



**03**

**interim statement**

## Highlights for the six months ended 30th June 2003:

- Good progress in moving the business model to consistent and predictable recurring revenues
- **fidessa** rental fees and **fidessaNet** service fees up 48%
- Recurring revenues now represent 49% of total revenues, up from 35% last year
- 11 new **fidessaNet** orders signed, 6 in Europe, 5 in US
- **fidessa workstation** product launched at end of Q1 and over 100 positions already in production
- Costs down by 6% before investment in the new **fidessa workstation** business
- US revenues are up 48% representing 44% of total revenues

## Contents

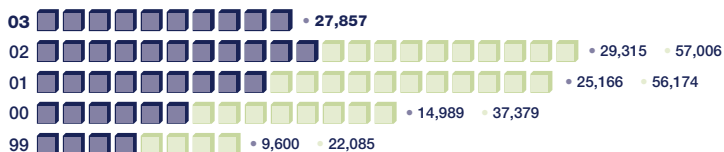
1	Results at a Glance
2-13	Interim Statement
14	Consolidated Profit and Loss Account
14	Consolidated Statement of Total Recognised Gains and Losses
15	Consolidated Balance Sheet
16	Consolidated Cash Flow Statement
17-18	Notes to the Interim Statement
19	Independent Review Report

# results at a glance

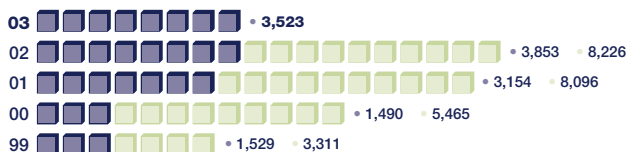
	6 months to 30 June		change	12 months to 31 Dec
	2003	2002		2002
<b>Turnover</b>	<b>£27.9m</b>	<b>£29.3m</b>	<b>-5%</b>	<b>£57.0m</b>
<b>Operating profit</b>	<b>£3.5m</b>	<b>£3.9m</b>	<b>-10%</b>	<b>£8.2m</b>
<b>Diluted earnings per share</b>	<b>8.5p</b>	<b>8.5p</b>	<b>nil</b>	<b>19.7p*</b> <b>32.9p**</b>
<b>Dividend per share</b>	<b>1.85p</b>	<b>1.75p</b>	<b>+6%</b>	<b>5.3p</b>
<b>Cash balance</b>	<b>£22.7m</b>	<b>£12.1m</b>	<b>+88%</b>	<b>£22.7m</b>

\* pre-exceptional gain \*\* post-exceptional gain

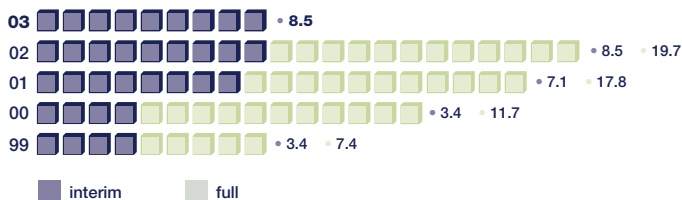
## Turnover £'000\*



## Operating profit £'000\*



## Diluted earnings per share pence\*



\* In order to bring clarity to the performance of the continuing business of the Group the bar charts above exclude the results of royalblue technologies which was divested on 16th July 2001.

# interim statement

## Overview

The difficulties experienced in the financial markets have continued into 2003 and despite some improvements in the market towards the end of Q2 it is too early to predict any sustained change in trading conditions. Despite the conditions we have continued to make good progress moving our business model away from more variable consultancy revenues towards the more consistent and predictable recurring revenues generated by our enterprise rental and **fidessaNet** services. Revenue from these sources has increased by 48% compared to the same period last year, and recurring revenue now represents 49% of our overall revenues. As expected, consultancy revenues have come under continued pressure and are down 23% on the first half of last year. However, cost control has been tightened further, with costs down 6% on the same period last year after excluding £0.4 million allocated to development of the new **fidessa workstation** business.

