

SYSTEMS & COMPUTER TECHNOLOGY CORP  
Form 10-K  
December 24, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2003 Commission File No. 0-11521

**SYSTEMS & COMPUTER TECHNOLOGY CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or  
organization)

**23-1701520**  
(IRS Employer Identification No.)

4 Country View Road  
Malvern, Pennsylvania 19355  
(Address of principal executive offices)

Registrant's telephone number, including area code: (610) 647-5930

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share  
5% Convertible Subordinated Debentures Due 2004

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act) Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the Registrant's most recently completed second fiscal quarter was \$230,028,697.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

34,752,882 shares at December 15, 2003

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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## PART I

### **ITEM 1. BUSINESS.**

Systems & Computer Technology Corporation ("SCT" or the "Company"), incorporated in Delaware in 1968, provides enterprise-wide e-education solutions that include software applications, technology and services that support an institution of higher education's administration, research and teaching requirements. SCT works collaboratively with clients and other companies to provide an e-Education infrastructure that enables institutions of higher education to serve their constituents through a unified digital campus. SCT's e-Education infrastructure for higher education is a strategic framework for leveraging an institution of higher education's technology, systems and services for greater operational effectiveness in teaching, learning, research and administration.

In this regard, the Company develops, licenses, and supports a variety of enterprise software and technologies; offers a series of related services including systems implementation, systems integration, and maintenance and enhancements; and provides a range of information technology outsourcing services. The Company's focus on one market enables it to develop and utilize a base of industry expertise to deliver products and services that reflect a thorough understanding of client requirements and industry best practices.

For a portion of fiscal 2003, the Company also served the energy and utilities market. However, as of June 30, 2002, the Company declared the Global Energy and Utilities Solutions ("EUS") business a discontinued operation, and on March 5, 2003, the Company consummated the sale of the EUS business to Indus International, Inc. pursuant to an agreement dated February 12, 2003.

On December 9, 2003, the Company reached a definitive agreement with SunGard Data Systems Inc. ("SunGard") for the acquisition by SunGard of all of the shares of the Company for \$16.50 per share in cash. Based on the Company's approximately 35.4 million fully diluted common shares outstanding, the transaction has an aggregate value of approximately \$584.0 million. The board of directors of each Company has approved the transaction. The consummation of the transaction is subject to the approval of SCT's stockholders and other customary conditions, including the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The transaction is expected to be completed in the Company's second quarter of fiscal year 2004.

Banner, SCT, the SCT stylized logo, PowerCAMPUS, Matrix, Plus, Campus Pipeline and Luminis are either registered trademarks or trademarks of the Company. All other trade names referenced herein are the service marks, trademarks or registered trademarks of their respective companies or organizations.

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### **Markets**

Following the sale of the EUS business, SCT has moved strategically to focus solely on the higher education market. As a result, virtually all of the Company's revenues from continuing operations are derived from the higher education market. The principal market for the Company's offerings is in the United States. In fiscal year 2003, the Company's foreign operations represented approximately 2% of revenues and the Company's export sales represented approximately 7% of revenues.

The Company continues to expand its reach into the higher education market by offering additional products and services designed to address the requirements of specific segments and institution types. SCT's software expertise continues to expand in critical areas of higher education technology, including administrative systems (SCT's traditional strength); academic solutions; portal, self-service and community solutions; content management solutions; information access; enterprise integration solutions; and professional services. SCT has developed substantial functional knowledge and technical expertise about the information technology requirements of higher education institutions.

SCT targets the more than 3,000 North American English-speaking institutions of higher education, and is also pursuing global higher education markets in Europe, Latin America, Asia Pacific, and the Middle East. The Company's primary enterprise software product lines include the SCT Banner, SCT PowerCAMPUS, SCT Matrix, SCT Campus Pipeline, SCT Luminis and SCT Plus solutions. With an increased emphasis on its strategic alliance program, SCT teams with third parties to market and deliver additional higher education- focused solutions, such as academic portfolios and institutional assessment (Nuventive), and e-Procurement (the Higher Markets' offering of SciQuest, Inc.), among others. SCT also teams with companies such as Oracle, Microsoft, Sun Microsystems, Cognos, CAST and Documentum to bring their leading technologies to the higher education market in a way that is integrated with other key infrastructure components.

