
Host Europe	CS	£0.01	£15.8m	Loss	1.66	495	12.00%	-27.84%	£2.13m	-£4.27m
Hot Group (was RexOnline)	A	£0.17	£4.6m	31.7	2.30	196	3.13%	-58.75%	£0.54m	-£0.65m
I S Solutions	CS	£0.12	£2.9m	Loss	0.26	429	0.00%	-64.62%	£0.00m	-£5.24m
ICM Computer Group	CS	£1.58	£31.2m	10.0	0.45	875	9.76%	-47.50%	£2.81m	-£28.11m
IDS Group	SP	£0.10	£5.4m	Loss	0.15	106	-5.00%	-80.21%	-£0.28m	-£22.05m
Innovation Group	SP	£0.16	£30.1m	Loss	0.52	68	58.97%	-95.69%	£11.16m	-£637.67m
Intelligent Environments	SP	£0.03	£3.9m	Loss	1.26	32	0.00%	-42.86%	-£0.01m	£0.80m
Intercede Group	SP	£0.34	£5.5m	Loss	4.59	558	-4.29%	-39.64%	-£0.25m	-£3.60m
IQ-Ludorum	SP	£0.03	£2.4m	Loss	0.40	40	0.00%	-75.51%	£0.00m	-£7.40m
iRevolution	CS	£0.02	£1.0m	Loss	0.16	51	-30.77%	-89.02%	-£0.45m	-£8.32m
iSOFT Group	SP	£1.97	£231.2m	18.6	3.85	1786	27.18%	-23.69%	£49.40m	-£71.80m
ITNET	CS	£1.64	£119.5m	10.9	0.68	467	1.24%	-34.21%	£1.43m	-£58.42m
Izodia (was Infobank)	SP	£0.52	£30.1m	Loss	7.98	8175	47.14%	63.49%	£9.71m	£11.72m
Jasmin	SP	£1.59	£7.5m	9.4	1.05	1060	-3.64%	-36.90%	-£0.28m	-£4.41m
K3 Business Technology	SP	£0.12	£5.8m	Loss	0.73	88	-8.00%	-14.81%	-£0.51m	-£1.02m
Kewill	SP	£0.15	£11.1m	Loss	0.23	287	34.88%	-66.28%	£2.86m	-£21.95m
Knowledge Support Systems Group	SP	£0.17	£12.2m	Loss	12.16	75	24.53%	-7.04%	£2.38m	-£0.96m
Logica	CS	£1.56	£697.2m	Loss	0.63	2136	30.00%	-75.63%	£160.94m	-£2,162.94m
London Bridge Software	SP	£0.35	£59.4m	11.3	0.80	875	11.11%	-80.39%	£5.95m	-£243.50m
Lorien	A	£0.76	£14.8m	5.9	0.11	755	2.72%	19.84%	£0.39m	£2.50m