A total of 11 new customers have signed for full implementations of **fidessaNet** during the first half compared to 5 in the same period last year and 8 in the whole of last year. Our US **fidessaNet** business continues to be on schedule to achieve break even by the end of this year. Our new **fidessa workstation** product has made good progress in the three months since its launch at the end of Q1, with over 100 positions already in production and substantially more scheduled to go live over the next few months.

Looking ahead we continue to anticipate tough trading conditions. We believe that we will continue to see substantial growth in high quality recurring revenues from our **fidessaNet** and enterprise rental businesses and are particularly pleased with the momentum developing in our **fidessaNet** business. We believe that we will see further falls in consultancy revenues in the second half but do not believe that the extent of this fall will materially exceed what we have seen in the first half.

In both the US and Europe we are seeing an increasing convergence of our enterprise and **fidessaNet** businesses and we intend to encourage this trend as we seek to achieve our vision of a single intelligent connectivity network encompassing all the transaction services required for cost efficient trading. This vision will have an impact on

# interim statement

consultancy revenues as customers increasingly make use of **fidessaNet** services rather than taking **fidessa** products in house. As a result, in the short-term, we expect full year revenues for 2003 to be slightly below those achieved last year, although the quality of revenue (i.e. the % of recurring revenue) will be substantially improved. As consultancy becomes a smaller proportion of our revenues, we expect the negative effect on consultancy to be more than offset by growth in recurring revenues. We believe that our cost control measures will be effective in increasing margins in the established business, but after taking account of the investment in the new **fidessa workstation** business, we expect overall profit will be slightly below that recorded last year. However, we believe that with the investments we are making in new and existing products, we remain exceptionally well positioned and that the unique proposition and business model **royalblue** has developed will provide a strong basis for long-term growth.

## Financial Summary

In the six months to 30th June 2003, revenues declined by 5% to £27.9 million, from £29.3 million for the same period last year. We have continued to make good progress in moving our business model away from more variable consultancy revenues towards the more consistent and predictable recurring revenues generated by our enterprise rental and **fidessaNet** services. Growth from **fidessa** licence rental and **fidessaNet** service rental continued to be strong with a combined 48% increase in the period whilst consultancy revenues continued to come under pressure and declined by 23%. During the period, consultancy revenues represented 48% of total revenues (2002 60%), **fidessa** licence rentals 27% (2002 19%), **fidessaNet** service rentals 12% (2002 6%) and maintenance 10% (2002 10%). In total, the recurring revenues were £13.6 million representing 49% of total revenues up from 35% last year. Overseas revenues increased to £16.7 million (2002 £14.5 million) accounting for 60% of total revenues.

Operating profit fell by 10% to £3.5 million from £3.9 million in 2002, an operating margin of 12.6% (2002 13.1%). These figures are after investing £0.4 million in the new **fidessa workstation** business. Throughout the period there has been a focus on cost control and, excluding the investment in the new **fidessa workstation** business, our costs have decreased by 6%, a reduction of £1.6 million. These cost savings have not

# interim statement

been at the expense of R&D where we have continued to invest in future products. The proportion of staff dedicated to product development has increased to 21% from 18% last year. All of this expenditure was expensed as incurred. Improved interest earnings from higher cash balances and a decrease in the anticipated tax rate have contributed to flat diluted earnings per share of 8.5p.

The business continues to have a strong balance sheet and at 30th June 2003 the cash balance was £22.7 million. The cash generated from operating activities was £3.7 million (2002 £2.3 million) and the major outflows were capital expenditure of £1.8 million (2002 £0.4 million), dividends of £1.1 million (2002 £0.9 million) and taxation of £1.0 million (2002 £0.7 million). The Group has no debt, nor any goodwill write off or deferred consideration payable for previous acquisitions. An increased interim dividend of 1.85p per share (2002 1.75p) will be paid on 6th October 2003 to shareholders on the register on 5th September 2003.