### **Services and Products**

The Company's revenues are derived from several sources: Software licenses, software services, maintenance and enhancements, and outsourcing services.

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### *Software Licenses*

The Company develops and licenses application software and core technologies, and resells certain third-party solutions. The following are the Company's primary software solutions:

**Banner.** The Company's Banner software product line is both SCT's and the industry's leading software solution for administrative computing in higher education, and serves a wide variety of institution types and enrollments. The component applications of the Banner product line are developed for an Oracle and J2EE environment. The Banner series is fully Internet-deployed and is designed and built with a business process orientation and a business enterprise focus. The software enables institutions to process student information, including financial aid, student records, admissions, and registration, in a centralized or distributed information environment using a common workflow engine, integrated document imaging and self-service on the World Wide Web. In addition, Banner offers systems to assist with common administrative functions, including human resources, financial management and alumni development.

In fiscal 2003, the Company released its Banner enlighten by CAST software product (enLighten). enlighten is an application product that utilizes tools from third party provider CAST, Inc. (CAST) to perform advanced source code analysis to automatically deliver technical information about software applications to development teams in the following areas: Acquisition and transfer of technical knowledge about applications, impact analysis for effective decision making and implementation of change, enforcement of development standards and use of frameworks.

**PowerCAMPUS.** The PowerCAMPUS software product line is designed for public and private institutions of higher education with relatively low student enrollments. The component applications of the PowerCAMPUS product line are developed for the Microsoft environment. The PowerCAMPUS products are available in both Internet-deployed and client/server technologies. The software enables institutions to process student information, maintain student records, process admissions and registration, billing and advancement data using simple workflows. The complementary IQ Web products provide self-service on the World Wide Web to non-administrative end users, such as students and faculty. These products support student and alumni administrative functions, and also provide faculty with access to on-line grading and web-based course management. The PowerCAMPUS suite integrates with third party products from Microsoft's Great Plains business to provide clients with financial and human resource processing, and from The College Board to provide financial aid processing. The PocketRecruiter software product, an add-on product for PowerCAMPUS, is a mobile solution designed to provide admissions officers with access to recruiting information via a hand-held Pocket PC.

**Campus Pipeline and Luminis.** Through its Campus Pipeline and Luminis products, the Company provides core technologies for the e-Education infrastructure with portal, platform, integration, and content management technologies designed specifically for higher education. Based on open standards, these technologies can be integrated with an institution's systems to connect information, resources, and constituents. The Campus Pipeline product is an Internet-native, web-deployed enterprise solution that integrates disparate systems and provides centralized and customized web access to an institution's information, services and constituent communities. The Luminis product line is also an Internet-native, web-deployed solution that enables institutions to create comprehensive online environments for unifying administrative services, campus news, online learning, and other services within their higher education communities. The Luminis Platform solution consists of standards-based tools and applications for system administration, communication, portals, data and user management. The Luminis Content Management suite consists of software to create and manage the information and resources provided on an institution's internal and external web sites. The Luminis Integration suite consists of software and services that integrate an institution's disparate systems, applications and databases to create a digital campus that is open, interoperable and built for extensibility. Both the Campus Pipeline and Luminis products run on Windows NT and Sun Solaris servers with an Internet client browser and support the Microsoft SQL Server and Oracle databases. The Luminis Integration capabilities also support Informix, Sybase and DB2 databases. Both the Campus Pipeline and Luminis products rely on third party components and the Company sublicenses these integral components as part of the Luminis solution. If these third party components become unavailable to the Company for any reason, there is no assurance that the Company would be able to replace them with comparable components.

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The Company is developing two new Luminis-based products that it plans to make available in general release during calendar 2004. Luminis Data Integration for e-Learning will integrate the third party software offerings of WebCT, Blackboard, and eCollege with the Luminis platform, helping institutions achieve better data integration between their student information system and their learning management systems. This product will replace the Luminis Data Integration Starter Edition in the Luminis product family, and will also replace SCT's current message broker technology. Luminis Data Integration for e-Procurement will integrate SciQuest's HigherMarkets eProcurement solution with SCT's Banner Finance product, thereby allowing institutions to access a variety of vendor product catalogs for their purchasing and procurement needs.

