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SYSTEMHOUSE

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

A DONE DEAL: S/ITS CONTRACT REVIEW

It's that time of year again. Now that the first half of 2005 has come to a close and we ease into summer, it's a good opportunity to take stock of the highlights in the UK S/ITS market over the year to date.

In the past six months we tracked more than 190 new contract announcements with a total disclosed value of over £6bn. These deals have added more than £700m in new revenue to the market. Below are some of the highlights we have identified for the first half:

Retail

Retail, wholesale and hospitality deals represented 16% of all the deals tracked over the period, roughly in line with the sector's 15% share of the S/ITS market. As expected, Electronic point of sale (EPoS) upgrades in high street chains continued to play a significant role here, representing a fifth of the deals in this sector. Going forward, however, we expect these deals to decline as retailers complete their Chip & Pin rollouts.

Interestingly, there are indications that the retail sector is embracing outsourcing more than it has before, with a third of deals involving outsourced provision – pretty impressive for a sector not renowned for outsourcing. However, in a reflection of the immaturity of the sector, the majority of these deals are at the network level, revealing that most are not yet taking the plunge into full ITO or BPO.

One prominent S/ITS buyer worth a mention is WHSmith, which signed in-store IT management and support over to BT, and IT infrastructure to Fujitsu under two separate seven year deals worth in excess of £35m each. The retailer also purchased financial planning software from ALG in the same period.

Utilities

The energy and utilities vertical spends more per employee on IT services than any other sector except telecoms, and the

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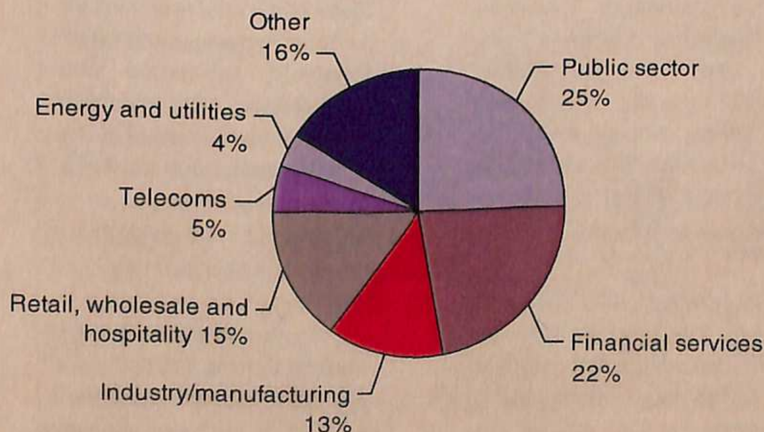
Figure 1 **UK S/ITS market by vertical sector, 2004**



Source: Ovum

Contents

IN THIS ISSUE

Accenture	10
Alphameric	16
Anite	4
Atos Origin	14
Capita	15
Clarity Commerce	12
Deloitte	18
Misys	8
Morse	11
QA	7
Siebel	9
Sun Microsystems	5
Total Systems	16
Unisys	7

OTHER ARTICLES

Holway comment	3
India: is summer over?	17
What's driving tech M&A growth?	13
Recent & forthcoming tech IPOs	19
This month's M&A activity	19
Share prices in July	20
Results service	22
July S/ITS index analysis	24

INDICES
(changes in July 05)

Holway S/ITS	**+1.3%**	**5032**
FTSE IT (SCS)	**+4.2%**	**519**
techMARK 100	**+4.5%**	**1252**
Nasdaq Comp	**+6.2%**	**2184**

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string of deals that we tracked over the period reflects the sector's enthusiastic appetite for outsourcing deals.

Prominent new deals in the period include BT's £30m deal with Neos Networks, part of the Scottish and Southern Energy Group, to provide managed network and billing services, and call centre support. LogicaCMG also won a £22m, seven year IT outsourcing contract with Thames Water to support billing and income services. British Energy signed a five-year £20m deal with Capgemini for application management services, as well as engaging 2e2 subsidiary Norsk Data to maintain servers, desktops and printers.

Figure 2 **Top ten contract announcements, Jan 2005–June 2005**

Supplier	Client	Services	Number of years	Value
Agilisys	Cumbria District Council	ICT and change management	7	£60m
BT	Barclays	Network outsourcing	7	£500m
BT	Registers of Scotland (RoS)	Consulting/Systems implementation	10	£78m
Capgemini	Swansea Council	E-government services	10	£119m
Fujitsu Services	Lloyds TSB	Desktop management	5	£170m
HP	Foreign and Commonwealth Office (FCO)	Infrastructure management	7	£180m
IBM	Norwich Union	Consulting	2.5	£100m
Liberata	Pendle Council	Revenue and benefits, payroll & IT outsourcing	n/a	£100m
Siemens Business Services	Transport for London	Systems development	10	£120m
Xchanging	Boots The Chemist	Procurement outsourcing	7	£400m

Source: Ovum UK Contract Database

Finance

With a forecast CAGR of 5.9% between 2004 and 2009, the financial services sector is expected to outpace overall private sector S/ITS growth (at 4%) for the next four years. Regulatory changes and compliance, as well as infrastructure outsourcing, continues to drive spend. In the past six months we've seen some good examples of deals in this area, with Barclays signing a £500m seven-year network management contract with BT, and LloydsTSB signing up Fujitsu Services' £170m five-year desktop outsourcing deal. IBM also claimed to have won its largest consulting deal since acquiring PwC over this period – a £100m two-and-a-half-year deal to overhaul Norwich Union's business services division.

Public sector BPO

The local government sector continues to host a number of interesting BPO deals, despite a marked lack of the +£300m "mega" deals seen here in the past few years with local councils such as Thurrock, Walsall and Liverpool.

Prominent deals include Liberata's £100m deal with Pendle Council to outsource a range of council services. Pearson's deal with Southwark Council to roll-out outsourced customer services centres is also one of the bigger ones here, although no value has been publicly annonced. Capgemini also signed a £119m 10-year deal with Swansea District Council to introduce and support call centres, although it is as yet unclear whether this will actually be a BPO, or just a managed services arrangement.

Overall however, activity remains high in the local government sector, despite the fact that there are fewer large deals and a maturing market. Indeed, we expect the public sector as a whole to remain interesting, particularly as central government organisations continue to assess their sourcing strategies. Yet Bedfordshire Council's recent cancellation of its 12-year +£250m outsourcing deal with HBS reminds us that there is still room for surprises in local government. *(Samad Masood)*

Ovum's *UK Contract Database* tracks new contract announcements, tenders, renewals, extensions and cancellations. The database contains detailed descriptions of more than 1,500 UK S/ITS contracts, and is available in MS Excel format through an email subscription.

For more information please contact Samad Masood at **samad.masood@ovum.com**

Holway Comment

Being a Non-Executive Director

Richard Holway

At first sight, an article on the role and remuneration of Non-Executive Directors (NEDs) in SYSTEMHOUSE might look a bit "off message". But one of the great advantages I have is knowing our readership pretty well. The majority are Chairmen, CEOs or Executive Directors who sit on boards alongside NEDs. Or they are NEDs themselves. Many readers aspire to be NEDs at a later stage in their careers.

Since the 1980s I have been a NED of over a dozen IT companies – both publicly quoted and private. Since the 1980s the role has become more and more onerous – both the sheer amount of work involved and the considerably increased personal risk. The financial rewards, however, are pretty low. It has always struck me as slightly absurd that I can earn £5,000 a day or more as a management consultant but am lucky to get a fifth of that as an NED. Indeed the average NED in a UK IT company gets a daily rate less than the charge out rate of the average programmer from those self same companies!

NED remuneration

The latest survey of IT NEDs by the Information and TMT Non-Executives Association (ITNEA) has confirmed what I had personally experienced. Compared with 1999, when their last survey was conducted, NEDs (that includes Chairmen and other "Senior" NEDs) are spending more time on the role and have increased personal risk. However, fees paid had increased by just 3.5% pa to an average of £29,509 in 2004.

For that £29,509 fee, NEDs worked on average 30 days. That's a fee rate of £1,000 per day. Interestingly, there was little correlation between size of company and fee. The main correlation was with time.

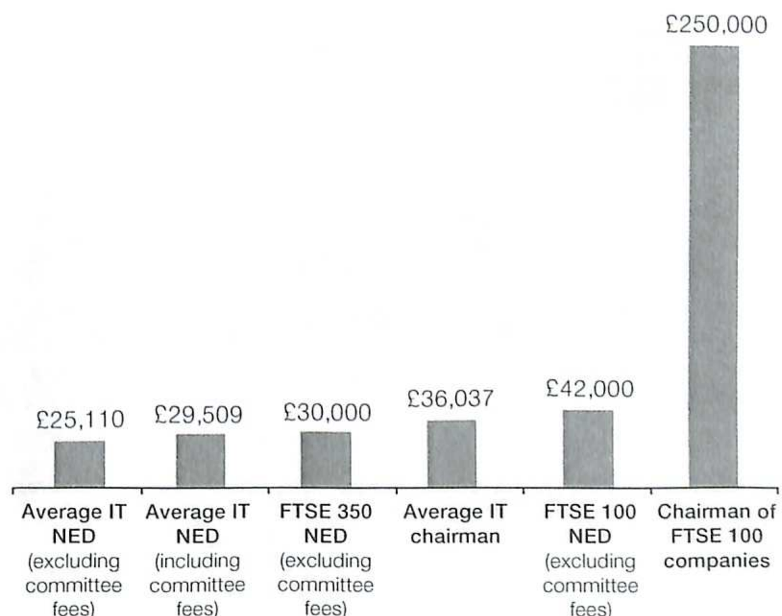
Those serving as *"ordinary"* NEDs received on average just £25,110. In addition, NEDs taking on additional duties such as chairing the Audit or Remuneration committees could sometimes expect additional fees averaging at around £5,700. The average including committee fees was £26,990. The average Chairman of the board would expect fees of £36,037.

It is a bit different outside the IT sector with FTSE100 NEDs receiving average remuneration of £42,000 – an increase of 21% in the last year. We think it is now highly likely that smaller IT companies will have to increase fees in line with this.

What you do

There seems to be a widely held belief that all NEDs do is roll up for a monthly board meeting and then go out for a long lunch. I cannot remember the last time any board meeting I attended involved catering any more exotic

Figure 1 **Fees for Non-Executive Directors (NEDs)**



Source: ITNEA/ITS

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than a prawn sandwich! Only about a third of NED's time is actually spent in board meetings. NEDs spend about half their time in preparation – ie reading those ever more voluminous folders which arrive ahead of each meeting and, in my view, the even more important task of talking with the executives and visiting the company in between. In my own case I'd say that 75%+ of my time was spent outside board meetings in communication with the company's executives or advisers. This is the bit I enjoy most and is certainly the most valuable.

Gatekeeping and box-ticking

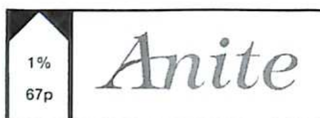
The bit I like least relates to Corporate Governance. NEDs say that about 10% of their time is now spent in Corporate Governance. Don't get me wrong, I wouldn't ever be the director of any company which flouted the law. Indeed, every company where I have been an NED has had an ethical code which far transcends anything written down in law. As an NED your main objective should be to work on behalf of shareholders (who appoint you) to further the interests and, hopefully, the value of the company. But often you feel that your time is being spent as a policeman; questioning executives to ensure that all the rules and regulations, for which you as a director are often personally liable, have been obeyed. These can range from policies towards the disabled to making sure that only "legal" software is used on the company's PCs – just one of the many areas where directors could face a prison sentence unless it can be shown that the right policies are in place to prevent this. So, you end up as a "box-ticker".

And that's before the various "best practice" provisions of the Cadbury and, latterly, the Higgs Code are brought into consideration. Provisions like stopping NEDs serving more than nine years seem inappropriate to me. Higgs frowns on any share options or bonuses for NEDs. Higgs says that NEDs "should be independent of management and free from any business or relationship which could materially interfere with the exercise of their independent judgment". So that rules out many suitably well qualified executives serving on another company's board as an NED. It seems that any NED who really cares about a company and gets financially involved or has any other relevant external role is then deemed not to be "independent" and shouldn't serve as an NED! No wonder so many companies end up with a list of old, retired has-beens.

Importance of NEDs

Personally I think that good, well qualified NEDs are the best and most cost-effective form of advisory services a company can get. But the fees and the risks are putting off more and more candidates. We increasingly run the risk of the best qualified candidates just not being willing to take on the role.

We need new creative thinking on NED remuneration. For example, I think part of an NED's remuneration should be in shares issued at a rate fixed at the start of a three year term. But this would, apparently, break "best practice". *(Richard Holway)*



ANITE – ON THE ROAD TO RECOVERY

Software and services provider **Anite Group** has released its preliminary results for the year ended 30 April 2005. Revenue has decreased 3% to £189.4m, but excluding discontinued operations, revenue actually rose 2.6% to £165.1m.

Operating profit (after goodwill and exceptionals) was £487K, significantly improved on last year's £32.8m loss. Operating profit for the continuing operations came in at £1.3m, up from a £26.2m loss last year. Profit before tax was £6.8m (boosted by £6.8m profit on disposal of businesses during the year) compared to last year's £28.9m loss. Diluted earnings per share came in at 0.5p, compared to a loss of 8.6p.

Commenting on the results, Steve Rowley, Chief Executive said: *"We are confident that Anite's recovery will continue and anticipate that the current year will be a year of investing in growth"*.

Comment: Chief Exececutive Steve Rowley, and Group FD Christopher Humphrey joked with the analysts gathered at the results briefing that Anite's numbers were getting easier to unpick – not least because there were no exceptional items this year. But Anite's still complicated set of numbers reflect the fact that this is a company going through a lot of change, and, to some extent, still dogged by its past.

This is Rowley's first complete year at the helm, having joined Anite in November 2003, and the impact of his recovery strategy is

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starting to bear fruit. FY05's results are pleasing on a number of accounts – not least because Anite has returned a profit after two years of heavy losses.