## Operations

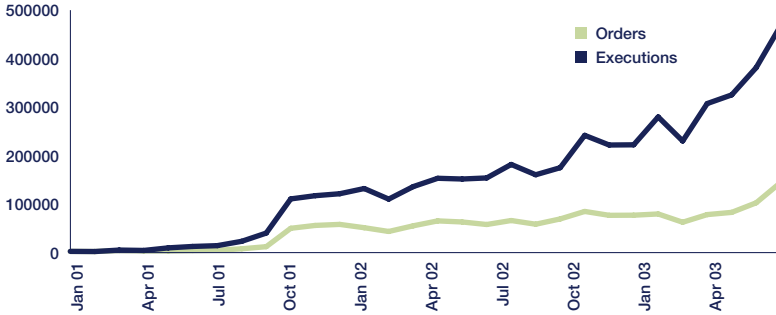
### Introduction

Despite the difficult market conditions, we have continued to make good progress in key areas of the business. In the US, sales of our US domestic trading system have continued with the signing of 5 new deals for **fidessaNet** systems, the same number as signed in the whole of 2002. Implementation of some of these systems is complete with others due to come on stream during the second half. Our share of the US market is increasing rapidly and we estimate that in the period a little over 4% of US domestic OTC (NASDAQ) flows passed through **fidessa** systems. We expect this percentage to rise as we progress towards establishing **fidessa** as the de facto standard for US domestic equity trading.

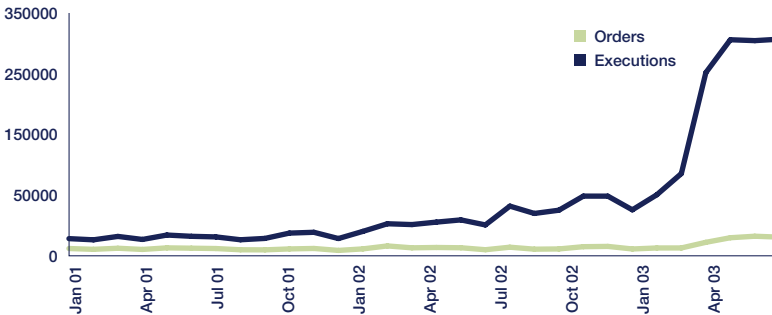
In Europe we have signed a further 6 new deals for **fidessaNet** systems including one with CDC IXIS Securities for an implementation based in Paris. This deal represents our first **fidessaNet** deal in mainland Europe and will provide a useful beachhead in establishing the **fidessaNet** service in this region. In addition to the new customers we have signed for **fidessaNet**, we have also seen a marked increase in the volume of

# interim statement

## US fidessaNet Volume/Month



## UK fidessaNet Volume/Month



order and executions flowing through the service. Both order and execution volumes have more than doubled and total execution volumes flowing through the **fidessaNet** service now exceed 750,000 executions per month.

Demand has also continued for connectivity services through **fidessaNet**. This is both for customers taking all their applications through **fidessaNet** and also for enterprise customers who are increasingly finding **fidessaNet** a more cost-effective way to achieve the connectivity they need.

# interim statement

In both the US and Europe we are seeing an increasing convergence of our enterprise and **fidessaNet** businesses and we are gradually adapting the structure of our business to best service these new requirements. The change is being driven by enterprise customers using our hosted services for market and client connectivity and also customers looking at internal cost savings by outsourcing their complete enterprise system to **royalblue**. This convergence also aligns with our vision of a single intelligent connectivity network encompassing all transaction services required for cost efficient trading. As a result, we are introducing a new model of managed enterprise systems within our **fidessaNet** business, where we will configure and run an enterprise system on behalf of a client in our data centres. We will also provide the staff to manage the service from end to end including onsite consultancy where appropriate. This new model is much closer to the complete outsourcing of a **fidessa** system with costing that works out around one third less expensive than an enterprise customer running the system themselves in house.

## Europe

In Europe we have seen more focus from clients on the automation of the complete lifecycle from Indications of Interest (Iols), through Order Processing to Trade Adverts (TAs). As a result the number of destinations, including both direct and indirect networks, has continued to grow, resulting in more pressure to implement workflow management software. This has benefited our new **fidessaExpress** offering which has now gone live. In the first implementation, connectivity to two large buy-side firms has been migrated across to the **fidessaExpress** architecture and these connections are now available to any customer connected to the service. The new **fidessaExpress** Iol and TA service has also gone live managing the delivery of Iols and TAs to buy-side clients over the third party networks from Bloomberg, Autex and Thomson Financial. This service allows Iols and TAs to be managed directly from the orders and trades flowing through **fidessa**.