*Matrix.* The Company's SCT Matrix software product line is designed for institutions of higher education with complex requirements. The component applications of the SCT Matrix product line are designed for software adaptability and flexibility using XML objects and Microsoft's component architecture. The SCT Matrix software product line is an Internet-native, web-deployed suite of student management applications operating on a unified Microsoft SQL server database. These applications are designed for institutions that require a high degree of flexibility and adaptability in their administrative solutions. The software enables institutions to process student information, maintain student records, manage recruiting and admissions, and process registration, billing and financial aid, all using an integrated rules engine and pervasive communication and relationship management capabilities. Visual user interfaces are provided for both administrative end users and non-administrative self-service users, such as students, faculty, and advisors. The Company is also developing additional modules for SCT Matrix including advanced registration management.

*Plus.* The Plus software is a suite of Web-enabled administrative applications that are used by higher education institutions operating traditional mainframe and minicomputer-based technology platforms. As part of these offerings, SCT provides Web applications to address client requirements for decentralized routine processing and inquiry while maintaining centralized control of information and access. These Web applications allow students to check the availability of courses, build a schedule, and register on line; apply for financial aid; apply for admissions and determine admission status. Information about student grades, schedules, and transcripts is also available, and students can query the system about their account balances.

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*SCT Information Access.* In the Company's fourth quarter of fiscal 2003, the Company released its Operational Datastore designed to be ERP agnostic by transforming disparate data into a common meta data model. It can be used with SCT Banner, PowerCAMPUS, Matrix and Plus implementations or other systems to feed a unified and centralized institutional repository. The SCT Enterprise Operational Datastore product facilitates an institution's *ad hoc* reporting capabilities by supporting a number of generally available third party reporting tools, such as those of Cognos, Inc., IBI WebFocus and Oracle. The SCT Enterprise Operational Data Store includes template reports and abstracted composite views making it easy for users to extend and access institutional data without knowing the complexity and business logic that underlies the information.

The Company plans to release its Enterprise Data Warehouse product offering in the first quarter of calendar year 2004. The SCT Enterprise Data Warehouse offering will aggregate data fed from the SCT Enterprise Operational Data Store and allow an institution to analyze its operational performance by tracking key performance indicators, such as graduation rates and enrollment trends. The first edition of the SCT Enterprise Data Warehouse will utilize the online analytical processing ("OLAP") engine of Cognos, Inc., a leading provider of business intelligence technology. The Company also anticipates providing additional tool choices to support OLAP processing from other third party tools, such as Oracle, Microsoft and Business Objects.

*Oracle.* The Company currently has an agreement with Oracle Corporation allowing the Company to sublicense an application-specific instance of the ORACLE database system that enables a client to use the ORACLE database system with the Banner software at a significantly lower cost than a full-use ORACLE license. The term of the agreement expires in July 2005, but as of August 1, 2004, the agreement can be terminated by Oracle for convenience, upon thirty days prior notice. The Company's results of operations could be adversely affected if Oracle's market acceptance declined or its customer base eroded.

#### *Software Services*

The Company provides a range of professional support services, including project management, systems implementation, modification, training and support; consulting services; database administration; and information technology assessment, planning, integration and management services. When obtaining a license to use SCT's application software, clients typically purchase a variety of software implementation services, such as installation, training and other client support activities. The Company also provides data conversion, customization and systems integration services. Further, the Company offers project-based consulting and technical services, thereby allowing for scalable contracts based upon the particular needs of a client. All these software services are primarily provided in connection with the licensing by a client of the Company's software products.

Contracts for such services may be rendered on either a fixed fee or time and materials basis. Fixed fee contracts require the Company to perform specified services for a fixed services payment. The Company negotiates the fee to be charged based on its estimate as to the number of hours of labor to be utilized in providing the services. In the event the Company's costs to perform a fixed fee services contract are greater than originally anticipated, the Company's profit on that contract would be reduced, and in certain instances, the Company could suffer a loss.

#### *Maintenance and Enhancements*

When licensing the Company's application software, clients typically also enter into a software maintenance agreement with the Company, usually for terms ranging from three to ten years. The Company's software maintenance clients receive telephone, e-mail and web-based support, regulatory updates and functional and technical enhancements for the general release versions of the software covered by the maintenance agreement. The first year maintenance fee is generally an amount equal to approximately 15% to 21% of the license fee, and the maintenance fee generally increases each year by a percentage specified in the maintenance agreement.