There is an increasing focus on the company's strengths – the provision of its own software, and supporting services (be it integration, consulting, managed services) into the telecoms, travel and public sector markets (specifically health & social care, regional & local government and enforcement & strategy). These three verticals delivered different performances:

- In the telecoms division, revenues rose 33% to £45.8m. Profit kept pace with revenues, increasing by 33% to £11.6m, ensuring margins remained in excess of 25%
- In the travel division, revenues rose 6% to £30.0m. Profit increased 3% to £6.4m, and margins dipped slightly to 21.3%
- In the public sector, revenues fell 3%. Profits continue to be hampered by 'problem children' (i.e. Anite's contract with the State of Victoria and the delayed development of its revenue and benefits application), wiping £11.4m off the bottom line. Leaving aside the impact of these two projects, the public sector division posted an improvement in margin from 13.1% to 19.2%.

Anite's remaining operations are grouped under 'International', and here revenues fell 20%, and profits pretty much halved to £0.9m. This division is made up, primarily, of two German businesses – both are earmarked for disposal, but even though they are trading profitably the management has yet to find a buyer.

Anite Group (ongoing businesses) FYE: 30 April	Turnover £m			Op profit £k*			Margin	
	2005	2004	Change	2005	2004	Change	2005	2004
International	17.4	21.4	-19%	0.9	1.9	-53%	5.2%	8.9%
Public Sector	64.1	67.2	-5%	12.3	8.8	40%	19.2%	13.1%
SoV/Pericles	5.6	5.0	12%	-11.4	-9.3	23%	n/a	n/a
Telecoms	45.8	34.4	33%	11.6	8.7	33%	25.3%	25.3%
Travel	30.0	28.3	6%	6.4	6.2	3%	21.3%	21.9%
TOTAL	162.9	156.3	4%	19.8	16.3	21%	12.2%	10.4%

*Before exceptional items and restructuring costs, utilisation of contract provisions, amortisation and goodwill impairment

Anite ended the year with an improved balance sheet, partly the result of £19.6m net proceeds from the disposal of four businesses. Net funds stood at £37.2m, compared to £5.0m this time last year. Based on its much-improved performance, Rowley announced their decision to buy back at least £3.5m worth of shares (equivalent to a dividend of 1p per share), and a commitment to purchase up to a further £25m worth, over the next three years.

Looking forward, FY06 is going to be a year of investment – in software applications across the three core divisions. Rowley also stated that they are actively searching for acquisition opportunities that would enhance their public sector business. This makes good sense to us, as Anite lacks the scale of many competitors in its chosen niches, and really should be making more of the growth opportunities afforded by the public sector – not reporting declining revenues!

Given Anite's past history of acquisitions, the management is only too well aware that any such move must, in Rowley's words, have a *"compelling logic"*, and enhance shareholder value.

We agree with Rowley that Anite is in better shape than a year back, and the 'new' management deserves credit for that. The challenge in the year ahead will be to continue focusing on the basics – cash generation, recurring revenues, profitability, market share etc – whilst chasing growth opportunities.
(Heather Brice)

PROFITABLE QUARTER CLOSES AN UNPROFITABLE YEAR FOR SUN

Thanks to a tax benefit, **Sun Microsystems** made a small profit in its fiscal Q4 2005, which ended on 30 June. However, it still made an overall loss for the year.
Looking at the detail for the quarter, Sun had product revenues of $1.93bn (Q4 '04: 2.07bn), down 7%. Services were $1.05bn ($1.04bn), up 0.3% on the un-rounded figures. Total revenue was $2.98bn ($3.11bn) down 4%. Its operating loss was $100m after $84m of restructuring costs, a reduction of 75% on the $411 a year ago (though this figure included a restructuring charge and various non-cash charges). Net income was $121m thanks to a net tax benefit of $190m. Last year's figure was helped by a

[continued on page six]

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$1.6bn settlement from Microsoft, so its $783m of net income is not really comparable.

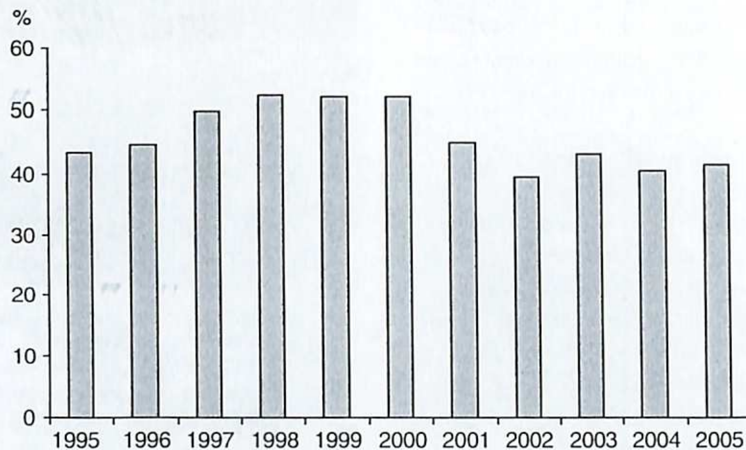
Revenues in Europe were 36% of the total in the quarter, up from 33% a year ago. We estimate this means a net increase of around 4%, which translates to flat in constant currencies.

Turning to the year, product revenues were $7.13bn ($7.36bn) down 3%; services $3.94bn ($3.83bn) up 3%; and total revenue $11.1bn ($11.2bn) down 1%. Operating loss was $359m, a 70% improvement on the loss of $1.19bn a year ago, but still disappointing. Even without restructuring and other charges, Sun would still have made an operating loss for both years. Net loss was $155m, compared to a profit of $825m, again down to the Microsoft settlement.

Comment: It seems sad that the once mighty Sun can only make a profit when it has hand-outs from the tax man and Microsoft, but unless something radical happens, this may be where we are heading. The whole purpose of the earnings call seemed to be to convince the financial community that Sun was going to be careful and steady with its money, rather than convincing folk that Sun was riding on the back of the next big thing.

On the call, McGowan produced charts to show that Sun was inching up its gross margin on products and services (see our version in *Figure 1*, which covers a longer period), now at 42% for the year, improving operational cash flow, and reducing debt. It also showed that from Q4 04 to Q4 05, there had been a 7% increase in the shipments of all servers – but shipments of the cheaper x86 servers went up by 117%, so customers are buying smaller cheaper servers overall.

Figure 1 **Sun's gross margin from 1995–2005**

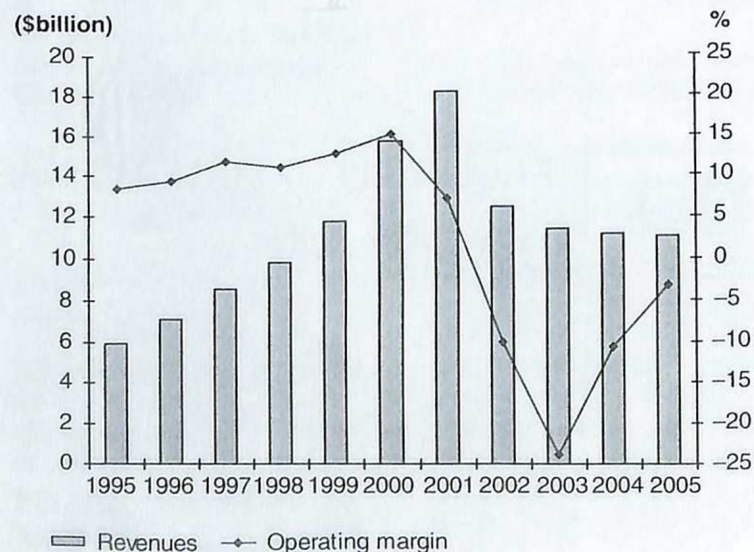


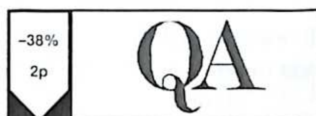
As *Figure 2*, shows, there is a much bigger issue with Sun. It has been on a massive roller-coaster ride, with revenues peaking at over $18bn but declining every year since then, and operating margin peaking at 15% in 2000, plummeting to almost -25% in 2003, then building up towards breakeven in successive years. That the company is still here and still widely respected is testament to the tenacity of management.

However, Sun seems to be struggling to identify exactly what its role is going to be. Clearly it will remain a major hardware vendor, but that business is being commoditised at the low-end by Linix boxes from Dell, and suffering from withering competition from IBM at the top end. Sun's invention of Java, and the open-sourcing of many of its OS components, have won it much kudos in the software world – but kudos is no substitute for revenue.

Sun's re-branding in June and the purchases of StorageTek and SeeBeyond (both also in June) have not had time to register any impact on the results. We think all these are moves in the right direction. But our fear remains that they will prove to be too little too late. *(David Bradshaw)*

Figure 2 **Sun's roller-coaster ride in earnings and operating profit margin**





QA SEES TRAINING REVENUE UP, BUT MARGINS REMAIN IN THE RED

Training specialist **QA** offered a ray of hope for 2006 when it posted its first-half results for the period to 31 May 2005. The good news was that training revenues increased 12.6% to £12.2m. The bad news was that consulting revenues plunged 35% to £1.8m. Overall, QA recorded a 2.7% increase in revenue (to just over £14m), but continued pricing pressure kept margins negative.

EBIT margin - excluding exceptional items - was improved at minus 5.9% (versus minus 6.5%). Pre-tax margin was minus 6.7% (versus minus 3.2% in H1 2004) and net margin was minus 5% (versus minus 2.6%) - but both suffered from unfair comparison with last year, when QA recorded an exceptional gain on disposals. Diluted EPS was minus 0.2 pence, versus minus 0.1 pence this time last year. Cash flow was once again negative.

QA is reshaping its consulting arm, moving it from body-shopping towards much closer work with its managed services operations (and hopefully pulling through revenues for the former). It's also trialling a dedicated telesales operation to sell the more commoditised 'public' training courses (those not dedicated to a single customer).

Hot training areas right now include project management and IT services management, especially related to the increasingly popular ITIL standard.

QA has also appointed a CEO, John Beaumont, to work with chairman Keith Burgess and finance director Colin Gibson.

Comment: QA is rightly focusing on managed training-services revenues. These contracts are frequently low-margin, but they're both a source of recurring revenues and level to sell more value-added services.

QA is also developing some interesting services that look to me like consulting tools, albeit ones designed to produce training revenue pull-through. For example, it's working on an assessment tool that profiles and benchmarks the skills of an organisation's project-management staff. We like this strategy.

QA is sensibly making its managed-services and consulting offerings more modular, in order to distinguish between customers with greater and lesser up-sell potential. As Gibson and Beaumont admit, QA has a great customer base, with some truly huge names, but it's not yet cross-selling and up-selling to that base as much as it should. Training is a bit like the airline industry - hugely loss-making when the bums aren't on the seats, but suddenly profitable when asset usage passes the magic break-even level. In an over-supplied market, survival is all about generating new demand without cutting your own throat on pricing. QA is essentially on the right road.

Interestingly, QA talks about *"increased customer demand"* in H1 2005. We rather suspect that this is company-specific rather than a general upswing in demand. It would be nice to be proved wrong.

I wonder if QA's next move should be developing a partner channel among HR consultancies, or even recruitment process outsourcers.

These guys don't provide training themselves, but their clients often need a training strategy as part of a broader programme of change. If QA can work with these people without treading on their toes - particular at the consulting end of its business - there should be incremental revenues to be won.
(Douglas Hayward)

UNISYS ANNOUNCES IPSL SALE AFTER POOR QUARTER

At its second quarter results announcement **Unisys** revealed that it wants to sell its stake in the its Intelligent Processing Solutions Ltd (iPSL) cheque processing joint venture with Barclays, Lloyds TSB, and HSBC. The company admitted that this was one of its "under performing" transformational BPO contracts that have been a drag on profits over the past year. Negotiations are in the early stages, and Unisys has stated that it will continue to target the UK BPO market after the disposal.

Revenue for the period grew 3.4% to $1.4bn, but 3% of this

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growth was attributed to positive currency fluctuations. Operating losses were reported at $56.6m, down from a $22.9m profit last year. Losses before tax were $39.8m, down from $28.7m of profit last year, with diluted losses per share of $0.08, compared to $0.06 of profit per share. Sales from the US grew 6% to $671m, with International sales up 1% to $765m.

In services, Unisys has managed to grow revenue form Consulting (up 7%), Outsourcing (up 12%), and Infrastructure services (up 6.5%) but this was brought down by declines in Core maintenance, sales of which were down 12%. Technology sales declined by 13% to $199.5m, with the largest fall in Specialized Technologies (down 24%), with Enterprise-class servers down 10%.

Comment: Unisys has faced another tough quarter, being dragged back by the ongoing issue of pensions expense, as well as by the problems it has faced on its now infamous BPO transformational contracts that the company revealed earlier this year as holding back profits.

Unisys' numbers looks slightly less dire when excluding pension expenses, but nevertheless it still made $7.9m operating losses in Services and $5.6m operating losses in Technology ($5.6m) at this level, revealing the negative effect that these problem contracts are having.

CEO Joseph McGrath admitted to analysts at the 2004 full year end results that Unisys underestimated the time and expense involved in migrating clients' old environments to newer technology and processes in a number of BPO deals. That these skills are a crucial part of any transformational deal makes it a mistake that Unisys may find hard to live down.