Exchange upgrades continued throughout the first half. These included:

- the introduction of a Central Counterparty for the Frankfurt market in March
- the introduction of SETS 6.1 in March for order modification and enhanced dealing capacities in London
- SuperMontage being introduced on NASDAQ Europe in March, and NASDAQ Deutschland support being introduced within **fidessa**. Subsequently NASDAQ has announced that NASDAQ Europe is to be closed but NASDAQ Deutschland will remain

# interim statement

- all Scandinavian markets migrated to SAXESS 4.0 in May
- Virt-X and SWX upgraded to a new version of software in May.

In total 85 customer gateway upgrades were performed in the first half of 2003.

Within **fidessaNet** we have also benefited from the decision by SunGard to scale back the BRASS product in the European market. SunGard had entered the European market with this product in the 1990's and had secured a small number of customers. These customers are now looking to migrate across to another platform with **royalblue** particularly well placed to benefit from this business. We believe that this decision by SunGard demonstrates the difficulties faced by any new entrant in addressing the complex, multi-currency business flows in the European market.

During the first half we have seen the majority of **fidessaNet** and enterprise rental customers renew as their contracts have expired. However, we have seen one enterprise customer switch to a smaller **fidessaNet** implementation as they have scaled back their operations in the UK and one **fidessaNet** customer has ceased use of **fidessaNet** and has taken the **fidessa workstation** as their business no longer justifies the level of automation provided by **fidessaNet**.

In the first half **royalblue** received the Securities Industry Software award for "Ability to Deliver on Time and on Budget".

## North America

In North America, we have continued to make good progress with revenues increased by 48% and 5 new **fidessaNet** systems sold. One of these **fidessaNet** systems was to Brokerage America, a wholesaler and one of the largest NASDAQ market makers, making a market in over 3,000 securities. This system is the largest **fidessaNet** system implemented to date and is sized to handle execution volumes peaking at over 75,000 orders per day. The new **fidessa V5** architecture was essential to ensure that **fidessaNet** could meet and exceed the volume expectation of this key client.

# interim statement

Our new products have worked well in giving us a unique offering and the ability to roll up several disparate functional areas into a single integrated solution. We have seen an example of this at Gerard Klauer Mattison (GKM) where a single **fidessaNet** implementation has been selected to replace four individual systems currently used by the client. The systems replaced are their current OTC (NASDAQ) order management system, their listed (NYSE) order management system, their quote management system and their buy-side connectivity solution. We are seeing more of this across the business where existing **fidessaNet** customers are now taking additional **fidessaNet** services (such as IMAR – Indications of Interest management) to replace other systems that were not previously integrated into their business flows. The use of a single **fidessa** solution in place of disparate systems not only provides customers with a much more integrated solution but also one which is much more cost effective and easier to support going forward.

As a result of the general financial instability of communications and data centre providers we started a migration programme in 2002 to build and operate our own data centre and resilient communications network in the US. This programme is now approaching completion. The new data centre, based in New York city, is fully operational and customers have now been seamlessly migrated across to this new centre. In addition, the majority of existing **fidessaNet** customers (and all new customers) are now operating on our own managed communication service. Our former primary data centre based in New Jersey has now become our backup data centre and our former backup data centre on Long Island has been closed.

In the US market we continue to see an evolution of the trading model as firms adapt to SuperMontage and recognise that there is no longer a best price from a single exchange. This has occurred as a number of the ECNs have decided not to participate in SuperMontage as they now view NASDAQ as a competitor. In addition, there is a growing drive to combine listed and OTC trading onto the same desk and this benefits **royalblue** as one of the first providers of a fully integrated trading product for both markets.