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#### *Outsourcing Services*

The Company provides OnSite information technology services in the areas of networking and connectivity; applications, systems, risk mitigation and security; help desk; and data center operations. In connection with such services the Company typically assumes total or partial control of the client's information technology resources, and the services are generally provided on a long-term basis. The Company also provides information technology assessment services; planning services; and on-site or remote staff and staff management services, all by using skilled information technology personnel knowledgeable in the latest computer-based technologies and the functional processes within higher education.

Contracts for OnSite services may be either on a fixed fee or time and materials basis, and generally cover an initial period of three to seven years. Fixed fee contracts require the Company to perform specified services for a fixed payment, generally subject to annual fee adjustments to reflect inflationary cost increases. The Company negotiates the fee to be charged based on its estimate of the total expenses to be incurred in providing the services. In the event the Company's costs to perform an OnSite services contract become greater than originally anticipated, the Company's profit on that contract would be reduced and could result in the Company incurring a loss.

The Company has made a determination to focus its efforts on servicing its existing outsourcing client base and obtaining renewals from these clients, as opposed to aggressively seeking new outsourcing clients. As a result, the Company does not anticipate future growth in its outsourcing business.

#### *Fiscal Funding Clauses*

Because many publicly-funded clients (such as certain state-funded higher education institutions) are restricted by law from incurring binding financial commitments that extend beyond the client's current annual budgets or appropriations, such contracts often include a "fiscal funding" provision which provides for the reduction or termination of services or termination of maintenance commensurate with reductions in a client's allocated funding. To date, the Company has not been impacted materially by early terminations or reductions in service from the use of fiscal funding provisions.

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## **Product Development**

### *Research and Development*

SCT devotes substantial resources to product development in order to address evolving client needs and to provide new product offerings. The product development staff is comprised of experts in various functional areas. Technical experts include specialists in object technology, the Internet, operating systems, and relational databases. Product development expenditures, including expenditures for software maintenance, for the fiscal years ended September 30, 2003, 2002 and 2001 were approximately \$42.6, \$30.0, and \$29.6 million, respectively. All of the product development expenditures for fiscal years 2003, 2002 and 2001 were charged to operations as incurred. For the same fiscal years, amortization of capitalized software costs (which are not included in the aforementioned amounts) amounted to approximately \$2.2, \$2.6 and \$2.8 million, respectively.

### *Development Strategies*

The Company, in consultation with a variety of college and university advisors, expects to continue to enhance certain of its existing products to include object oriented methods focused on reuse, publication of application programming interfaces giving clients and partners the ability to develop extensions to the Company's products using common XML enterprise objects supporting event driven integration and flexible device independent user interfaces, and Web Services designed to abstract the complexity of component options and the adoption of industry standards for data exchange between institutions and their sponsors. These technologies would expand the Company's higher education solutions to move beyond transaction management systems and further support the e-Education infrastructure to help unify the access to information in a digital campus across a variety of local and remote constituencies, including teaching, learning, research and administration.

### *Certain Development Challenges*

The Company's ability to sustain growth depends in part on the timely development or acquisition of successful new products and improvements to existing products. However, software development is a complex and creative process that can be difficult to accurately schedule and predict.

## **Sales and Marketing**

The Company attracts clients primarily through its own sales force of approximately 115 direct salespersons and support staff, comprised of sales managers, regional salespersons, sales support personnel, industry specialists and functional and technical specialists, who are engaged primarily in selling software licenses and related services. SCT also attracts clients through referrals from existing clients and active participation in industry conferences and trade shows within the SCT markets. Systems & Computer Technology Limited, headquartered in High Wycombe, England, operates as the Company's sales operations in Europe, Africa and the Middle East. The Company utilizes distributors in certain international markets. The Company also engages in cooperative marketing efforts with other hardware and software suppliers, and advertises in trade journals and publications.

The sales cycle for the Company's software and services typically ranges from six to 24 months and involves product demonstrations and site visits. Contracts are often offered by means of a public bidding procedure, certain of which require the Company to appear at public hearings.

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### **Competition**

SCT has able competitors. Its competitors differ depending upon the characteristics of the customer, including the size, geographic location, and computing environment of the customer. Many established competitors have greater marketing, technical and financial resources than the Company, and there can be no assurance that SCT will be able to continue to compete successfully with existing or new competitors.