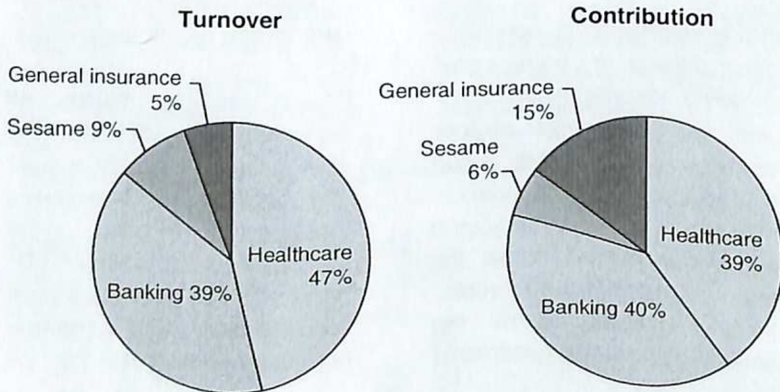
It will be interesting to see how long it takes for Unisys to extract itself from iPSL, which with its diverse ownership may prove a complicated matter. The potential for short term pain could be significant. Nevertheless, it is heartening to see that Unisys is still managing to at least maintain overall revenue levels while it faces tough internal challenges – but we wonder for how many more quarters these problems will hold the company back. *(Samad Masood)*

MISYS: GOOD IN PARTS

Misys has released its annual results for the year to 31 May, and they show total revenue of £888m (2004: £900m), operating profit of £41m (£30m) and net profit of £14.4m (£23.9m).

Misys is a company of parts, as the figure on the right shows. Below is a discussion of the different operational units. The 'contribution' revenues are taken from Misys's "like for like" figures, and though we have strong reservations about what these figures mean, they provide the only measure we have of the operational performance of these units.

Misys revenue by business unit



Source: Misys and Ovum estimates

Sesame

On paper, the largest of Misys's four business lines is Sesame, the network for IFAs. However, most of its revenue is actually just 'pass through' of fees from insurance agents to the insurance companies. The 'real' revenue to Misys is its share of the agents' commissions of around 10% to 15% of pass-though revenue. In the earnings conference, a figure of £50 to £60m was floated around (we use £55m for the charts), which is more like 20% of the revenue. (We find it hard to believe that Misys does not have a better handle on this number.) Sesame is therefore a very much smaller business than its stated revenues of £335m in FY 04 and £319m in FY 05 suggest.

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Healthcare

The largest business is actually the healthcare business, which is mostly, though not entirely, US-based (for example, it has recently won a deal in Lancashire). This reported a slight decline in revenue from £294m in 2004 to £290m in 2005. However, Misys published a set of "like for like" numbers that excluded currency effects, acquisitions, disposals and amortisation. According to these numbers, the underlying business grew from £283m to £288m with an operating margin for this business of 15%. This is better, but even so it is not especially good, considering the strength of its main market and the growth rate of US-based healthcare-specialists like Cerner and IDX, despite NPfiT travails.

Banking

Misys's second largest revenue stream is banking, where it also resorts to "like for like" revenues to try to show it is doing well – the statutory 2004 revenue of £240m becomes £222m and the statutory 2005 of £245m becomes £238m. Based on these figures, there was also growth and a 2005 operating margin of 18%.

Misys says that this business should do well in the future, as banks are turning to the ready-made applications software that it builds rather than using custom-build applications. Though Misys is well-placed to take advantage of this, the super-heavyweight applications vendors, SAP and Oracle, will leap into this market too – indeed Oracle is reported to be negotiating to buy banking specialist i-flex.

Misys really needs to reinforce its alliances here (worryingly, there are no references to partners on the banking part of its website), or the super-heavyweights will use their partners to take over this market. Most importantly, Misys needs to develop really deep relationships with the systems integration heavy-hitters like IBM Global Services and Accenture.

General insurance

Misys's smallest business is general insurance and it grew from £31m in FY 2004 to £34m in FY 2005. It also delivered 47% return on revenue. There was no need to use "like for like" revenues here.

Comment: Misys claims to have made real progress in its business this past year, taking actions such as increasing R&D and off-shoring some of its development costs. However, these figures show there's still a way to go.

In particular, we find it disquieting that Misys relies so heavily on like-for-like figures to find good news in its two main business units when its competitors have no need for this crutch. Of course it is useful to analysts like us to understand the organic growth of the business. But the pieces Misys throws out in the like-for-like revenues are all normal parts of doing business.

We think Misys needs to take a good hard look at its activities and ask some tough questions. For example, is the Sesame business really more of a distraction that a source of future earnings? Is there any way of getting some cross-benefit from the different business units it owns? Or can it find a way of instilling greater operational focus on those business lines?

(David Bradshaw)

SIEBEL.

SIEBEL CONFIRMS THE BAD NEWS FOR Q2

Siebel's results for its Q2 2005 to June came in more or less exactly as forecast in its earlier statement. Software licence revenue, the main pain point, was $78m, down 17% on the $95m of Q2 2004. Total services revenue was $235m up 14%.

Siebel didn't split out professional services and maintenance in this announcement, but on the previous call it said it expected maintenance revenue of $123m, a rise of 8%. Since maintenance revenue is highly predictable, we expect this figure to be very close, and this means professional service revenue of $112m, a rise of around 22%.

Total revenue was $314m, up 4% on $301m a year ago. After a restructuring charge of $74m for the inevitable lay-offs, Siebel made an operating loss in the quarter of $71m, and a net loss of $50m. However, due to a number of non-cash items, the company was still cash-flow positive in the quarter, and it paid a two cent dividend on its shares.

EMEA accounted for 28% of licence revenue, down from 29% in 2004, a dollar decline of 20%. (Since the dollar went down over the year, this is probably more like 25% in constant currencies.) The bright star was Asia-Pacific where licence revenues went up from 7% of the total to 16%, a

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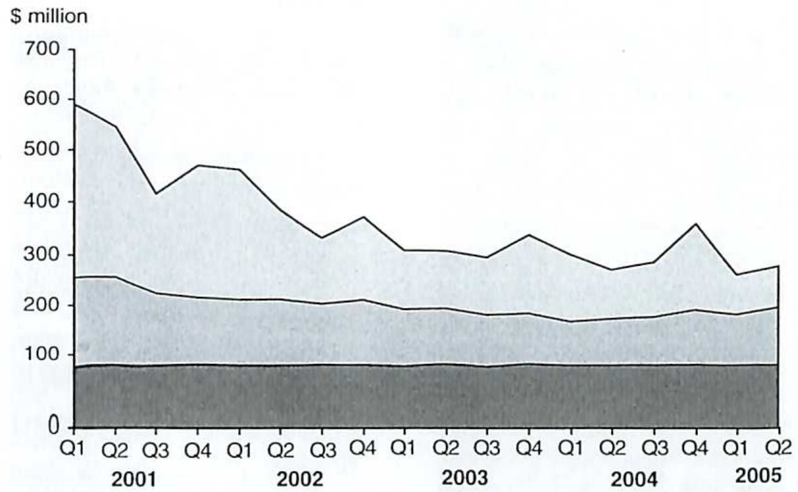
dollar increase of 89%. In the US, licence revenues shrank from 64% to 58%, a dollar decline of 28%.

In business lines, licence revenues were as follows: CRM (sales, services, etc) $53.9m (down 17%); analytics $17.9m (down 24%) and customer data integration $6.6m (up 10%).

Comment: Total revenues up on a year ago – so what's all the fuss about? The problem is that the software licence revenue is seriously down year-on-year, and its threatening to go below the level needed to replace the natural attrition in the user base. Siebel says that its maintenance renewal rate is around 90%, and the main reason for this going down is business change in their customers, such as restructuring or mergers. So Siebel has to win new projects to keep its maintenance base (and the base for its professional services) up.

The chart shows licence, professional services and maintenance revenues ever since Siebel began separately reporting maintenance. It also shows that Siebel is right to worry about this issue – growth in the maintenance base remained strong even as its licence revenue fell sharply, but in the last three quarters it has hardly moved at all, despite Siebel rolling out impressive numbers of new users.

Siebel's license, professional services and maintenance revenues



Source: Siebel

One area that is growing is Siebel CRM OnDemand, and here the user base is around 40,000. Although this is quite a way behind salesforce.com and RightNow, it is still encouraging. However, Siebel doesn't publish the revenues from this area, including them in professional and other services.

It is a shock, though, to see the analytics revenue declining so markedly. It said that it will change the way that it sells the analytical technology. Since Siebel has an enormous installed base of users, there is plenty of opportunity out there.

On the analyst call, CEO George Shaheen announced that Siebel's VP of EMEA Nigel Weston is to leave. Weston is currently involved in finding his own replacement. We're sorry to see Weston go as he's a straight talker who answers questions as directly and openly as he can. We gather that he is going to a start-up that is not competitive with Siebel. We wish him well and hope it won't be too long before our paths cross again – we also hope he has a better time of it than Shaheen had at failed dot-com delivery service Webvan. *(David Bradshaw)*

ACCENTURE CONTINUES ITS STRONG GROWTH, DESPITE NHS WOES

Accenture posted a strong set of results for its third quarter to 31 May 2005. Worldwide revenues were up 7% in local currencies (11% in dollar terms) to reach $4.08bn, with EMEA revenues growing 10% (17% in dollar terms) to $2.1bn on the back of strong performances in Germany, the UK, Spain, Italy and the Netherlands.

Consulting revenue grew 4% worldwide (7% in dollars) and outsourcing grew 12% (16% in dollars), confirming a long-term downward trend in outsourcing growth. In outsourcing, Accenture is seeing proportionately more small and mid-sized deals.

Four of the five vertical groups grew revenues, with financial services recording an astounding 16% worldwide growth (21% in dollar terms). Government sales grew fairly slowly (2%, or 5% in

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dollar terms) however, reflecting in part the delayed payments for work on the troubled NHS outsourcing mega-deals. Communications and high tech revenues contracted slightly (by 1%, but grew 2% in dollar terms).

The UK saw strong growth across all five vertical market divisions, and the territory has a strong pipeline, but the NHS created "challenges" for its profitability, Accenture says. Gross margin was 34.6%, and EBIT margin excluding exceptional items was 15%. Net margin was 7.5% and operating cash flow was 12.8% of revenues. Diluted EPS was up 38% at 51 cents.

Going forward, Accenture sees consulting continuing to grow in high single digits (in dollar terms), with outsourcing growing in the high teens. For Q4, it's forecasting dollar revenue growth of 11% to 14%, and diluted EPS growth of 13% to 23%.

Comment: Accenture is miles ahead of its onshore peers in profitability, and ahead of most in growth terms, too. And this is a company that admits it was slow to jump on the offshoring bandwagon.

The NHS deal continues to weigh on the revenue and profitability of the UK territory and indeed of the worldwide government division. Accenture said that it's agreed a new delivery schedule with the NHS. It confirmed losses on the contracts of $110m to $150m this financial year, and expects more losses (thought lower) next year. It expects to "turn the corner" in FY 2007, and thereafter to record profits on the contracts. Although Accenture is doing very well in the UK, this contract must be hurting its cash flow and profitability.

We've been concerned that Accenture is overheating recently, and it's interesting to see worldwide costs of services and G&A expenses once again rising faster than revenues. The good news is that the rise is heading downwards. Accenture's staff are working hard – utilisation rates were 85% in Q3, the ninth consecutive quarter of rates in the 80s (the attrition rate was nevertheless stable at 18%). Accenture continues to hire staff to deliver its fast-growing revenues – it expects to reach 115,000 employees by financial year in August, a 16% rise on FY 2004.

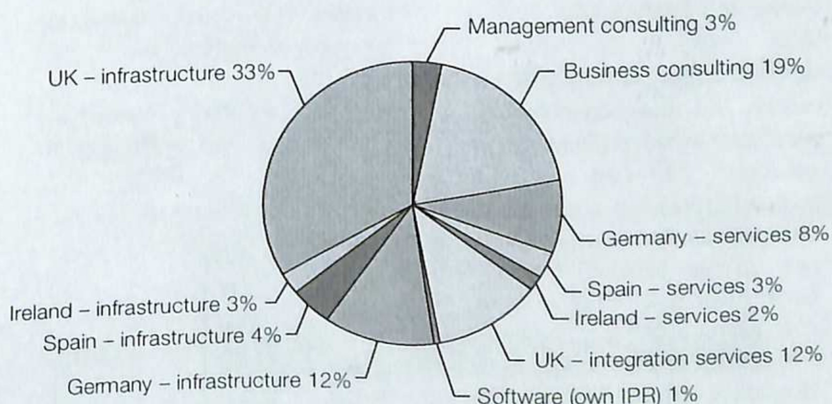
We restate our basic thesis on Accenture: this company understands how to combine outsourcing with consulting (and systems integration) to create a powerful virtuous circle of cross-selling. Its undeniable prowess in IT consulting is an important contributor to the growth in outsourcing – the two are closely inter-linked. Now that Accenture is increasing its emphasis on using offshore resources, expect to see its story strengthened even further in the near future. *(Douglas Hayward)*

MORSE – STILL A LONG WAY TO GO

Morse released its regular quarterly trading performance for Q4 (to 30 June 2005). The highlights are:

- Revenue in Q4 was up 8.4% to £116m, and for the year as a whole up 9.7% to £428m. However without the contribution from Diagonal, revenue would have dipped 1.8%
- Operating profits for FY 05 are expected to be not less than £9.5m, compared to £7.5m
- The net cash balance, as at the year end, was £37m
- In the UK infrastructure business, headcount has been reduced by 100 in H2, resulting in annualised savings of £3m, at a cost of £1.4m
- Property requirements in the UK have also been reduced, saving £1.5m, but leading to a charge of £3.2m.

Morse H2 05 revenue mix, ongoing revenue=£190m



Morse also announced the appointment of Stuart Cruickshank as Finance Director with immediate effect. He was previously FD of Eidos.

Comment: So, underlying revenues at Morse continue to drift downwards, as the technology supply part of the business continues to struggle. The disposal announced earlier in the month, of the loss-making French operation (which relied

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heavily on product supply), will help shift the emphasis on to services, but today's statement reveals that without France, Morse is still dependent on infrastructure sales for more than half its revenues. And revenues are expected to fall further.

The positive in Morse's statement is that margins are expected to increase. We should hope so, as revenues from services – management consulting, business consulting, integration – and the supply of proprietary software, take on a greater role.