**royalblue** was voted the best vendor in the sell-side Order Management System category in an independent survey carried out by Risk Waters magazine, a specialist

# interim statement

publication focussing on the US securities industry. According to Risk Waters, the vote “justifying the company’s claims that its **fidessa** system is now the market-leading trading system chosen by a majority of the world’s top-tier investment firms”. This survey was focussed specifically on US domestic trading products, and **royalblue**’s win underlines the progress being made in establishing **fidessa** as the de facto standard for US domestic trading.

## Asia

Throughout Asia trading conditions have remained extremely difficult with the occurrence of the SARS virus earlier in the year affecting Hong Kong in particular as many customers closed their offices and restricted meetings with external parties.

In Hong Kong our primary focus has continued to be to help customers reduce the costs associated with handling order flow. This has manifested in a number of initiatives looking at the use of FIX (the industry standard Financial Information eXchange protocol) and the **fidessa workstation** to make connectivity easier between the buy-side and the sell-side. These initiatives have yet to result in any significant orders. As a result of the challenging conditions in Hong Kong, **royalblue** reduced its headcount in this office to ensure costs remained aligned with expected revenues from the installed customer base.

The Japanese domestic market, which has a significant percentage of legacy trading systems, continues to show potential although progress is likely to be slow. We have continued with localisation of the product providing Japanese language versions, Japanese trade reporting models and a Japanese market-making product. We have also heightened our market profile through a number of seminars and trade shows, which have extended our market contacts in the Japanese domestic market. As the result we have signed a substantial order with Shinko Securities, one of the top five domestic brokerages, for a **fidessa** system to support their local trading requirements. Shinko is affiliated with Mizuho Securities (an existing **royalblue** customer and the largest domestic brokerage) and the deal with Shinko reflects Mizuho’s view that **fidessa** is the best and most scalable trading platform in the Japanese market.

# interim statement

A further retraction of foreign members (European and US investment banks) from the Japanese market has balanced some domestic market growth in the first half. However, the recent go-live of our order management product, OMAR V5, with the global order routing between Tokyo, London and New York and the continuing expansion in pan-Asian trading out of Japan has meant that even in the difficult market conditions, **fidessa** user numbers have remained relatively static. Our continued investment in the V5 platform and the continuing growth of transaction volumes in the Japanese market continues to leave us well positioned if a recovery in the Asian markets does eventually materialise.

## Product Development

Despite the difficult market conditions we have maintained our product development programme to ensure that **fidessa** remains the leading product within the market. However, the structure of the business is evolving rapidly and with the services offered by **fidessaNet** expanding and the increased opportunities we are seeing across the market, we are continuing to see significant demand for major new products. Recent examples of this include the **fidessaExpress** product and the **fidessa workstation** which were conceived last year and have been successfully brought into production during the first half.

**fidessaExpress** went into production, as planned during Q2, in both London and New York to support Indications of Interest, Trade Adverts and buy-side order flow. The next version of **fidessaExpress** is due for delivery in Q3 and will provide support for new business flows and better interconnection between **fidessaNet** customers. These enhancements will include the ability to route order flow between **fidessaNet** customers and to route order flow out over FIX to additional broking services. This is an exciting and important area of development and provides the potential to add significant value to our installed **fidessaNet** customer base.

# interim statement

Following the successful release of the **fidessa workstation** in March a number of major enhancements are planned for release in Q3. Specifically, version 2 will include real-time news from Dow Jones Newswires, enhanced price display pages, a new stock summary page, sophisticated charting analytics and additional data. The new data will include more world indices, forex cross rates, benchmark commodities and index futures. Technical enhancements in this release will also facilitate the remote upgrading of the workstation which will be key to cost effective management of the system as the user base expands.

The Basket Execution and Management (BEAM) application has progressed rapidly during the first half to provide an initial beta release, which has been well received. We are now taking this beta forward in partnership with a major US brokerage to deliver a production basket trading application at the end of the year. BEAM when combined with the V5 OMAR product, and **fidessa** execution gateways for all the major markets around the world, will deliver a level of integration and performance which is not available from any other supplier and which is marketable in all the major financial centres around the world.