The Company competes with both other providers of packaged application software and technologies, as well as companies or in-house staffs offering to develop custom software. The Company's principal competitors are PeopleSoft, Datatel, Oracle, SAP, and Jenzabar. Competitive factors include price/performance, technology, functionality, portability, software support, and the level of market acceptance of the competitors products.

In the outsourcing services business, the Company's primary competitor is Collegis. The Company also competes with in-house information management and resource development staffs at potential customer sites. Competitive factors in these businesses include the technical expertise of on-site and support personnel, functional and industry-specific expertise, availability and quality of hardware and software support, experience, reputation and price.

### **Backlog**

At September 30, 2003, the Company's revenue backlog was approximately \$697 million, as compared to approximately \$519 million at September 30, 2002. Backlog arises from a firm commitment between a customer and the Company with regard to the delivery of services in future periods, regardless of whether the contract is fixed fee or time and materials. A firm commitment to provide services would result when the Company has entered into a contract with its customer to provide services, the Company has contractually stated the estimated hours and/or total cost of such services based on contractually agreed upon labor rates or the negotiated fee, and the Company is committed to providing these services and the customer is committed to proceeding with these services until either party terminates the contract (with the right to collect those funds for the work provided to date). If the client utilizes more or less of the contracted backlog hours in a time and materials contract, additions or reductions in backlog would occur.

Backlog generally includes outsourcing services contracts and services agreements, including enhancements, maintenance, and support services. Of the \$697 million in backlog at September 30, 2003, approximately 26% is expected to be recognized in fiscal 2004. Approximately 83% of the \$697 million applies to software related services, including enhancements, maintenance and support services, and the remaining 17% relates to OnSite services. In connection with OnSite services contracts, these amounts include any guaranteed minimum price increases provided in the contracts. Backlog is not necessarily indicative of actual revenues for any succeeding period.

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SCT is unable to predict the impact, if any, on its future revenues that may result from reductions in the budgets of customers. Any such reductions could impact new contracts as well as existing contracts. Certain clients cannot make financial contractual commitments beyond the fiscal year for which their budgets have been approved. For this reason, their contracts with SCT usually contain a "fiscal funding" clause which provides that if there is a reduction in the computing services budget, the level of SCT services will be reduced accordingly, or terminated in certain circumstances. If there is a substantial reduction in the budget, SCT may, at its option, terminate the contract or reduce service levels consistent with funding. If a fiscal funding clause were to be invoked, the client would be obligated to pay for all services performed up to the date of the termination or services reduction effected by funding reduction. This would have the effect of reducing backlog, but would have no effect on revenues recognized up to that point.

### **Proprietary Software Protection**

SCT's software is proprietary and SCT relies primarily upon copyright, trade secret laws and internal non-disclosure safeguards generally incorporated in its software license agreements to protect its software. There can be no assurance that such protection will be effective. In addition, other holders of patents and copyrights may assert claims of infringement with respect to the Company's products. To date, SCT is not aware of any material breach in the security of its products or any claims of infringement asserted against it.

### **Employees**

As of September 30, 2003, the Company employed approximately 1,650 employees, of which approximately 500 are resident in Malvern, Pennsylvania, with the remainder resident primarily at the Company's other offices and at client sites. None of the Company's employees are subject to collective bargaining agreements, except for approximately 20 employees at one client site. The Company considers its relationship with its employees to be satisfactory.

### **Securities and Exchange Commission Filings**

Securities and Exchange Commission ("SEC") filings are available free of charge on the Company's website, [www.sct.com](http://www.sct.com). The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are posted as soon as practicable after the Company furnishes such materials to the SEC.

## **ITEM 2. PROPERTIES.**

SCT occupies three adjacent buildings and a portion of a fourth building in the Great Valley Corporate Center in Malvern, Pennsylvania. The Company's corporate headquarters in Malvern, Pennsylvania is located in one of the four buildings referenced above in an approximately 47,000 square-foot facility owned by the Company. Of the remaining three adjacent office buildings, the Company owns an approximately 56,200 square-foot facility, leases an approximately 70,000 square-foot facility under a lease which expires in November 2008 and leases a 48,900 square foot facility under a lease which expires in August 2005, of which approximately 26,500 square feet is sublet. The Company also leases an approximately 73,900 square-foot facility in Frazer, Pennsylvania, near its Malvern campus, under a lease which expires in February 2009. Although the Frazer facility is unused due to personnel consolidation and restructuring, the Company is actively attempting to sublease it.