Morse reports strong growth in its Management Consulting operation, formed on the back of its CSTIM acquisition in FY04, and "good" utilisation rates in its Business Consulting operation (the combination of Morse's original consulting units and Diagonal). At first glance this is encouraging, but we reckon Duncan McIntyre and his team have got their work cut out if they are to develop Morse into more than the sum of its parts. The Diagonal business may be performing ahead of management's expectations, but its revenues appear to be in decline, contributing £45m since acquisition (i.e. 10 months in FY05) compared to c£56m in its last full year of independence. Indeed, we remain to be convinced that the Diagonal acquisition was a logical move. *(Heather Brice)*

CLARITY COMMERCE: THE SIGNS ARE CLEARLY POSITIVE

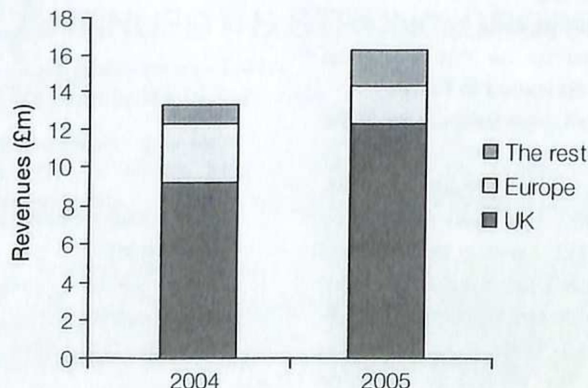
Clarity Commerce Solutions, provider of software and services to the leisure, entertainment and hospitality sectors, announced its results for the year to end March 2005. The company saw revenue increase by 22% to £16.3m (or by 19% on an organic basis – i.e. if we strip out the effect of the Baron LRMS acquisition in October 2004). Operating profit was up a shade at £669k (FY04: £593k). Pre-tax profit was flat at £513k. Diluted earnings per share were 2.36p (FY04: 2.49p).

Comment: The continuing topline growth is highly encouraging, particularly in the UK, which now accounts for 75% of the company's business, compared to 69% in FY04. The US is starting to pick up too, although mainland Europe was a lot tougher in the year, with a 30% fall in revenues. However, we can expect the investment going into sales activity beyond the UK to boost business beyond these shores in the coming years, meaning the overall reliance on the UK market is likely gradually to fall. That said, the company also announced two significant new contract developments in the UK along with its results: a deal with catering giant Sodexho that's currently being finalised, and a confirmed agreement with BT Expedite worth £2m over five years.

One area of increased cost is investment in R&D (which rose from £1.0m in FY04 to £1.6m in FY05). The spending has gone into integrating the acquired businesses' R&D operations, and into a particular focus on .NET platform developments. Going forward, R&D costs are unlikely to fall below current levels.

But what of further acquisitions? Well, through five purchases in five years, Clarity has established itself as a significant force in its chosen verticals and has proved it can integrate operations while keeping up overall momentum. That's a useful track record in a consolidating sector, and we wouldn't be surprised to see the company buy again. Don't expect anything huge, but more step-by-step, easily-digestible acquisitions could well be on the cards.

Such moves could help to shift Clarity's profits up towards the levels where they should be for a software-led player – 4% operating margins and no dividend will not satisfy investors forever. *(Phil Codling)*



LOW GROWTH AND HIGH CASH RESERVES DRIVING M&A ACTIVITY

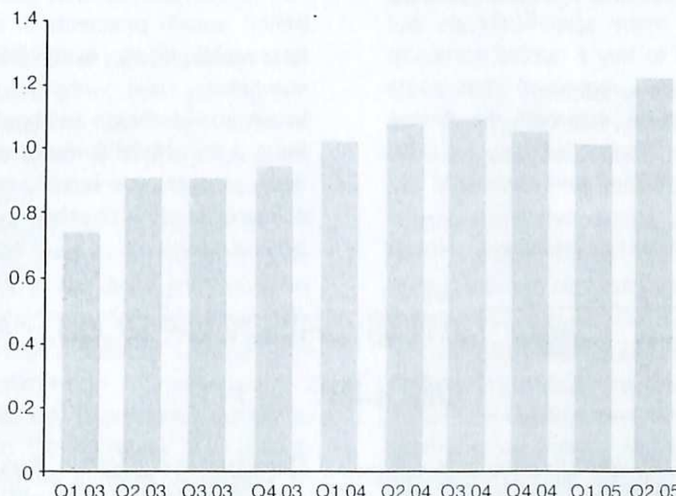
Acquisition activity for the first half of 2005 in the European technology sector has reached a five-year peak, according to Regent Associates (advisors on corporate development, including acquisitions, divestments, and company sales). So far this year 1,413 deals have been completed - a rise of 26% on H1 2004, and just short of the heady days of H1 2000, which saw 1,465 deals. With an 8% rise in activity levels, quarter on quarter, the sector looks set for a bumper year.

Regent's data also reveals that deal value is increasing, The combined value of all deals in H2 05 totalled $107bn, up from $50.3bn in the comparable period last year. Mid-sized deals (between $1bn and $10bn) are at a level not seen in years, and industry profit levels are causing "new post-bubble highs" in terms of price/sales ratios.

The S/ITS sector was particularly busy in H1, with a 26% increase in the number of deals executed. Vertical solutions suppliers remain particularly popular targets; accounting for almost a fifth of all S/ITS related deals, and growing (in number) by a massive 71%. There was also strong demand for Systems Integrators and Professional Services firms.

The UK remains the most prolific acquirer on the European stage, however Scandinavia and US buyers are back with a force, buying significantly more companies during the period. Indeed, Regent sees acquisition activity "polarising" around these regions, which collectively accounted for 60% of all European technology-related acquisitions during the period.

Acquisitions in the technology, communications and media industries



Source: Regent Associates

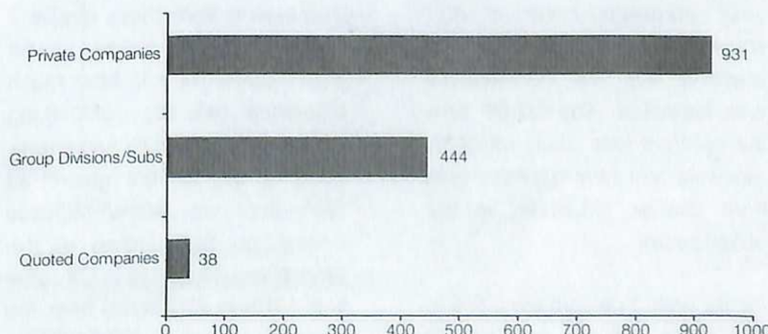
Comment: Key to a lot of this activity is private equity investors, who have funded institutional or management buyouts/buy-ins, or taken a stake directly in the company concerned. They accounted for over 14% of deals in H1, and *"many more where they have provided financial support to the acquisition strategies of their portfolio companies"*.

The statistics show that private companies were the targets in two thirds of deals in H1, compared to less than half of deals two years prior, and divisions/subsidiaries are still changing hands at a pace, as organisations continue to dispose of non-core activities. Meanwhile appetite for quoted companies remains muted. Peter Rowell, Chairman of Regent Associates points out that the supply of suitable private company targets *"limits the attractiveness of listed organisations where a public*

Acquisitions in the technology, communications and media industries

Transactions involving European companies Q1 2003–Q2 2005

Status of acquired company H1 2005



Source: Regent Associates

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company valuation premium normally applies and the costs of transaction are normally higher."

Talking with Peter Rowell about the findings, he commented that most buyers know exactly what they want, are looking for value, and many specifically do not want to buy a quoted company. He also remarked that some would-be acquirers are finding their efforts thwarted, as most transactions are competitive.

Turning to valuations, Rowell believes that the market is *"well balanced"*, with the gap between buyers' expectations and sellers' aspirations much less pronounced at the outset of negotiations.

As we are all well aware, with limited growth prospects in the foreseeable future, many S/ITS companies are relying on acquisition strategies to improve the top line. Nothing wrong with that - provided you buy the right company at the right price!
(Heather Brice)

Regent Associates provides advice to the technology industry in areas of corporate development, including mergers and acquisitions, divestments, valuations and fund raising.

We would like to thank Regent for proving us with data on European S/ITS M&A activity.

ATOS ORIGIN UK POSTS A 1.3% REVENUE DECLINE IN H1

The UK was uncharacteristically the problem child when **Atos Origin** posted a good set of worldwide H1 revenue figures. It recorded revenues of euro2,725m for the six months to 30 June, a 3.9% increase in headline terms and an 8.1% increase in organic and constant-currency terms, excluding disposals and exchange-rate impacts. Both growth rates include a retrospective euro31m down-rating of 2004 H1 revenues following adoption of the IFRS accounting standards. No profits were released.

In the UK, headline revenue was euro587m (£403m), a decline of 3.1% in euro terms and an organic sterling decline of 1.3%. Atos said the problem was a one-year euro90m contract that wasn't renewed in April, adding however that this non-renewal was expected. The fall-off from the contract was partly offset by renewals and new business won from clients, especially in the public sector.

By contrast, France grew 5.5% to euro730m and the Netherlands grew 6.7% to euro508m. Germany and Central Europe grew 94% to euro274m off the back of the KarstadtQuelle outsourcing deal. The rest of EMEA was flat at euro467m.

CFO Eric Guilhou mentioned IBM and Fujitsu Services as Atos Origin's chief competitors in the UK. The latter is *"quite strong in the UK currently"*, he said.

Comment: By my calculation, Atos Origin UK grew 3.5% in pro-forma sterling terms during H1 2004, so H1 2005 looks poor by contrast. Atos said that UK growth excluding the rogue contract was 4% during H1 (6% in Q2). That's still not stellar, but that Q2 figure looks encouraging if the momentum continues.

One lesson from these results - and mirrored in recent results from Capgemini - is how much difference one big outsourcing contract can make to geography. Look at the red-hot growth of Germany, as KarstadtQuelle comes on line. Some of the French growth (9.2% in Q2, after just 1.8% in Q1) came from the Renault applications-management deal coming online.

The UK has its contract with the DWP, which it recently managed to renew and upsell, but it needs another mega-deal or a series of mid-sized deals. Atos still trails the UK market leaders by some way, and it's not going to catch them organically at this rate.

Atos has a respected consulting front-end - UK consulting chief Bernard Brown stabilised his consulting operation last year - and this gives it a credible story in transformational outsourcing. But mega-deals are out of fashion now, and average deal sizes are declining, in part because many customers are opting for "multisourcing" contracts that mix and match services from multiple suppliers.

Atos has a good UK service mix in some ways - outsourcing accounted for more than half UK revenues in 2004 - but it's heavily biased towards public sector (about two-thirds of revenues). That threatens to limit its exposure to the recovery elsewhere. Brown's team has a role to play here in winning non-government business.
(Douglas Hayward)

CAPITA: IS GROWTH STALLING?

The UK's largest BPO provider, **Capita**, unveiled its results for the first half of 2005. Operating profits were up 18% compared to H1 of 2004 to £81.0m, on revenues from continuing operations that increased by 11% to £687m. PBT rose by 16% to £70.1m and EPS was up from 7.46p to 7.92p. Capita is increasing its interim dividend by 20% to 2.1p.

Comment: There's no point quibbling with the profit performance. Capita has once again grown the bottom line, and for the third six-month period in a row, its margin has edged up (this time from 11.1% to 11.8%). Many of the tried and tested Capita ingredients are helping here: selectivity in bidding, a tireless focus on managing the cost base and the ability to exploit economies of scale in procurement and delivery.

Another fast-growing element in this mix is the company's rapid catch-up in India. Having dallied and dipped its toes in subcontinental waters (primarily through its relationship with Mastek), Capita is now putting much more focus on increasing its offshore capabilities. So we can expect 300 employees in Mumbai by the end of the year, compared to the current total of 130. Interestingly, Capita is already servicing UK public sector clients from India, as well as finance customers. As we've said before, offshoring is not off-limits in all parts of UK government, and opportunities here are set to grow.

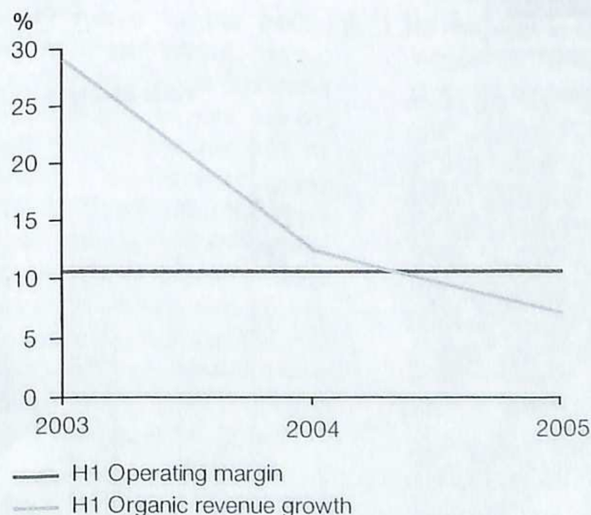
So the profit picture for now remains rosy. The chances of Capita failing to grow net profits in the full year, and thus being forced to surrender its Holway "Boring Award", are very slim indeed.

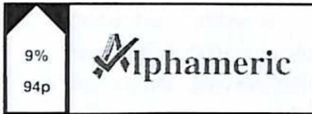
But what of topline growth? Well, organic growth in H1 – at 8%, with acquisitions taken out – is below the sorts of double digit levels we've become accustomed to. Deal signings in the first half of 2005 have been especially slow. Prior to late-July's announcement of a new £100m deal with London's Harrow Council, just £140m-worth of major contract value had been signed during the year. That compares to £1.36bn in 2004 as a whole. A number of decisions have not gone the company's way. It lost four major deals in the first half, the largest of which were at the DWP (where incumbent Atos Origin held on) and Rochdale (where the win went to Mouchel Parkman, who, by Capita CEO Paul Pindar's own admission, simply put in a better bid). Meanwhile, nine deals in Capita's pipeline were "halted". Factors here included the government's lorry charging u-turn and reassessment of outsourcing options by financial services firms in light of the looming VAT issue.