The V5 programme is gathering momentum: OMAR V5 has now been successfully rolled out in London, Tokyo and New York to support global order flow between these centres. Work is now well progressed with OMAR 5.1, which will be released in Q3 to coincide with the release of TMAR (Trade Management and Routing) and PMAC (Position Management and Consolidation) on the new 64-bit architecture. Major customers in New York, Paris and Tokyo are working with us on a beta programme for this software.

EMMA (European Multi Market Access) V5 was released in June concluding an 8 month development programme. In the current very volatile markets, throughput and speed to market are more important than ever, and EMMA V5 offers substantial improvements in these areas. This release also provides major enhancements in terms of usability for the trader in response to feedback from customers and has four new high performance market gateways covering Euronext, London, SWX/Virt-X and Xetra.

# interim statement

Based on the core of the EMMA V5 system, development of CAMA (Canadian Market Access), which has been carried out in New York, is nearly complete and due for delivery to customers in Q3 providing support for the Toronto and Vancouver exchanges.

In New York the main development focus during the first half of the year has been a range of enhancements to our **fidessaMontage** product to ensure that it is optimised in terms of performance and usability in the NASDAQ market. This has led to successful rollout of the product, during the first half, with a number of very high profile NASDAQ market making firms. We believe that **fidessaMontage** is now well placed to be a market leader in what is the fastest moving and aggressive electronic market in the world. A number of further enhancements are already planned including an upgrade to the latest 64-bit **fidessa** technology.

## Lava Patent Lawsuit

In June 2003 **royalblue** noted the announcement released by Lava Trading Inc. that it had filed a patent infringement claim in the US against **royalblue**. The patent relates to the concept of displaying prices from more than one source (ECN) on a single screen in the US. Accordingly, even if the allegations in the complaint were found to be true, the claim could only relate to a small element of the **royalblue** product suite.

**royalblue** has been aware of Lava's patent and well before the initiation of any suit against it, **royalblue** proactively sought legal advice regarding the validity of Lava's patent, and the merits of any claim that Lava might bring against it. Based upon the legal advice it received, **royalblue** believes Lava's claims are without merit. While **royalblue** cannot predict the outcome of the Lava lawsuit, it intends to vigorously defend against Lava's claims.

## Outlook

Looking ahead we expect the market to remain difficult into the second half of the year. However, we believe that our strategy of offering an integrated platform of trading services, each one leveraging off the others will continue to prove a valuable proposition in the global trading markets. This will ensure that we continue to experience strong growth in recurring revenues from our **fidessaNet** and enterprise rental businesses.

# interim statement

At the same time, we believe that the consultancy business in our sector has changed permanently and that our business model will further encourage this change. As a result we believe we will see a further decline in consultancy revenues in the second half with the potential for more modest declines or flat consultancy revenues in 2004.

We will continue our product development programme, and will maintain the investment in our core product set so that we can continue to bring more and better products to market. In addition, we believe that we will undertake more business expansions, such as the **fidessa workstation**, moving us into new market areas. These developments may take the form of an acquisition or, alternatively, as with our workstation, where we can achieve better results or offer better value through direct development, we will use this approach.

We are continuing to develop the value of the **fidessa** brand and the range of product we can deliver and as we do so our market offering becomes more and more unique. This is reflected in the strong growth we are experiencing not just in the recurring revenues but also in the amount of order flow being handled by the **fidessa** products despite the financial industry facing one of its most difficult periods. It is unfortunate that this strong growth has been offset by falls in consultancy, but whereas consultancy revenues are transient and susceptible to market conditions, the recurring revenues from the **fidessa** and **fidessaNet** business represent a much deeper value to the market and are correspondingly much more secure revenue streams. Overall, we still believe that we are exceptionally well positioned within a dynamic and long-term market and that the unique proposition and business model **royalblue** has developed will provide a strong basis for long-term growth.