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The Company also leases the following facilities in Salt Lake City, Utah: approximately 50,600 square feet of space under a lease which expires in February 2012, of which approximately 24,000 is available for sublease; 44,000 square feet of space under a lease which expires in August 2004, all of which is available for sublease; and approximately 8,000 square feet of space which is available for sublease.

The Company also owns and occupies an approximately 45,000 square-foot facility in Rochester, New York, and leases offices in various other locations, including San Diego, California; Dallas, Texas; Herndon, Virginia; Cambridge, Massachusetts; Toronto, Ontario (Canada); Melbourne, FL; Pittsford, NY; High Wycombe, England; and Cheshire, England.

The Company also leases two facilities in Bangalore, India, comprising an aggregate of approximately 27,000 square feet. The India-based facilities are used by the Company as a software development center.

SCT believes that its facilities are adequate for its present business needs.

**ITEM 3. LEGAL PROCEEDINGS.**

In connection with the sale of the EUS business, the Company agreed to indemnify the Purchaser against all losses arising from certain claims asserted against the Company. The Company maintained the exclusive right to control the defense of these claims. As a result, a \$2 million reserve was established for the defense of and resolution of these claims. Additionally, the Company agreed to indemnify the purchaser for breaches of representations and warranties made by the Company in the agreement. If indemnity claims are made against the Company, the proceeds received by the Company for the sale may be subject to adjustment. After consideration of the accrual for the aforementioned legal matters, in the opinion of management any further indemnity obligations of the Company that may result would not materially affect the Company's consolidated financial statements.

The Company from time to time is involved in legal proceedings and litigation arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings and litigation currently pending will not materially affect the Company's consolidated financial statements.

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**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

SCT's Common Stock is traded on the Nasdaq Stock Market under the symbol "SCTC". The following table sets forth its high and low sale prices on the Nasdaq Stock Market for the specified quarter.

Period

| <u>Year ended September 30, 2003</u> | <u>HIGH</u> | <u>LOW</u> |
|--------------------------------------|-------------|------------|
| 1st quarter                          | 10.40       | 7.05       |
| 2nd quarter                          | 9.62        | 6.80       |
| 3rd quarter                          | 9.24        | 6.77       |
| 4th quarter                          | 11.71       | 8.86       |
| <br>                                 |             |            |
| <u>Year ended September 30, 2002</u> | <u>HIGH</u> | <u>LOW</u> |
| 1st quarter                          | 13.00       | 8.65       |
| 2nd quarter                          | 13.69       | 8.61       |
| 3rd quarter                          | 15.96       | 12.20      |
| 4th quarter                          | 13.36       | 5.78       |

The approximate number of stockholders of record of SCT's Common Stock as of September 30, 2003, was 791.

SCT has not paid any dividends for more than the last two fiscal years. The Company's revolving credit agreement prohibits the Company from declaring or paying any dividends other than stock dividends.

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|   | <b>2003 (a)</b> | <b>2002 (b)</b> | <b>2001 (c)</b> | <b>2000 (d)</b> | <b>1999 (e)</b> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues  | \$ 269,639      | \$ 233,557      | \$ 203,093      | \$ 194,098      | \$ 211,368      |
| Operating income  | 27,362          | 13,297          | 9,617           | 13,959          | 43,939          |
| Other income  | 4,135           | 3,981           | 5,190           | 2,316           | 1,276           |
| Other expense   | (1,948)         | (4,203)         | (4,201)         | (4,346)         | (4,636)         |
| Income from continuing operations before income taxes           | 29,549          | 13,075          | 10,606          | 11,929          | 40,579          |
| Provision for income taxes                                      | 12,169          | 5,590           | 4,219           | 5,097           | 15,891          |
| Income from continuing operations                               | 17,380          | 7,485           | 6,387           | 6,832           | 24,688          |
| Income (loss) from discontinued operations                      | 122             | (16,560)        | 8,431           | 1,796           | (5,389)         |
| Net income (loss)   | 17,502          | (9,075)         | 14,818          | 8,628           | 19,299          |
| Income from continuing operations per common share              | 0.52            | 0.23            | 0.19            | 0.21            | 0.76            |
| per share □ assuming dilution                                   | 0.52            | 0.22            | 0.19            | 0.20            | 0.74            |
| Income (loss) from discontinued operations per common share     | 0.00            | (0.50)          | 0.26            | 0.06            | (0.17)          |
| per share □ assuming dilution                                   | 0.00            | (0.49)          | 0.25            | 0.05            | (0.16)          |
| Net income (loss) per common share                              | 0.52            | (0.27)          | 0.45            | 0.27            | 0.59            |
| per share □ assuming dilution                                   | 0.52            | (0.27)          | 0.45            | 0.26            | 0.58            |
| Common shares and equivalents outstanding average common shares | 33,653          | 33,240          | 32,842          | 32,391          | 32,494          |
| average common shares □ assuming dilution                       | 33,727          | 33,608          | 33,278          | 33,624          | 33,531          |
| Working Capital   | \$ 163,108      | \$ 177,223      | \$ 178,757      | \$ 96,440       | \$ 72,046       |
| Net assets of discontinued operations                           | □               | 28,869          | 56,487          | 112,346         | 130,211         |
| Total assets  | 349,430         | 364,143         | 366,507         | 339,502         | 309,954         |
| Long-term debt  | 31,990          | 74,723          | 74,723          | 74,750          | 75,115          |
| Stockholders' equity  | 240,972         | 218,571         | 221,397         | 201,437         | 188,276         |