So the key question is whether H1's dip in growth is a symptom of something more severe for Capita. To be fair, the company's management themselves admit they need to prove they can consistently win big deals again in the second half of the year. Harrow is a good start and the other good news is that, despite the lost and halted bids highlighted above, the pipeline is still strong – at £3.4bn. This underlines the fact that new UK BPO opportunities remain plentiful. And once the thorny VAT issues are ironed out towards the end of the year, some of the halted bids in the finance sector may well resurface. So while Rod Aldridge and Co. may not look back on the first half of 2005 as a golden period in their history, it is still too early to claim that the wheels are falling off the Capita growth machine.

(Phil Codling)

Capita first half operating margin and revenue growth, 2003–2005



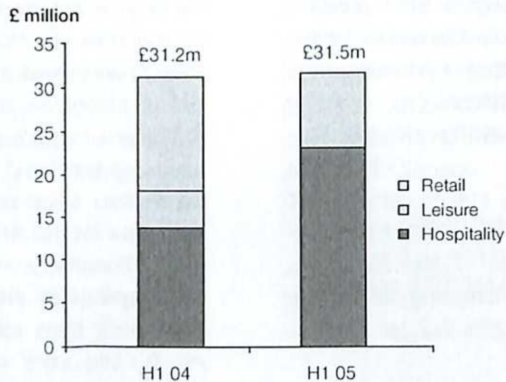


ALPHAMERIC REVENUE COVERS THE LOSS OF RETAIL DIVISION

Leisure and hospitality sector software solutions company **Alphameric** has reported astonishing revenue growth over its first half – already overcoming the loss in revenue stream from the sale of its Retail division to Torex Retail in November last year.

Continuing revenue for the six months ended 31 May 2005 was up 75% to £31.5m, meaning that Alphameric's revenue is now 1% higher than last year's headline revenue, which included the contribution of Retail. Operating profit more than doubled to £3.1m (2004: £1.1m), and profit before tax was also £3.1m compared to last year's £2.4m loss. Diluted earnings per share 2.3p compared to a loss per share of 2.1p last year. Alphameric is issuing a 1p interim dividend (2004: 0.65p).

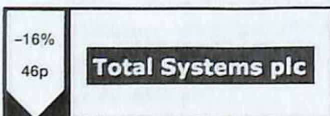
Comment: Performance has been strong in Alphameric's divisions, with revenue from Leisure (which sells solutions to bookmakers) up 68% to £23m, and Hospitality



revenue almost doubling to £8.4m from £4.3m last year.

Alphameric has a strong position in Leisure, and has a large order to roll out electronic point of sale (EPoS) and display technology across all the properties of William Hill, one of the largest players in this sector. The company claims that it is taking advantage of the rise in Internet and telephone gambling by working closely with its clients to develop converged solutions that integrate with licensed betting offices. The growth here shows that Alphameric could be on to something, though we wonder how long the demand for such new systems will last.

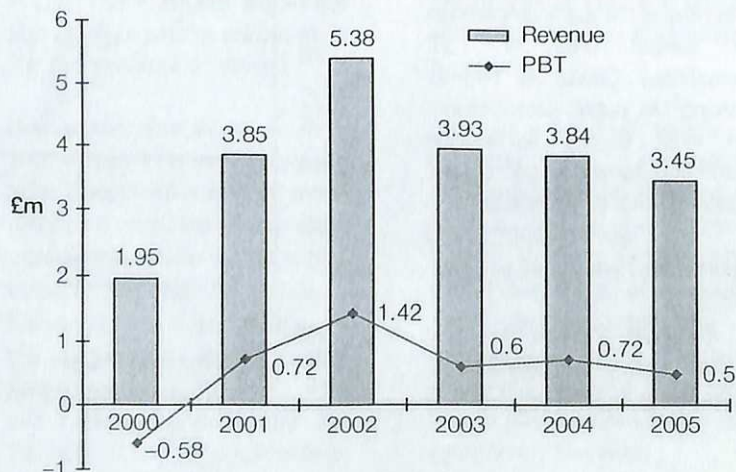
Growth in the Hospitality division is partly from the acquisitions of Timewave Holdings in December, and of Telectronics Systems in March 2005, which we estimate could have contributed up to £2m to revenue in the period. New contracts over the period include a wireless EPoS roll out for Pret à Manger, a Caterwide solution sale to Benjy's and a deal with Enterprise Inns for Alphameric's sales order capture solution. *(Samad Masood)*



TOTAL SYSTEMS CONTINUES DECLINE IN FULL YEAR

Total Systems, the insurance sector software company, has reported revenue down 10% to £3.5m, with operating profit down 43% to £338k for the full year ended 31 March 2005. Profit before tax was down 30% to £496k, and diluted earnings per share were 3.56p, after a 1.80p dividend.

Comment: Total's management do not seem to be able to halt the declines in this business. Sales have been affected by the highly competitive insurance



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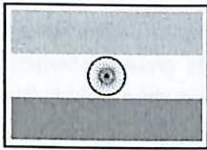
market, where the growth in clients' adoption of outsourcing and offshoring strategies have come at the expense of new investment in insurance software systems. Total has so far not seemed to be able to adapt to these conditions.

On the brighter side, Total claims to have the highest number of sales leads *"for a number of years"* after investment in sales training. The company is also planning to expand its senior sales recruitment strategy. A new product, Total Fund Manager, was also launched in March, and this will perhaps provide some new sales growth.

Overall however, it looks like Total Systems needs to have a rethink about how it targets its product and positions itself in this market. Clearly the environment is changing significantly with the uptake of outsourcing strategies, and Total Systems needs to move fast and find a way to remain relevant – either through expanding partnerships with outsourcing and offshore companies, or trying to merge with them.
(Samad Masood)



INDIA: IS SUMMER OVER?

India's leading IT services providers have been delivering Q1 results. Their momentum remains exceptional. Satyam's 41% year-on-year revenue growth was narrowly topped by Infosys' 42%. Meanwhile Wipro registered 'just' a 29% increase in revenues and the biggest player of all in the Indian offshore industry – Tata Consultancy Services (TCS) – put in 27%. With the exception of TCS, these players saw Q1 growth in Europe ahead of their largest target market, the US. Overall profits continue to rise too. Infosys grew operating profit by 39%, Wipro by 25%, and Satyam and TCS by 24% apiece.

On the surface, all appears to be going swimmingly for the Indian offshore industry. Cast your mind back 18 months or so and much of the talk was of a widespread backlash – notably in the crucial US market – against the Indian suppliers. As we predicted at the time, such a backlash never really materialised and the Indian industry has surged on and on, picking up scores of new customers, growing market share (albeit from a tiny base) and deepening existing relationships as it goes.

So growing the top line hasn't been a problem. And growth has looked especially impressive against the backdrop of an overall IT services market that, since 2001, has struggled to refind any sort of growth at all. Profitability, however, has begun to be more of a challenge. Notice that operating margins fell at each of the top four Indian players in Q1. That said, all four of these players still enjoy operating margins in excess of 20%. So the numbers are still good enough to provoke envy among the rest of the global IT services industry. Nonetheless, the trend is definitely downwards.

A key reason for this margin pressure is wage inflation. Satyam, for example, saw its personnel expenses grow by 45% year-on-year on Q1. It's true that its workforce has expanded rapidly (with 5,000 staff added in the year to take the total to 20,500) and that the drive to recruit 'onshore' sales and consulting people is also pushing up staff spend. But such increases are primarily being caused by the increasing cost of employing people in India itself.

And herein lies a fundamental challenge for not just the India-based players but indeed anyone with operations in the subcontinent. For while the gap between costs in India and North America or Western Europe remains substantial and attractive, it is nonetheless a narrowing gap. In other words, the competitive advantage that has enabled India to capture so much business to date is, gradually, being eroded.

What conclusions can we draw from these observations? Firstly, the Indian firms need to continue to diversify their delivery options (note, for example, moves into China and Eastern Europe of late). The same applies to non-Indian players with operations in the country – putting all your eggs in one basket looks increasingly unwise, especially given the emergence of so many other options in other countries. And for India as a whole, the long-term challenge is to compete for business and investment on the basis of skills, reputation and customer focus, rather than simply price. Such is its headstart that India will remain the world's pre-eminent offshore IT destination in terms of volume for at least the rest of this decade, but the industry there will not reach the next stage in its rapid evolution by going head-to-head on cost with an emerging China.
(Phil Codling)

Deloitte.

DELOITTE MOVES BACK TO ITS ADVISORY ROOTS

We spent a couple of days recently with **Deloitte**'s (EMEA) management team, talking about their strategy and how they see the market. Perhaps the most significant message was clarification of Deloitte's attitude towards the outsourcing market.

First, Deloitte is not interested in being a provider itself in the delivery side of IT infrastructure outsourcing – it will concentrate instead on advising end users on how to manage their sourcing. Application management (AM) is a different affair; Deloitte will continue bundling AM services with its consulting and SI offerings, but won't sell AM as a standalone service.

Business process outsourcing (BPO) is more complex. Deloitte will concentrate on advising end users on sourcing and on process consulting/engineering. But it will do some BPO delivery, especially in "emerging markets" like South Africa. Nevertheless, the emphasis is on advisory work in most geographies. It's certainly not interested in BPO contracts that involve large-scale transaction processing and/or significant transfers of people or assets. It passes this sort of work to partners.

Deloitte is also reviewing the operation of its outsourcing-focused alliance with HP in Europe. HP was to be Deloitte's preferred supplier of all IT outsourcing & BPO, and the two were to go to market jointly for certain clients, with Deloitte providing consulting and system integration expertise and HP handling the outsourcing delivery. But the alliance hasn't really got off the ground in Europe.

Overall, Deloitte was at great pains to stress that it's shifting its energies from the systems-integration aspect of its work towards the higher-value advisory aspect – becoming *"advisory-led rather than execution-led"* as one partner put it.

Comment: Deloitte's strategy is to position itself as its clients' trusted adviser at board level, offering independent advice unsullied by the need to feed a big outsourcing machine. We like this positioning. Clearly emphasising its advisory role is the right move for a company that has a strong brand with board-level respect, but without the scale (or inclination) to rival the majors players in outsourcing delivery. This fits well with Deloitte's history and strengths.

Does Deloitte's limited BPO delivery and its application management services conflict with the trusted adviser role? Not much. The key issue is general IT outsourcing, and here Deloitte works on the client side only. We don't see the BPO offering as a core service for Deloitte, and application management is essentially a sensible adjunct to SI.

That leaves the HP alliance. We see the HP alliance as a tactical move that could have negative side-effects – leading clients to question its vendor neutrality and alienating HP's competitors in outsourcing and BPO delivery. We'd like to see the alliance scaled down or ended entirely. That would give Deloitte a better independence story.

What is Deloitte's differentiator? It's in a middle ground between outsourcer/consulting hybrids like IBM and Accenture and high-end consultancies like McKinsey and Bain. Against both groups it stresses its professional services heritage – chiefly, the ability to bundle services such as tax and business-risk advice into IT services engagements. That's sometimes a real differentiator, but we don't see it as a compelling one, at least in the IT services market.

Against outsourcers, its differentiation is the *"trusted adviser"* role – its independence from hardware and outsourcing providers. Against the high-end management consultancies (who also play the trusted adviser card), its differentiation is technical abilities gained from SI experience. Is this differentiation sustainable, and can Deloitte fight on two fronts at once? I'd say yes, for now.

Overall, I suspect that Deloitte now views its SI business as a useful support to its advisory business, and not vice versa. The tail is no longer wagging the dog.
(Douglas Hayward)

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Capita	BDML Connect Ltd	Provider of "behind-the-brand" insurance services, from The BDML Group.includes two BDML Connect subsidiaries	100%	Capita will pay an initial cash consideration of £26m for all three businesses, with a further £9m dependent on performance to the end of 2007	Capita has a long history of buying small, profitable niche providers and integrating them into its business. It's a model that has served it well. In this case, the acquired teams will join Capita Insurance Services, which is already the UK's largest supplier of insurance administration services. Indeed, by our reckoning, Capita is by far the biggest S/ITS provider to the UK insurance industry as a whole.
CedarOpen Accounts	Grampian Software	Cedar has acquired the HR and payroll applications business of Aberdeen-based software player Grampian Software	100%	N/a	CedarOpenAccounts is operating in an essentially flat market for financial management software, with Oracle and Sage strong on both sides of the Atlantic. But it's also a market with plenty of minnows ripe for consolidation, and that presents an opportunity for CedarOpenAccounts to grow its market share and its profitability. Grampian also helps to extend the Cedar offering into HR and payroll, which should help the company to grow its business with existing customers for its finance solutions.
CODAScisys	Simple Concepts AB	Financial software provider based in the Nordics		Initial euro3.25m in cash to acquire the business, then a further euro250,000 in incentives, as well as 5% of its OCRA software licences over the next three years.	Importantly for CODAScisys, the deal will give it ownership of Simple Concepts' financial consolidation and treasury software OCRA, which will add functionality to its existing CODA financial packages once integrated as part of the CODA suite. CODAScisys also has existing Swedish clients, and the addition of OCRA to the CODA suite will fill an important gap in its language functionality.
Kewill	Perwill	Collaborative commerce solution provider	100%	£2.0m in cash	No surprises here - we had every belief another acquisition was on the cards. The relatively recent acquisitions of TradePoint and ShipNow have both demonstrated revenue growth since integration, which bodes well for Perwill.
Microgen	Lynx Wealth Management Systems Limited	Provides trust, fund and private banking systems and is headquartered in Eastleigh,	100%	Total consideration of £3.7m, which includes debt of £1.6m.	If past record is anything to go by, Microgen should be able to do a good job of integrating LWMS and increasing its profitability. Microgen can strip out some of the immediate crossover costs with LWMS, such as property, for a start. But we also think there are further benefits in leveraging LWMS' complementary asset management services and customer base.
Misys	Almonde	Provider of asset and liability management (ALM) and regulatory compliance solutions	100%	euro15m	The acquisition of Almonde broadens the company's portfolio thereby enabling banking customers to view their full risk and profitability profile. The fact that the two firms have been working together over the past year, and had already formed a strategic partnership to provide financial institutions with Basel II andALM solutions augurs well. However, given that Misys paid euro15m for Almonde, we have to assume that they are a sub euro10m business, and the addition of that revenue will have little impact on the top line.
Opengate Capital (UK) Holdings Limited	Morse's French business	Resale and some services	100%	An initial consideration of euro1 and a further euro1.0m payable in cash in the period to 30 June 2007, if the business achieves certain financial targets.	The loss-making French business derived a substantial proportion of its revenues from product supply, and would have required "significant" financial (and management) investment to transform it into a services operation - hence the sale. What is interesting about this sale is the price achieved. In FY04, Morse's French operation turned over close on £40m, with operating losses of £2.1m. We know that resellers everywhere are under ever greater price and margin pressure, so we have to assume that Morse's French operation had seen a further decline in revenues, and probably deepening losses, this year. But even so, a maximum of euro1m for a business of this scale (or lack of it) shows just how out of fashion resellers really are!
Sanderson Group	Progressive Computer Systems Limited	Progressive is based in West Yorkshire and provides browser-based software solutions	100%	Maximum consideration of £1.75m	This purchase is Sanderson's first major milestone in its buy and build strategy – so expect more M&A activity going forward. The applications market, where Sanderson plays, has bounced back since 2003 when it registered zero growth – it grew 3.9% in 2004. And, although the number of deals and licences sold are up, there is a significant price war raging. To seal large deals, enterprise application vendors almost have to give the software away and rely on maintenance revenues to grow. In this climate, acquisitions will be key to attaining profits going forward.
smartFOCUS	Aims Software	Campaign management software	100%	c£1.0m	This acquisition sees smartFOCUS follows its strategy to acquire a company that has both a complementary client base and additional product offerings in marketing and software solutions.
Statpro	Delve	Supplier of enterprise and reporting solutions	100%	Initial consideration of £550k and a deferred consideration based on revenue performance	In buying a company it knows well, StatPro will of course minimise some of the risks that come with making an acquisition. Clearly StatPro is convinced there is potential to cross-sell the Delve technology, having already made some early movement towards this. We would also add that as a very small player in a market that is served by the likes of Business Objects, Cognos and SAS, StatPro must really do all it can to develop a strong niche position for itself. Any technology that aids this is, of course, welcome.