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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Oct-02	Capitalisation 30-Sep-02	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Oct-02	Share price move since 30-Sep-02	Share price % move in 2002	Capitalisation move since 30-Sep-02	Capitalisation move (£m) in 2002
Macro 4	SP	£0.64	£13.3m	Loss	0.34	258	-5.19%	-74.65%	-£0.69m	-£39.19m
Manpower SoftWare	SP	£0.13	£5.5m	Loss	1.68	129	21.95%	-50.00%	£0.99m	-£0.46m
Marlborough Stirling	SP	£0.31	£68.8m	5.5	0.94	218	25.77%	-85.12%	£14.12m	-£397.86m
MERANT	SP	£0.79	£82.5m	Loss	0.95	379	-1.26%	-28.96%	-£1.07m	-£66.63m
Microgen	CS	£0.24	£14.5m	5.0	0.69	103	-28.36%	-76.59%	-£7.00m	-£37.63m
Minorplanet Systems	SP	£0.93	£68.1m	19.8	1.29	1899	5.08%	-68.84%	£3.28m	-£137.65m
Misys	SP	£2.09	£1,201.5m	14.9	1.16	2597	40.10%	-35.77%	£343.20m	-£670.16m
MMT Computing	CS	£0.70	£8.5m	Loss	0.27	417	7.69%	-36.36%	£0.60m	-£4.83m
Mondas	SP	£0.28	£5.5m	Loss	1.47	367	1.85%	0.00%	£0.10m	£0.00m
Morse	R	£1.20	£156.1m	Loss	0.34	480	-9.43%	-36.84%	-£13.66m	-£87.25m
MSB International	A	£0.41	£8.4m	7.9	0.06	216	54.72%	-51.48%	£2.95m	-£8.84m
Ncipher	SP	£0.56	£70.9m	Loss	4.94	224	12.00%	-29.56%	£7.60m	-£29.67m
NetBenefit	CS	£0.09	£0.1m	Loss	0.02	43	6.25%	-34.62%	-£1.16m	-£1.94m
Netstore	CS	£0.14	£12.9m	Loss	1.94	90	3.85%	-32.50%	£0.50m	-£4.78m
Nettec	CS	£0.07	£8.9m	Loss	0.54	30	-3.33%	-34.09%	-£0.30m	-£4.62m
Northgate Information Solutions	CS	£0.29	£81.5m	9.4	0.88	110	17.53%	-14.93%	£12.18m	-£14.25m
NSB Retail Systems	SP	£0.04	£12.0m	Loss	0.13	326	-28.57%	-84.69%	-£4.88m	-£65.59m
OneclickHR	SP	£0.10	£5.6m	Loss	0.96	250	-13.04%	-76.19%	-£0.63m	-£16.53m
Orchestream	SP	£0.05	£6.5m	Loss	0.44	27	122.22%	-75.61%	£3.60m	-£20.27m
Parity	A	£0.13	£19.6m	Loss	0.08	2125	10.87%	-73.98%	£1.95m	-£55.62m
Patsystems	SP	£0.13	£16.6m	Loss	2.85	119	50.00%	21.43%	£5.58m	£2.93m
Planit Holdings	SP	£0.35	£29.0m	8.7	1.30	1458	27.27%	-36.36%	£6.22m	-£16.68m
Protagona (was Recognition)	SP	£0.02	£8.1m	Loss	0.92	32	0.00%	-43.75%	£0.00m	-£5.88m
PSD Group	A	£1.68	£42.1m	16.5	0.59	761	6.35%	-63.39%	£2.54m	-£72.72m
QA (was Skillsgroup)	CS	£0.09	£8.3m	Loss	0.15	40	12.50%	-80.43%	£0.92m	-£32.33m
Quantica	A	£0.25	£10.1m	6.8	0.30	202	-9.09%	-54.55%	-£1.00m	-£11.51m
Raft International	SP	£0.03	£1.8m	Loss	0.19	44	10.00%	-73.17%	£0.16m	-£4.92m
Rage Software	SP	£0.02	£12.2m	Loss	0.99	58	50.00%	-81.25%	£4.09m	-£18.87m
RDL Group	A	£0.26	£5.1m	5.2	0.12	289	-14.75%	-51.85%	-£0.89m	-£5.31m
Retail Decisions	SP	£0.03	£9.2m	Loss	0.41	44	0.00%	-82.89%	£0.00m	-£20.10m
RM	SP	£0.64	£58.1m	5.7	0.24	1814	6.72%	-73.26%	£2.86m	-£164.83m
Rolfe & Nolan	SP	£0.50	£7.3m	Loss	0.29	589	-8.33%	-40.00%	-£0.66m	-£4.30m