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(a) Includes pretax restructuring charges of \$3,190 and gains on bond repurchases of \$1,384.

(b) Includes a pretax restructuring charge of \$4,874 and a pretax asset impairment charge of \$5,425.

(c) Includes a pretax restructuring charge of \$2,485 and a pretax asset impairment charge of \$7,831.

(d) Includes a pretax restructuring charge of \$1,000 and equity in losses of affiliates before taxes of \$4,761.

(e) Includes equity in losses of affiliates before taxes of \$3,161.

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.**

The purpose of this section is to give interpretive guidance to the reader of the financial statements. For specific policies and breakdowns, refer to the consolidated financial statements and disclosures. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains descriptions of the Company's expectations regarding future trends affecting its business. These forward-looking statements and other forward-looking statements made elsewhere in this document are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See also, Factors That May Affect Future Results and Market Price of Stock.

Effective December 9, 2003, the Company reached a definitive agreement with SunGard Data Systems Inc. for the acquisition by SunGard of all of the shares of SCT for \$16.50 per share in cash. Based on SCT's approximately 35.4 million fully diluted common shares outstanding, the transaction has an aggregate value of approximately \$584.0 million. The board of directors of each company has approved the transaction. The consummation of the transaction is subject to the approval of SCT's stockholders and other customary conditions, including the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The transaction is expected to be completed in the Company's second quarter of fiscal year 2004.

On December 10, 2003, the Company announced that it will be redeeming its 5% Convertible Subordinated Debentures which mature on October 15, 2004. There are \$32.0 million of debentures outstanding. The debentures will be redeemed at face value in the Company's second quarter of fiscal year 2004. There is no expected gain or loss on this transaction.

**Overview**

Systems & Computer Technology Corporation (the "Company") develops, licenses, and supports a suite of enterprise software; offers a series of related services including systems implementation, systems integration, and maintenance and enhancements; and provides a range of information technology outsourcing services. The Company's market is higher education. The Company's focus on one vertical market enables it to develop and utilize a base of industry expertise to deliver products and services that address specific client requirements.

Prior to June 30, 2002, the Company also served the energy and utilities market. As of the end of the third quarter of fiscal year 2002, the Company declared the Global Energy and Utilities Solutions ("EUS") business a discontinued business. On March 5, 2003, the Company consummated the sale of the EUS business to Indus International, Inc. The results of operations for all periods reflect the EUS business's results as discontinued operations.

Prior to March 31, 2002, the Company also served the process manufacturing and distribution market. As of the end of the second quarter of fiscal year 2002, the Company declared the Global Manufacturing & Distributions Solutions ("MDS") business a discontinued business. On May 31, 2002, the Company consummated the sale of the MDS business to Agilisys International Limited pursuant to an agreement dated April 10, 2002. The results of operations for all periods reflect the MDS business's results as discontinued operations.



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Prior to June 29, 2001, the Company also served the government market. On June 29, 2001, the Company sold its Global Government Solutions (["GGS"]) business to Affiliated Computer Services, Inc. The results of operations for all periods reflect the GGS business's results as discontinued operations.