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end July 05	Change since IPO
AT Communications Group	B2B systems integrator	CS	AIM	37p	£10.9m	25-Jul-05	49p	32.4%
Cyberscan Technology	Gambling software	SP	AIM	611p	£91.3m	12-Jul-05	708p	15.8%
Strategic Thought Group Plc	Risk management software and systems integration	SP	AIM	120p	£30.0m	07-Jul-05	135p	12.1%

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Messaging International Plc	Messaging management systems	SP	AIM	n/a	n/a	03-Jul-05
Seeing Machines Ltd	Image recognition technology	SP	AIM	n/a	n/a	n/a

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation									
	SCS Cat.	Share Price 29-Jul-05	Capitalisation 29-Jul-05	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 29-Jul-05	Share price move since 30-Jun-05	Share price % move in 2005	Capitalisation move since 30-Jun-05
Alphameric	SP	£0.94	£112.7m	-	1.61	429	9%	17%	£4.65m
Alterian	SP	£1.14	£45.5m	35.0	5.84	570	9%	11%	£3.88m
Anite Group	CS	£0.67	£235.3m	133.5	1.24	390	1%	18%	£1.66m
Atlantic Global	SP	£0.27	£6.1m	45.7	2.83	898	-22%	-30%	-£1.72m
Autonomy Corporation	SP	£2.56	£303.4m	56.1	9.09	78	9%	52%	£25.23m
Aveva Group	SP	£7.88	£172.5m	58.4	3.00	3938	8%	19%	£11.80m
Axon Group	CS	£2.27	£120.4m	27.3	2.00	1297	6%	53%	£6.89m
Bond International	SP	£1.10	£27.6m	16.3	3.92	1685	18%	34%	£4.29m
Brady	SP	£0.61	£15.7m	10.0	6.60	753	-11%	-33%	-£1.94m
Business Systems	CS	£0.19	£15.8m	19.9	0.54	158	19%	25%	£2.53m
Capita Group	CS	£3.62	£2,386.1m	25.2	1.86	97856	-2%	-1%	-£39.55m
Charteris	CS	£0.39	£16.8m	26.9	1.21	433	-7%	1%	-£1.29m
Chelford Group	CS	£2.44	£16.2m	65.6	1.36	42435	35%	91%	£4.20m
Civica	CS	£2.26	£114.9m	-	1.10	1288	-4%	-1%	£8.72m
Clarity Commerce	SP	£0.71	£11.3m	28.9	0.85	568	3%	5%	£0.32m
Clinical Computing	SP	£0.14	£4.3m	-	2.42	109	-8%	-58%	-£0.39m
CODASciSys	CS	£3.83	£97.2m	38.6	1.43	2965	4%	13%	£3.81m
Comino	SP	£2.64	£36.7m	30.3	1.44	2031	7%	20%	£2.29m
Compel Group	CS	£1.02	£34.4m	-	0.54	816	6%	11%	£1.86m
Computacenter	R	£1.98	£375.8m	8.2	0.15	296	0%	-32%	£0.00m
Computer Software Group	SP	£0.56	£30.8m	17.2	2.19	477	-3%	-9%	£2.30m
Cornwell Management Consultants	CS	£1.33	£22.0m	-	1.58	952	-10%	0%	-£2.33m
Corpora	SP	£0.09	£5.4m	-	10.73	237	-27%	-42%	-£1.87m
DCS Group	CS	£0.14	£3.4m	2.7	0.06	225	4%	29%	£0.13m
Dealogic	SP	£1.70	£118.9m	27.4	3.84	739	-1%	26%	-£1.75m
Delcam	SP	£2.50	£15.2m	13.3	0.71	962	3%	28%	£0.49m
Detica	CS	£9.11	£203.6m	28.4	2.87	2278	5%	18%	£10.28m
Dicom Group	R	£9.48	£201.7m	32.5	1.29	2906	2%	16%	£3.19m
Dimension Data	R	£0.35	£469.9m	-	0.34	62	8%	-8%	£33.56m
DRS Data & Research	SP	£0.47	£15.4m	34.1	1.07	427	38%	15%	£4.25m
Eidos	SP	£0.65	£92.5m	-	0.62	3249	19%	-19%	£14.59m
Electronic Data Processing	SP	£0.72	£17.5m	-	2.10	2189	-1%	-4%	-£0.24m
Empire Interactive	SP	£0.09	£6.0m	63.8	0.20	148	4%	-11%	£0.25m
Epic Group	CS	£0.93	£22.1m	12.3	2.72	881	16%	0%	£3.15m
FDM Group	A	£0.73	£16.8m	14.7	0.51	890	-10%	-7%	-£0.81m
Flastfill	SP	£0.06	£14.0m	-	5.30	49	-8%	-8%	-£1.20m
Financial Objects	CS	£0.34	£13.7m	-	1.44	148	-15%	-34%	-£2.24m
Flightstore Group	SP	£0.00	£0.2m	-	0.17	20	-25%	-88%	-£0.08m
Flomerics Group	SP	£0.75	£11.1m	-	1.08	2865	9%	12%	£0.89m
Focus Solutions Group	CS	£0.27	£7.4m	11.8	1.36	136	-10%	-33%	-£0.82m
GB Group	CS	£0.41	£33.3m	265.0	2.97	264	18%	62%	£5.46m
Gladstone	SP	£0.21	£10.6m	-	1.39	531	-2%	-7%	-£0.25m
Glotel	A	£1.06	£40.5m	21.9	0.45	551	32%	4%	£9.75m
Gresham Computing	CS	£1.15	£58.1m	21.6	4.68	1237	6%	-58%	£4.28m
Group NBT	CS	£1.18	£22.9m	-	2.98	588	5%	14%	£1.07m
Harvey Nash Group	A	£0.49	£30.7m	18.4	0.19	280	-13%	-46%	-£4.39m
Highams Systems Services	A	£0.05	£1.5m	89.1	0.11	132	-17%	-14%	-£0.32m
Horizon Technology	CS	£0.71	£51.9m	-	0.27	259	8%	-9%	£3.62m
I S Solutions	CS	£0.12	£3.0m	16.9	0.55	457	2%	-16%	£0.06m
ICM Computer Group	CS	£3.27	£68.1m	-	0.88	1814	-4%	-20%	-£2.81m
IDOX	SP	£0.11	£20.5m	22.1	2.15	14	0%	-1%	£0.00m
In Technology	CS	£2.05	£49.6m	34.4	0.76	1282	19%	169%	£7.89m
INCAT International	SP	£0.46	£64.2m	-	0.23	1820	-1%	-70%	-£0.71m
Innovation Group	SP	£0.36	£156.9m	-	2.70	156	13%	3%	£17.56m
Intelligent Environments	SP	£0.03	£5.0m	-	1.43	35	-4%	-48%	-£0.19m
Interactive Digital Solutions	SP	£0.01	£2.8m	-	9.1	570	27%	-12%	£0.60m
Intercede Group	SP	£0.20	£6.8m	-	3.8	333	5%	8%	£0.34m
Invu	SP	£0.21	£22.4m	-	7.13	2158	-21%	-11%	-£2.47m
IQ-Ludorum	SP	£0.01	£1.0m	32.0	0.40	17	0%	-18%	£0.00m
iSOFT Group	SP	£4.26	£975.7m	-	3.72	3875	2%	24%	£15.45m
iTrain	SP	£0.08	£6.3m	38.4	5.76	94	-4%	-2%	-£0.30m
K3 Business Technology	SP	£1.08	£16.8m	80.0	1.97	825	21%	3%	£2.88m
Kewill	SP	£0.81	£64.0m	10.8	2.40	1606	8%	42%	£4.53m
Knowledge Technology Solutions	SP	£0.04	£5.7m	23.2	7.39	775	3%	-30%	£0.19m
LogicaCMG	CS	£1.88	£1,411.7m	-	0.85	2575	8%	-2%	£101.37m
Lorien	A	£0.37	£6.8m	98.9	0.06	365	-10%	-30%	-£0.74m
Macro 4	SP	£2.97	£64.4m	5.3	2.06	1196	6%	62%	£3.80m
Manpower SoftWare	SP	£0.21	£9.3m	52.9	1.81	216	11%	-33%	£0.89m
Maxima Holdings	CS	£1.78	£21.3m	-	1.71	1295	8%	82%	£1.55m
Mediasurface	SP	£0.13	£10.0m	-	1.86	956	-12%	73%	-£1.35m