# consolidated profit and loss account

for the six months ended 30th June 2003

		2003 6 months to 30th June Unaudited £'000	2002 6 months to 30th June Unaudited £'000	2002 12 months to 31st Dec Audited £'000
<b>Turnover</b>	2	<b>27,857</b>	29,315	57,006
<b>Operating profit</b>		<b>3,523</b>	3,853	8,226
Exceptional items:				
Sale of associated undertaking		–	–	3,683
Sale of discontinued operation		–	–	500
Profit on ordinary activities before interest		<b>3,523</b>	3,853	12,409
Net interest receivable		<b>324</b>	131	610
Income from other fixed asset investments		–	–	39
Profit on ordinary activities before taxation		<b>3,847</b>	3,984	13,058
Taxation on profit on ordinary activities	3	<b>(1,165)</b>	(1,292)	(2,638)
Profit on ordinary activities after taxation		<b>2,682</b>	2,692	10,420
Dividends paid and proposed	4	<b>(576)</b>	(518)	(1,591)
Retained profits for the period		<b>2,106</b>	2,174	8,829
Earnings per share:	5			
Basic – pre-exceptional gain		<b>8.8p</b>	9.2p	21.2p
Diluted – pre-exceptional gain		<b>8.5p</b>	8.5p	19.7p
Basic – total operations		<b>8.8p</b>	9.2p	35.4p
Diluted – total operations		<b>8.5p</b>	8.5p	32.9p

## consolidated statement of total recognised gains and losses

for the six months ended 30th June 2003

		2003 6 months to 30th June £'000	2002 6 months to 30th June £'000	2002 12 months to 31st Dec £'000
Profit for period		<b>2,682</b>	2,692	10,420
Differences on exchange on re-translation of net assets of overseas undertaking		<b>(199)</b>	(104)	(376)
Prior year adjustment re: deferred tax		–	1,033	1,033
Total recognised gains and losses		<b>2,483</b>	3,621	11,077

# consolidated balance sheet

at 30th June 2003

	2003 30th June Unaudited £'000	2002 30th June Unaudited £'000	2002 31st Dec Audited £'000
<b>Fixed assets</b>			
Tangible fixed assets	5,081	5,032	4,705
Investments	–	49	–
Investment in own shares	2,164	2,206	2,196
	<b>7,245</b>	<b>7,287</b>	<b>6,901</b>
<b>Current assets</b>			
Debtors	15,782	18,613	14,761
Cash and short-term investments	22,749	12,140	22,676
	<b>38,531</b>	<b>30,753</b>	<b>37,437</b>
<b>Creditors:</b> Amounts falling due within one year	<b>(16,326)</b>	<b>(16,937)</b>	<b>(16,799)</b>
<b>Net current assets</b>	<b>22,205</b>	<b>13,816</b>	<b>20,638</b>
<b>Total assets less current liabilities</b>	<b>29,450</b>	<b>21,103</b>	<b>27,539</b>
<b>Creditors:</b> Amounts falling due after more than one year	<b>(417)</b>	<b>(467)</b>	<b>(442)</b>
<b>Net assets</b>	<b>29,033</b>	<b>20,636</b>	<b>27,097</b>
<b>Capital and reserves</b>			
Called up share capital	3,171	3,064	3,142
Share premium account	11,580	10,371	11,580
Profit and loss account	14,282	7,201	12,375
<b>Total equity shareholders' funds</b>	<b>29,033</b>	<b>20,636</b>	<b>27,097</b>

# consolidated cash flow statement

for the six months ended 30th June 2003

	2003 6 months to 30th June Unaudited £'000	2002 6 months to 30th June Unaudited £'000	2002 12 months to 31st Dec Restated £'000
Operating profit	3,523	3,853	8,226
Depreciation charge	1,362	1,466	2,876
(Increase)/decrease in working capital	(1,161)	(2,981)	862
Other items	(1)	7	(7)
<b>Net cash inflow from operating activities</b>	<b>3,723</b>	2,345	11,957
Returns on investments and servicing of finance	324	131	649
Taxation paid	(1,042)	(698)	(2,781)
Capital expenditure and financial investments	(1,760)	(427)	2,609
Equity dividends paid	(1,082)	(936)	(1,452)
<b>Net cash inflow before financing</b>	<b>163</b>	415	10,982
Management of liquid resources	749	78	(128)
Financing	29	17	96
<b>Increase in cash</b>	<b>941</b>	510	10,950

# notes to the interim statement

for the six months ended 30th June 2003

## 1 Basis of preparation

The interim financial statements are unaudited but have been reviewed by KPMG Audit Plc and their report is set out below. The interim statement has been prepared on the basis of the accounting policies as set out in the annual statements for the year ended 31st December 2002.