Royalblue Group	SP	£2.49	£75.8m	11.3	1.14	1465	34.59%	-59.35%	£19.43m	-£108.59m
Sage Group	SP	£1.46	£1,849.2m	21.0	3.82	56154	29.78%	-36.11%	£424.49m	-£1,045.34m
SBS Group	A	£0.11	£1.4m	Loss	0.03	110	4.76%	-48.84%	£0.06m	-£0.57m
SDL	CS	£0.35	£18.5m	Loss	0.55	230	-2.82%	-49.26%	-£0.60m	-£10.24m
ServicePower	SP	£0.07	£3.6m	Loss	1.12	70	-17.65%	-68.89%	-£0.76m	-£7.92m
Sherwood International	SP	£0.68	£30.8m	Loss	0.55	2249	56.98%	-48.86%	£11.20m	-£28.25m
Sirius Financial (was Policymaster)	SP	£1.20	£21.3m	40.5	1.23	800	-4.00%	23.08%	-£0.91m	£5.70m
Sopheon	SP	£0.07	£5.8m	Loss	0.41	97	12.50%	-76.72%	£1.64m	-£18.97m
Spring Group	A	£0.46	£69.1m	Loss	0.31	511	2.22%	-40.65%	£1.45m	-£47.35m
Staffware	SP	£2.40	£34.6m	Loss	0.91	1067	-6.80%	-28.36%	-£2.48m	-£13.58m
StatPro Group	SP	£0.16	£5.1m	Loss	0.82	194	-22.50%	-63.95%	-£1.47m	-£8.84m
SurfControl (was JSB)	SP	£3.95	£119.1m	Loss	3.17	1975	38.60%	-19.80%	£33.12m	-£29.43m
Synstar	CS	£0.48	£78.0m	Loss	0.33	291	0.00%	-30.43%	£0.00m	-£34.10m
Systems Union (was Freecom)	SP	£0.54	£0.6m	8.5	0.01	412	2.88%	-35.93%	-£53.08m	-£85.55m
Telecity	CS	£0.03	£5.0m	Loss	0.36	3	-16.67%	-80.77%	-£1.01m	-£21.09m
Telework Systems	SP	£0.07	£12.2m	Loss	0.78	0	-10.00%	-83.33%	-£1.35m	-£60.90m
Terence Chapman Group	CS	£0.11	£7.4m	1.7	0.23	78	-22.22%	-74.39%	-£2.12m	-£21.55m
Tikit Group	CS	£0.96	£11.3m	17.4	1.24	835	0.00%	-16.16%	£0.00m	-£2.00m
Torex Group	CS	£3.00	£142.1m	10.0	1.08	5825	27.66%	-58.76%	£30.82m	-£178.25m
Total Systems	SP	£0.55	£5.7m	5.9	1.06	1038	15.79%	-57.85%	£0.77m	-£7.88m
Touchstone Group	SP	£1.00	£10.4m	6.7	0.73	948	-8.29%	-25.75%	-£0.90m	-£3.10m
Trace Group	SP	£0.46	£6.9m	2.7	0.41	364	-9.90%	-51.85%	-£0.76m	-£7.47m
Transeda	SP	£0.02	£1.0m	Loss	0.18	30	0.00%	-93.88%	-£0.01m	-£15.70m
Transware	CS	£0.07	£2.4m	0.2	0.19	87	-12.90%	-85.00%	-£0.36m	-£13.09m
Triad Group	CS	£0.27	£5.8m	Loss	0.14	196	0.00%	-71.66%	£0.00m	-£18.04m
Tribal Group	CS	£2.49	£118.8m	16.3	2.60	1506	-6.23%	-23.54%	-£7.92m	£0.40m
Ultima Networks	R	£0.01	£1.9m	Loss	0.28	24	0.00%	-55.56%	£0.00m	-£2.41m
Universe Group	SP	£0.23	£8.0m	Loss	0.17	1000	2.27%	-41.56%	£0.17m	-£3.38m
Vega Group	CS	£0.49	£8.9m	Loss	0.25	398	-15.65%	-65.36%	-£1.68m	-£16.88m
VI group	SP	£0.17	£6.1m	8.0	0.94	340	-10.53%	-43.33%	-£0.72m	-£1.47m
Vocalis Group	SP	£0.03	£4.1m	Loss	2.35	34	8.33%	-53.57%	£3.52m	£0.84m
Warthog	SP	£0.23	£10.8m	31.9	1.22	535	15.00%	-45.88%	£1.39m	-£6.97m
Wealth Management Software	SP	£0.06	£2.5m	Loss	0.21	46	-14.29%	-61.29%	-£0.42m	-£3.99m
Xansa (was F.I. Group)	CS	£0.53	£176.1m	Loss	0.34	1359	34.18%	-85.03%	£44.88m	-£978.46m
XKO Group	SP	£0.40	£10.6m	Loss	0.27	263	14.49%	-22.55%	£1.33m	-£3.10m
Xpertise Group	CS	£0.04	£2.5m	Loss	0.48	140	0.00%	-30.00%	£0.00m	£0.96m