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Micro Focus	SP	£1.78	£352.8m	-	4.35		11%	18%	£33.83m
Microgen	CS	£0.82	£84.2m	25.1	1.98	348	-3%	44%	-£1.96m
Minorplanet Systems	SP	£0.02	£3.8m	-	0.11	48	-14%	-44%	-£0.60m
Misys	SP	£2.35	£1,198.0m	-	1.33	2924	-1%	12%	-£15.29m
Mondas	SP	£0.20	£5.1m	81.0	1.11	260	-19%	5%	-£1.18m
Morse	R	£0.93	£139.7m	-	0.36	370	32%	-4%	£33.98m
MSB International	A	£0.66	£13.4m	-	0.15	345	-4%	-21%	-£0.62m
NCC Group	CS	£2.65	£86.4m	25.5	4.60	1587	8%	38%	£6.52m
Ncipher	SP	£2.23	£61.0m	43.4	4.28	890	4%	5%	£2.47m
Netcall	SP	£0.15	£10.0m	16.5	4.16	308	-5%	-20%	-£0.49m
Netstore	CS	£0.39	£39.0m	-	1.89	257	-5%	2%	-£2.03m
Nexus Management	CS	£0.00	£1.6m	34.1	1.40	164	0%	-31%	£0.00m
Northgate Information Solutions	CS	£0.79	£419.5m	-	2.04	303	13%	22%	£46.61m
NSB Retail Systems	SP	£0.31	£112.7m	96.0	2.48	2696	13%	17%	£12.72m
OneclickHR	SP	£0.04	£5.6m	-	1.16	94	0%	7%	£0.00m
Parity	A	£0.08	£23.8m	-	0.14	1375	-7%	-16%	-£1.80m
Patsystems	SP	£0.15	£22.4m	-	1.91	140	25%	22%	£4.50m
Phoenix IT	CS	£3.09	£182.0m	-	2.06	1144	3%	13%	£5.30m
Pilat Media Global	SP	£0.49	£24.5m	22.7	2.04	2425	13%	31%	£2.79m
Pixology	SP	£0.96	£19.1m	25.8	4.23	684	-12%	-50%	-£2.60m
Planit Holdings	SP	£0.23	£20.6m	-	0.73	938	-12%	-6%	-£2.75m
Portrait Software (was AIT)	CS	£0.26	£18.9m	16.1	1.32	171	-4%	-16%	£4.71m
Prologic	CS	£0.71	£7.1m	9.7	1.02	849	-17%	-9%	-£1.40m
PSD Group	A	£2.37	£59.1m	-	1.35	1075	0%	-9%	-£0.25m
QA	CS	£0.02	£4.9m	32.4	0.16	8	-38%	-46%	-£3.01m
Quantica	A	£0.58	£23.4m	-	0.76	464	-3%	24%	-£0.81m
Raft International	SP	£0.06	£4.1m	17.3	0.57	99	-32%	-26%	-£1.99m
Red Squared	CS	£0.06	£1.6m	-	0.92	302	-21%	-39%	-£0.43m
Retail Decisions	SP	£0.30	£87.7m	-	2.76	409	3%	6%	£2.17m
RM	SP	£1.78	£160.3m	28.5	0.61	5086	5%	3%	£6.06m
Royalblue Group	SP	£5.67	£185.1m	-	3.10	3332	3%	27%	£5.39m
Sage Group	SP	£2.32	£2,971.8m	23.7	4.32	89038	3%	14%	£99.49m
Sanderson Group	SP	£0.66	£26.9m	21.6	1.86	1320	-1%	8%	£0.05m
SDL	CS	£1.40	£85.5m	-	1.36	933	2%	4%	£7.77m
ServicePower	SP	£0.38	£28.2m	-	6.87	380	37%	12%	£7.74m
Sirius Financial	SP	£0.95	£16.7m	-	0.77	633	1%	14%	£0.32m
SiRViS IT plc	CS	£0.07	£7.6m	67.9	2.3	58	-2%	8%	-£0.14m
smartFOCUS plc	SP	£0.14	£10.4m	-	3.6	1459	8%	50%	£1.17m
Sopheon	SP	£0.23	£27.9m	-	6.45	331	-7%	-3%	-£2.09m
Spring Group	A	£0.53	£86.6m	-	0.18	592	-24%	-42%	-£23.43m
StatPro Group	SP	£0.50	£18.3m	7.7	2.02	625	3%	49%	£0.55m
Stilo International	SP	£0.02	£2.0m	9.4	0.98	45	-14%	-50%	-£0.34m
Superscape VR	SP	£0.29	£52.2m	-	12.9	146	18%	-51%	£8.29m
SurfControl (was JSB)	SP	£4.16	£124.5m	-	2.60	2080	-9%	-24%	-£12.87m
Systems Union	SP	£1.21	£130.1m	31.5	1.25	927	7%	4%	£8.23m
Tadpole Technology	SP	£0.05	£17.4m	30.1	3.60	109	6%	-55%	£0.97m
Telecity	CS	£0.21	£56.5m	-	2.19	26	17%	9%	£8.27m
Tikit Group	CS	£1.87	£23.7m	-	1.99	1626	10%	17%	£2.10m
Torex Retail	SP	£1.18	£226.1m	39.8	3.33	2938	7%	55%	£15.39m
Total Systems	SP	£0.46	£4.8m	-	1.40	868	-16%	-14%	-£0.89m
Touchstone Group	SP	£1.13	£12.2m	12.9	0.71	1071	-1%	21%	-£0.43m
Trace Group	SP	£0.83	£12.5m	-	0.81	660	1%	2%	£0.15m
Triad Group	CS	£0.47	£7.0m	16.2	0.15	344	2%	-19%	£0.15m
Tribal Group	CS	£2.02	£153.9m	58.9	0.67	1223	20%	40%	£26.99m
Ultima Networks	R	£0.02	£3.3m	-	1.75	40	0%	-13%	£0.00m
Ultrasis Group	SP	£0.01	£8.6m	11.6	5.61	14	-10%	112%	-£0.91m
Universe Group	SP	£0.21	£12.6m	-	0.29	911	2%	1%	£0.39m
Vega Group	CS	£2.22	£45.1m	-	0.86	1816	3%	14%	£1.42m
VI group	SP	£0.08	£3.0m	25.5	0.31	160	0%	-44%	£0.00m
Vianet	CS	£0.05	£8.7m	-	22.98	40	-12%	-17%	-£1.14m
Xansa	CS	£0.90	£306.9m	-	0.82	2295	-2%	-4%	-£6.86m
XKO Group	SP	£0.86	£23.7m	33.9	0.53	573	-5%	19%	-£1.24m
XN Checkout Holdings	SP	£2.92	£80.5m	2.5	4.40	2974	7%	94%	£6.76m
Xpertise Group	CS	£0.01	£5.0m	30.1	0.38	48	-4%	60%	-£0.20m

Note: We calculate PSR as market capitalisation divided by sales in the most recently announced financial year.
Main **SYSTEM**HOUSE S/ITS Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The SCS Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company. **Category Codes: CS** = Computer Services **SP** = Software Product **R** = Reseller **A** = IT Agency **O** = Other

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Alphameric plc

	Interim - May 05	Final - Nov 04	Interim - May 05	Comparison
REV	£18,048,000	£69,973,000	£31,520,000	+74.6%
PBT	-£2,350,000	-£59,487,000	£3,117,000	Loss to profit
EPS	-2.10p	-50.90p	2.30p	Loss to profit

Alterian plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£5,668,000		£7,806,000	+37.7%
PBT	-£3,232,000		-£432,000	Loss both
EPS	-7.10p		0.10p	Loss to profit

Anite Group plc

	Final - Apr 04		Final - Apr 04	Comparison
REV	£196,232,000		£189,403,000	-3.5%
PBT	-£28,897,000		£6,820,000	Loss to profit
EPS	-8.60p		0.50p	Loss to profit

Argonaut Games plc

	Interim - Jan 03	Final - Jul 03	Interim - Jan 04	Comparison
REV	£6,933,000	£5,317,000	£4,373,000	-36.9%
PBT	£1,096,000	-£10,882,000	£2,387,000	+117.8%
EPS	1.10p	-11.20p	-2.24p	Profit to Loss

Asite plc

	Final Dec 03		Final Dec 04	Comparison
REV	£1,597,000		£1,574,000	-1.4%
PBT	-£2,457,000		-£3,962,000	Loss both
EPS	-2.10p		-3.60p	+71.4%

Atlantic Global plc

	Final Dec 03		Final Dec 04	Comparison
REV	£1,956,000		£2,146,000	+9.7%
PBT	£496,000		£188,000	-62.1%
EPS	1.35p		0.50p	-63.0%

Autonomy Corporation plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£16,900,000	£35,379,067	£20,830,000	+23.3%
PBT	£1,650,000	£4,682,488	£3,500,000	+112.1%
EPS	0.01p	0.03p	0.03p	+200.0%

Aveva Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£38,113,000		£57,543,000	+51.0%
PBT	£6,109,000		£5,764,000	-5.6%
EPS	22.42p		13.41p	-40.2%

Axon Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£50,210,000		£60,273,000	+20.0%
PBT	£4,020,000		£6,334,000	+57.6%
EPS	4.60p		7.80p	+69.6%

Brady plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£2,386,644		£4,832,440	+102.5%
PBT	£628,628		£1,914,789	+204.6%
EPS	2.60p		5.80p	+123.1%

Bond International Software plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£3,370,000	£7,037,000	£4,239,000	+25.8%
PBT	£155,000	£451,000	£711,000	+358.7%
EPS	0.64p	2.19p	2.40p	+275.0%

Business Systems Group Holdings plc

	Final - Mar 04		Final - Mar 04	Comparison
REV	£22,643,000		£29,485,000	+30.2%
PBT	-£117,000		£576,000	Loss to profit
EPS	-0.15p		0.90p	Loss to profit

Capita Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£617,300,000	£1,285,100,000	£687,300,000	+11.3%
PBT	£63,300,000	£117,000,000	£70,100,000	+10.7%
EPS	6.31p	11.21p	7.46p	+18.2%

Charteris plc

	Interim - Jan 04	Final - Jul 04	Interim - Jan 05	Comparison
REV	£5,893,000	£13,822,000	£8,866,000	+50.4%
PBT	£34,000	£541,000	£438,000	+1188.2%
EPS	0.00p	0.81p	0.63p	n/a

Chelford Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£9,877,000		£11,852,000	+20.0%
PBT	-£373,000		£282,000	Loss to profit
EPS	-3.22p		3.72p	Loss to profit

Civica plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£52,474,000	£104,100,000	£49,576,000	-5.5%
PBT	£3,764,000	£8,300,000	£4,250,000	+12.9%
EPS	5.20p	11.50p	5.70p	+9.6%

Clarity Commerce plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£13,325,000		£16,310,000	+22.4%
PBT	£511,000		£513,000	+0.4%
EPS	2.49p		2.36p	-5.2%

Clinical Computing plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£1,858,828		£1,757,997	-5.4%
PBT	-£1,236,892		-£1,087,741	Loss both
EPS	-4.50p		-2.40p	Loss both

CMS Webview plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£905,000	£1,629,000	£442,000	-51.2%
PBT	-£116,000	-£543,000	-£778,000	Loss both
EPS	-0.17p	-0.92p	-0.97p	Loss both

CODASciSys plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£68,026,000		£67,830,000	-3%
PBT	£3,861,000		£3,914,000	+1.4%
EPS	9.90p		8.90p	-10.1%

Comino Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£24,507,000		£25,533,000	+4.2%
PBT	£1,713,000		£1,946,000	+13.6%
EPS	6.90p		8.60p	+24.6%

Compel Group plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£29,328,000	£63,335,000	£41,512,000	+41.5%
PBT	-£260,000	-£327,000	£277,000	Loss to profit
EPS	-0.80p	-0.90p	0.80p	Loss to profit

Computacenter plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£2,482,713,000		£2,456,575,000	-1.1%
PBT	£65,161,000		£64,645,000	-.8%
EPS	24.60p		23.70p	-3.7%

Computer Software Group plc

	Final - Feb 04		Final - Feb 05	Comparison
REV	£6,253,000		£14,072,000	+125.0%
PBT	-£343,000		£928,000	Loss to profit
EPS	0.47p		3.19p	+578.7%

Cornwell Management Consultants plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£7,222,660		£13,901,439	+92.5%
PBT	£105,338		£1,229,334	+1067.0%
EPS	n/a		n/a	Loss both

Corpora plc

	Final - Jun 04		Interim - Dec 04	Comparison
REV	£499,381		£806,151	N/a
PBT	-£2,649,553		-£2,356,084	Loss both
EPS	-16.10p		-6.50p	Loss both

DCS Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£30,200,000	£52,800,000	£19,500,000	+92.5%
PBT	-£4,000,000	-£7,000,000	£2,800,000	Loss to profit
EPS	-17.16p	-31.07p	10.78p	Loss to profit

Dealogic Holdings plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£13,469,000	£30,966,000	£16,394,000	+21.7%
PBT	£5,313,000	£12,883,000	£4,878,000	-8.2%
EPS	N/a	N/a	N/a	N/a

Delcam plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£20,451,000		£21,503,000	+5.1%
PBT	£1,348,000		£1,196,000	-11.3%
EPS	20.45p		18.81p	-8.0%

Detica Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£53,523,000		£71,027,000	+32.7%
PBT	£8,775,000		£8,781,000	+0.1%
EPS	35.30p		31.30p	-11.3%

Diagonal plc

	Interim - May 03	Final - Nov 03	Interim - May 04	Comparison
REV	£30,611,000	£56,312,000	£24,752,000	-19.1%
PBT	£324,000	-£2,815,000	-£300,000	Profit to loss
EPS	-0.28p	-3.42p	-0.73p	Loss both

Dicom Group plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£77,121,000	£156,197,000	£86,908,000	+12.7%
PBT	£2,775,000	£7,757,000	£5,866,000	+111.4%
EPS	4.00p	18.20p	15.70p	+292.5%

Dimension Data plc

	Final - Sep 03		Final - Sep 04	Comparison
REV	£1,287,248,741		£1,386,910,700	+7.7%
PBT	-£244,385,906		-£2,449,390	Loss both
EPS	-17.68p		-1.56p	Loss both

DRS Data & Research Services plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£13,528,000		£14,408,000	+6.5%
PBT	£2,104,000		£452,000	-78.5%
EPS	4.50p		1.35p	-70.0%

Earthport Plc

	Final - Jun 03		Final - Jun 04	Comparison
REV	£512,881		£925,611	+80.5%
PBT	-£12,932,259		-£6,636,211	Loss both
EPS	-6.40p		-1.50p	-76.6%

Eidos plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£91,450,000	£150,057,000	£43,961,000	-51.9%
PBT	£7,826,000	-£1,951,000	-£28,737,000	Profit to loss
EPS	4.40p	-2.10p	-20.70p	Profit to loss

Electronic Data Processing plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£4,323,000	£8,319,000	£3,472,000	-19.7%
PBT	£549,000	£1,032,000	£193,000	-64.8%
EPS	1.93p	2.61p	0.44p	-77.2%

Empire Interactive plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£30,438,000		£29,413,000	-3.4%
PBT	£611,000		£407,000	-33.4%
EPS	1.57p		0.72p	-54.1%

Epic Group plc

	Final - May 04		Final - May 05	Comparison
REV	£7,296,000		£8,104,000	+11.1%
PBT	£1,364,000		£2,085,000	+52.9%
EPS	3.90p		6.20p	+59.0%

FDM Group

	Final - Dec 03		Final - Dec 04	Comparison
REV	£25,980,000		£32,971,000	+26.9%
PBT	£1,000,000		£1,805,000	+80.5%
EPS	N/a		N/a	N/a

Ffastfill Plc

	Final - Mar 03		Final - Mar 04	Comparison
REV	£1,372,000		£2,651,000	+93.2%
PBT	-£4,926,000		-£2,547,000	Loss both
EPS	-10.05p		-3.43p	Loss both

Financial Objects plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£10,427,000		£9,509,000	-8.8%
PBT	-£12,055,000		-£45,000	Loss both
EPS	-43.96p		-0.16p	Loss both

Flightstore Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£274,112		£134,100	-51.1%
PBT	-£1,020,176		-£1,020,122	Loss both
EPS	-1.17p		-1.02p	Loss both

Flomerics Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£4,430,000	£10,241,000	£5,256,000	+18.6%
PBT	-£106,000	£671,000	£321,000	Loss to profit
EPS	-0.71p	3.85p	1.66p	Loss to profit

Focus Solutions Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£5,388,000		£5,431,000	+0.8%
PBT	-£382,000		£26,000	Loss to profit
EPS	-1.00p		0.10p	Loss to profit

GB Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£11,916,000		£11,231,000	-5.7%
PBT	-£10,000		-£283,000	Loss both
EPS	0.00p		-0.20p	Loss both

Gladstone Plc

	Interim - Feb 04	Final - Aug 04	Interim - Feb 05	Comparison
REV	£3,569,144	£7,649,463	£3,912,157	+9.6%
PBT	£231,620	£498,926	£130,925	-43.5%
EPS	0.54p	1.19p	0.28p	-48.1%