The financial information contained in this interim statement does not amount to statutory accounts within the meaning of section 240 Companies Act 1985. The figures for the year ended 31st December 2002 are extracted from the statutory accounts of royalblue group plc. The statutory accounts for that year have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) Companies Act 1985. The Consolidated Cash Flow Statement for the 12 months to 31st December 2002 has been restated to reflect an amendment for the transfer from cash to liquid resources in the year, there being no change to the Profit & Loss Account or Balance Sheet.

## 2 Analysis of turnover

Turnover is analysed by geographic destination as follows:

	2003 6 months to 30th June Unaudited £'000	2002 6 months to 30th June Unaudited £'000	2002 12 months to 31st Dec Audited £'000
<b>Continuing operations</b>			
United Kingdom	<b>11,122</b>	14,830	26,534
USA & Canada	<b>12,388</b>	8,343	18,465
Continental Europe	<b>1,511</b>	2,018	3,755
Rest of World	<b>2,836</b>	4,124	8,252
	<b>27,857</b>	29,315	57,006

# notes to the interim statement

for the six months ended 30th June 2003

## **3 Taxation**

The charge for taxation for the six months ended 30th June 2003 reflects the anticipated effective rate for the period.

## **4 Dividend on ordinary shares**

An interim dividend of 1.85p pence per share is declared and will be paid on 6th October 2003 to shareholders on the register on 5th September 2003.

## **5 Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to shareholders divided by 30,334,772 ordinary shares (2002 29,318,422 ordinary shares). The number of shares is based on the weighted average number of shares in issue during the period less the shares owned by the royalblue group plc Employee Benefit Trust. The number of shares in issue at 30th June 2003 was 31,712,805 (2002 30,639,240).

The diluted earnings per share is based on 31,649,545 ordinary shares (2002 31,795,312 ordinary shares). The diluted earnings per share have been calculated using an average share price of 298p (2002 529p).

## **6 Circulation to shareholders**

Copies of this interim report will be sent to shareholders and copies will be available to the public at the Company's registered office, Dukes Court, Duke Street, Woking, Surrey GU21 5BH.

# independent review report by KPMG Audit Plc to royalblue group plc

## **Introduction**

We have been engaged by the company to review the financial information set out on pages 14 to 18 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

## **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2003.

KPMG Audit Plc  
Chartered Accountants  
Crawley

25th July 2003

## **UK**

Registered office:

Dukes Court  
Duke Street  
Woking  
Surrey GU21 5BH  
Tel +44 (0) 1483 206300  
Fax +44 (0) 1483 206301

London office:

2 Suffolk Lane  
London EC4R 0AT  
Tel +44 (0) 20 7929 9200  
Fax +44 (0) 20 7929 9201

## **Europe**

Paris office:

72, rue de Faubourg  
St. Honoré  
75008 Paris  
Tel +33 (0) 1 4007 8302  
Fax +33 (0) 1 4007 8317

## **North America**

New York office:

17 State Street, 42nd Floor  
New York  
NY 1004-1501  
Tel +1 212 269 9000  
Fax +1 212 785 4327

## **Japan and Asia**

Tokyo office:

East Tower, 4th Floor  
Otemachi First Square  
1-5-1 Otemachi  
Chiyoda-ku Tokyo 105-0004  
Japan  
Tel +81 (0) 3 5219 1301  
Fax +81 (0) 3 5219 1201

Hong Kong office:

6207-08, 62nd Floor  
The Centre  
99 Queen's Road  
Central Hong Kong  
Tel +852 2500 9500  
Fax +852 2500 9501

## **Registrar**

Shareholder Helpline  
Lloyds TSB Registrars Scotland  
PO Boc 228448  
Finance House  
Orchard Brae  
Edinburgh EH4 1ZF  
Tel 0870 601 5366

Designed and produced by Loewy Group +44 (0)20 7798 2000