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TECHNOLOGY INDICES RALLY

This month, the technology indices have rallied. Our own Holway S/ITS index finished the month up 7.6%, whilst the techMARK 100 finished up 8.4% and the FTSE IT (SCS) Index - the best guide to the performance of the largest software and IT services companies - finished up a whopping 27.2%.

And if you want evidence that the larger, more established companies were the best performers, you only have to look at our share prices table on pages 18 and 19. The best performers included CMG up 83% to 62p and Logica up 30% to 156p following the announcement of their proposed merger. Also with significant rises were Autonomy up 45% to 144p, Misys up 40% to 209p, Dimension Data up 36% to 22p, Xansa up 34% to 53p and Sage up 30% to 146p.

31-Oct-02		
	SCSI Index	2555.91
	FTSE IT (SCS) Index	338.03
	techMARK 100	689.40
	FTSE 100	4039.70
	FTSE AIM	587.90
SCS Index =1000 on 15th April 1989	FTSE SmallCap	1790.74

Changes in Indices	SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/09/02 to 31/10/02)	+7.55%	+8.54%	+8.36%	+27.19%	-2.84%	+0.50%
From 15th Apr 89	+155.59%	+96.71%				
From 1st Jan 90	+177.79%	+71.03%				
From 1st Jan 91	+261.07%	+86.99%				
From 1st Jan 92	+144.62%	+62.04%				
From 1st Jan 93	+60.39%	+41.92%				+29.08%
From 1st Jan 94	+53.09%	+18.18%				-4.17%
From 1st Jan 95	+70.49%	+31.78%				+2.54%
From 1st Jan 96	+13.17%	+9.50%	-12.65%		-38.34%	-7.77%
From 1st Jan 97	-4.54%	-1.91%	-24.63%		-39.77%	-17.97%
From 1st Jan 98	-15.79%	-21.34%	-27.74%	-66.20%	-40.74%	-22.59%
From 1st Jan 99	-35.15%	-31.33%	-52.65%	-76.62%	-26.66%	-13.53%
From 1st Jan 00	-77.72%	-41.71%	-81.76%	-90.91%	-69.58%	-42.19%
From 1st Jan 01	-69.47%	-35.08%	-73.13%	-82.66%	-59.11%	-43.75%
From 1st Jan 02	-46.73%	-22.57%	-53.19%	-59.96%	-34.52%	-30.57%

End Oct 02	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move since 1st Jan 02	Move in Oct 02
System Houses	-34.2%	-74.4%	-65.5%	-37.9%	5.0%
IT Staff Agencies	-68.9%	-72.9%	-56.9%	-22.2%	10.7%
Resellers	-8.2%	-55.8%	-41.5%	-34.9%	5.7%
Software Products	29.9%	-68.7%	-77.3%	-26.9%	8.6%
Holway Internet Index	133.4%	-71.6%	-58.3%	-24.5%	6.1%
Holway SCS Index	-17.8%	-71.7%	-61.3%	-32.5%	7.6%

The majority of the top 20 fallers this month were companies with a market capitalisation of less than £10m, including Focus Solutions (down 45%), Ultrasis Group (down 33%), iRevolution (down 31%) and Atlantic Global (down 24%).

But depite the rally this month, it should be pointed out that our Holway S/ITS index is still down 47% compared to the beginning of 2002, 69% compared to the beginning of 2001, and 78% compared to the beginning of 2000. Indeed, it is still at the levels seen in 1996.

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