Effective September 11, 2003, the Company acquired the assets of Newfront Software, Inc. (["Newfront"]) which includes the fsaAtlas product and related resources based in Cambridge, MA.

In the first quarter of fiscal year 2003, the Company acquired Campus Pipeline, Inc. (["Campus Pipeline"]), pursuant to a Merger Agreement dated September 30, 2002. Immediately prior to the consummation of the acquisition, three of the nine members of the board of directors of Campus Pipeline were also directors and affiliates of the Company, two of whom were also executive officers of the Company. Additionally, the Company was a major stockholder of Campus Pipeline, holding approximately 59% of Campus Pipeline's outstanding common stock, which was approximately 43% of the voting interest in Campus Pipeline's outstanding shares due to convertible fully voting, preferred equity. In addition, certain executive officers and other employees owned common stock of Campus Pipeline. As the Company and executive officers and employees of the Company held only common stock of Campus Pipeline, they were not entitled to receive any portion of the merger consideration. Additionally, the Company had a business relationship with Campus Pipeline, as certain of Campus Pipeline's services were offered to clients through contracts entered into between the Company and those clients.

In the second quarter of fiscal year 2002, the Company acquired USA Education, Inc.'s (commonly known as ["Sallie Mae"]) student information systems business in the form of the Exeter Student Suite and Perkins/Campus Loan Manager product lines and related resources. Also, in the second quarter of fiscal year 2002, the Company acquired Applied Business Technologies, Inc. (["ABT"]) and its PowerCAMPUS solution, related resources and customer base.

The Company licenses software under license agreements and provides support services including training, installation, consulting, and maintenance and enhancements. Maintenance and enhancement agreements provide for telephone support and error correction for supported versions of licensed systems, as well as regulatory updates and functional and technical enhancements to licensed systems, if and when they become generally available.

When obtaining a license to use the Company's application software, clients typically purchase a variety of software support services, including systems implementation, modification, training, and other client support activities. The Company also provides consulting and information systems planning and integration services. The duration of these services engagements fluctuate depending on the SCT product line, number of modules purchased, and the scope of services stated in the software arrangement contract. Depending on the aforementioned, the timeline for these services generally ranges from six months to 18 months.

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The Company provides information technology outsourcing services in a variety of areas, including end-user computing solutions, network management, applications outsourcing, and business-process outsourcing. These services are designed to assume total or partial control and responsibility for clients' information resources, generally on a long-term basis. The Company provides management, staffing, and support with skilled information systems personnel and industry specialists who are knowledgeable in both computer-based technologies and the functional aspects of clients' activities

### Results of Operations

The following discussion on operating results excludes the results of EUS, MDS and GGS businesses as they have been classified as discontinued operations in all periods presented.

The following table sets forth: (i) income statement items as a percentage of total revenues and (ii) the percentage change for each item from the prior-year comparative period.

|  | % of Total Revenue<br>Year Ended<br>September 30, |      |      | % Change from<br>Prior Year |      |
|--|---|------|------|-----------------------------|------|
|  | 2003  | 2002 | 2001 | 2003                        | 2002 |
| Revenues   |   |      |      |                             |      |
| Software sales   | 19%   | 16%  | 15%  | 39%                         | 20%  |
| Maintenance and enhancements   | 36%   | 35%  | 35%  | 19%                         | 16%  |
| Software services  | 33%   | 35%  | 31%  | 8%                          | 29%  |
| Outsourcing services   | 12%   | 14%  | 19%  | 0%                          | □13% |
| Total  | 100%  | 100% | 100% | 15%                         | 15%  |
| Expenses   |   |      |      |                             |      |
| Cost of software sales, services<br>and maintenance and enhancements | 62%   | 62%  | 62%  | 15%                         | 14%  |
| Selling, general and administrative                                  | 27%   | 28%  | 28%  | 12%                         | 16%  |
| Retirement and restructuring charges                                 | 1%  | 2%   | 1%   | □35%                        | 96%  |
| Asset impairment charge  | □   | 2%   | 4%   | □100%                       | □31% |
| Operating income   | 10%   | 6%   | 5%   | 106%                        | 38%  |
| Other income   | 2%  | 2%   | 3%   | 4%                          | □23% |
| Other expense  | □1%   | □2%  | □2%  | □54%                        | 0%   |