Glotel plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£41,796,000	£90,499,000	£58,141,000	+39.1%
PBT	£135,000	£754,000	£1,170,000	+766.7%
EPS	0.10p	1.20p	2.10p	+2000.0%

Group NBT plc

	Final - Jun 03		Final - Jun 04	Comparison
REV	£6,245,000		£7,675,000	+22.9%
PBT	-£166,000		£412,000	Loss to Profit
EPS	0.10p		3.40p	Loss to Profit

Gresham Computing plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£10,245,000		£12,398,000	+21.0%
PBT	-£1,955,000		-£1,198,000	Loss both
EPS	-4.05p		-1.81p	Loss both

Harvey Nash Group plc

	Final - Jan 04		Final - Jan 05	Comparison
REV	£130,911,000		£163,374,000	+24.8%
PBT	-£4,536,000		£1,640,000	Loss to profit
EPS	-8.75p		0.51p	Loss to profit

Highams Systems Services Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£8,559,000		£13,512,000	+57.9%
PBT	-£293,000		-£523,000	Loss both
EPS	-1.51p		-1.90p	Loss both

Horizon Technology Group plc

	Final Dec 03		Final Dec 04	Comparison
REV	£168,434,440		£190,777,237	+13.3%
PBT	£461,680		£3,864,736	+737.1%
EPS	0.30p		4.00p	+1233.3%

ICM Computer Group plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£36,252,000	£77,542,000	£38,711,000	+6.8%
PBT	£1,905,000	£4,380,000	£2,014,000	+5.7%
EPS	6.10p	14.00p	6.50p	+6.6%

IDOX plc

	Interim - April 04	Final - Oct 04	Interim - April 05	Comparison
REV	£3,284,000	£9,555,000	£7,024,000	+113.9%
PBT	-£193,000	£89,000	£214,000	Loss to Profit
EPS	0.03p	0.23p	0.12p	Loss to Profit

INCAT International

	Final - Aug 03		Final - Aug 04	Comparison
REV	£64,024,991		£65,261,424	+1.9%
PBT	£2,288,242		£2,465,000	+7.7%
EPS	n/a		n/a	n/a

Innovation Group plc (The)

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£27,355,000	£58,051,000	£28,772,000	+5.2%
PBT	-£3,451,000	-£7,349,000	-£5,029,000	Loss both
EPS	-0.97p	-1.98p	-1.23p	Loss both

InTechnology plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£221,868,000		£283,522,000	+27.8%
PBT	-£4,080,000		-£2,465,000	Loss both
EPS	-3.54p		-1.84p	Loss both

Intelligent Environments Group plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£2,672,065		£3,485,000	+30.4%
PBT	-£2,873,579		-£209,928	Loss both
EPS	-2.14p		-0.02p	Loss both

Interactive Digital Solutions plc

	Final - Sep 03		Final - Sep 04	Comparison
REV	£191,153		£313,716	+64.1%
PBT	-£1,143,000		-£1,050,789	Loss both
EPS	-0.65p		-0.54p	Loss both

Intercede Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£1,605,000		£1,806,000	+12.5%
PBT	-£661,000		-£426,000	Loss both
EPS	-2.90p		-0.70p	Loss both

iTrain plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£878,583		£1,094,097	+24.5%
PBT	£16,360		£70,076	+328.3%
EPS	0.00p		0.10p	N/a

INVU plc

	Final - Jan 04		Final - Jan 05	Comparison
REV	£1,997,000		£3,149,000	+57.7%
PBT	-£1,377,000		£608,000	Loss to profit
EPS	-0.36p		0.64p	Loss to profit

IQ-Ludorum plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£1,289,900	£2,502,000	£847,210	-34.3%
PBT	-£1,067,568	-£1,092,000	-£242,216	Loss both
EPS	-0.01p	-1.37p	0.01p	Loss both

iSOFT Group plc

	Final - Apr 04		Final - Apr 05	Comparison
REV	£149,260,000		£261,992,000	+75.5%
PBT	£17,593,000		£44,524,000	+153.1%
EPS	6.57p		10.97p	+67.0%

I S Solutions plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£5,985,000		£5,514,000	-7.9%
PBT	-£188,000		-£317,000	Loss both
EPS	-0.89p		-0.13p	Loss both

K3 Business Technology Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£7,002,000		£8,529,000	+21.8%
PBT	-£199,000		£1,160,000	Loss to profit
EPS	-0.60p		10.00p	Loss to profit

Kewill Systems plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£22,147,000		£26,680,000	+20.5%
PBT	£1,529,000		£2,443,000	+59.8%
EPS	2.70p		4.70p	+74.1%

Knowledge Technology Solutions Plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£298,323	£770,185	£572,283	+91.8%
PBT	-£432,656	-£904,161	-£419,898	Loss both
EPS	-0.38p	-0.71p	-0.28p	Loss both

LogicaCMG plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£1,706,600,000		£1,669,800,000	-2.2%
PBT	-£33,000,000		£42,400,000	Loss to profit
EPS	-6.30p		1.90p	Loss to profit

Lorien plc

	Final - Nov 03		Final - Nov 04	Comparison
REV	£94,714,000		£122,714,000	+29.6%
PBT	-£673,000		£1,152,000	Loss to profit
EPS	-4.60p		6.90p	Loss to profit

Macro 4 plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£15,061,000	£31,240,000	£16,596,000	+10.2%
PBT	-£181	£1,042,000	£863,000	Loss to profit
EPS	-2.40p	1.90p	1.20p	Loss to profit

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Manpower SoftWare plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£2,463,669	£5,146,663	£2,043,121	-17.1%
PBT	£259,925	£388,906	-£738,923	Profit to loss
EPS	0.58p	1.00p	-1.63p	Loss to profit

Marlborough Stirling plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£114,628,000	£98,766,000	-13.8%
PBT	£903,000	-£10,988,000	Profit to loss
EPS	-0.30p	-5.20p	Loss both

Maxima Holdings plc

	Interim - Nov 03	Interim - Nov 04	Comparison
REV	£5,687,000	£6,194,000	+8.9%
PBT	£557,000	£800,000	+43.6%
EPS	3.02p	4.34p	+43.7%

Mediasurface plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£2,839,562	£5,403,482	£3,661,081	+28.9%
PBT	-£153,466	-£737,394	£138,747	Loss to profit
EPS	0.10p	-0.60p	0.20p	+100.0%

MicroFocus plc

	Final - Apr 04	Final - Apr 05	Comparison
REV	£73,867,000	£81,198,000	+9.9%
PBT	£12,874,000	£14,903,000	+15.8%
EPS	5.55p	6.28p	N/a

Microgen plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£26,416,000	£42,444,000	+60.7%
PBT	-£2,356,000	£1,118,000	Loss to profit
EPS	-3.20p	0.20p	Loss to profit

Minorplanet Systems Plc

	Interim - Feb 04	Final - Aug 04	Interim - Feb 05	Comparison
REV	£19,100,000	£33,800,000	£11,400,000	-40.3%
PBT	-£2,900,000	-£17,400,000	-£3,100,000	Loss both
EPS	-11.35p	-22.23p	-2.01p	Loss both

Misys plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£471,100,000	£899,900,000	£437,000,000	-7.2%
PBT	£14,400,000	£23,100,000	£12,700,000	-11.8%
EPS	4.10p	4.30p	1.40p	-65.9%

Mondas plc

	Final - Apr 04	Final - Apr 05	Comparison
REV	£3,974,732	£4,592,675	+15.5%
PBT	-£1,779,554	-£1,384,081	Loss both
EPS	-6.60p	-5.30p	Loss both

Morse plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£187,074,000	£390,008,000	£216,592,000	+15.8%
PBT	-£6,788,000	-£12,431,000	-£7,593,000	Loss both
EPS	-6.20p	-11.90p	-6.40p	Loss both

MSB International plc

	Final - Jan 04	Final - Jan 05	Comparison
REV	£67,297,000	£92,321,000	+37.2%
PBT	£311,000	£825,000	+165.3%
EPS	0.76p	2.57p	+238.2%

NCC Group plc

	Final - May 04	Final - May 05	Comparison
REV	£15,316,000	£18,786,000	+22.7%
PBT	£1,403,000	£3,368,000	+140.1%
EPS	2.60p	6.00p	+130.8%

Ncipher Plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£12,988,000	£14,244,000	+9.7%
PBT	-£585,000	£2,333,000	Loss to profit
EPS	-2.80p	8.78p	Loss to profit

Netcall plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£2,387,203	£2,414,211	+1.1%
PBT	-£331,777	-£827,931	Loss both
EPS	-0.60p	-1.30p	Loss both

Netstore plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£10,602,000	£20,681,000	£10,111,000	-4.6%
PBT	-£672,000	-£687,000	£321,000	Loss to profit
EPS	n/a	-0.14p	0.56p	n/a

Nexus Management plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£574,561	£1,160,363	+102.0%
PBT	-£824,548	-£134,991	Loss both
EPS	-0.49p	-0.04p	Loss both

Northgate Information Solutions plc

	Final - Apr 04	Final - Apr 05	Comparison
REV	£136,464,000	£205,692,000	+50.7%
PBT	-£10,086,000	£3,889,000	Loss to profit
EPS	-2.94p	0.79p	Loss to profit

NSB Retail Systems plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£64,348,000	£45,399,000	-29.4%
PBT	-£28,755,000	-£8,680,000	Loss both
EPS	-7.03p	-2.14p	Loss both

OneclickHR plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£2,712,382	£4,797,967	£4,797,967	+76.9%
PBT	£64,829	-£1,523,443	-£730,170	Profit to loss
EPS	0.10p	-2.50p	-0.66p	Profit to loss

Orca Interactive

	Final - Dec 03	Final - Dec 04	Comparison
REV	£1,380,000	£2,840,000	+105.8%
PBT	-£2,760,000	-£1,010,000	Loss to profit
EPS	-0.22p	-0.06p	Loss both

Parity Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£160,882,000	£169,860,000	+5.6%
PBT	-£18,722,000	-£6,914,000	Loss both
EPS	-7.70p	-2.24p	Loss both

Patsystems plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£10,673,000	£11,775,000	+10.3%
PBT	-£2,369,000	-£2,929,000	Loss both
EPS	-1.70p	-1.40p	Loss both

Phoenix IT Group plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£58,311,590	£88,331,000	+51.5%
PBT	£9,317,065	£10,070,000	+8.1%
EPS	15.00p	13.30p	N/a

Pilat Media Global plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£9,422,607	£12,052,232	+27.9%
PBT	£595,047	£1,834,969	+208.4%
EPS	0.64p	2.49p	+289.1%

Pixology plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£2,528,038	£4,514,729	+78.6%
PBT	-£1,919,177	-£2,163,393	Loss both
EPS	-12.70p	-9.79p	Loss both

Planit Holdings plc

	Final - Apr 04	Final - Apr 05	Comparison
REV	£26,926,000	£28,124,000	+4.4%
PBT	£1,547,000	£1,972,000	+27.5%
EPS	1.00p	1.40p	+40.0%

Portrait Software

	Final - Mar 04	Final - Mar 05	Comparison
REV	£19,648,000	£14,288,000	-27.3%
PBT	£2,018,000	£1,433,000	-29.0%
EPS	7.49p	2.49p	-66.8%

Prologic plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£7,542,000	£6,928,000	-8.1%
PBT	£676,000	£421,000	-37.7%
EPS	N/a	2.76p	Profit to Loss

PSD Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£37,622,000	£43,714,000	+16.2%
PBT	£333,000	£2,856,000	+757.7%
EPS	-1.20p	7.20p	Loss to profit

QA plc

	Final - Nov 03	Final - Nov 04	Comparison
REV	£29,158,000	£30,153,000	+3.4%
PBT	-£3,220,000	-£2,386,000	Loss both
EPS	-2.50p	-1.40p	Loss both

Quantica plc

	Final - Nov 03	Final - Nov 04	Comparison
REV	£24,897,000	£30,848,000	+23.9%
PBT	£779,000	£1,957,000	+151.2%
EPS	1.29p	3.32p	+157.4%

Raft International plc

	Interim - Apr 04	Final - Oct 04	Interim - Apr 05	Comparison
REV	£3,164,000	£7,261,000	£4,161,000	+31.5%
PBT	-£969,000	-£991,000	-£566,000	Loss both
EPS	-1.48p	-1.45p	-0.87p	Loss both

Red Squared plc

	Interim - March 04	Final - Sep 04	Interim - March 05	Comparison
REV	£955,074	£1,696,513	£1,040,122	+8.9%
PBT	-£97,155	-£466,614	-£181,928	Loss both
EPS	-0.48p	-2.32p	-0.67p	Loss both

Retail Decisions plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£30,227,000	£31,737,000	+5.0%
PBT	£2,947,000	£5,134,000	+74.2%
EPS	0.50p	1.04p	+108.0%

RM plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£108,944,000	£263,264,000	£109,211,000	+0.2%
PBT	£766,000	£7,054,000	-£4,788,000	Profit to Loss
EPS	0.00p	4.30p	-5.30p	Profit to loss

Royalblue Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£56,489,000	£59,768,000	+5.8%
PBT	£9,246,000	-£859,000	Profit to loss
EPS	22.90p	23.40p	+2.2%

Sage Group plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£332,501,000	£687,585,000	£381,616,000	+14.8%
PBT	£86,673,000	£181,144,000	£100,617,000	+16.1%
EPS	4.65p	9.85p	5.46p	+17.5%

Sanderson Group plc

		Final - Sep 04	Interim - Mar 05	Comparison
REV		£11,880,000	£7,897,000	n/a
PBT		-£328,000	£1,001,000	n/a
EPS		-1.00p	-2.30p	n/a

SDL plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£64,378,000	£62,690,000	-2.6%
PBT	-£804,000	£457,000	Loss both
EPS	-3.30p	-1.77p	Loss both

ServicePower Technologies plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£2,638,000	£4,114,000	+56.0%
PBT	-£1,624,000	-£3,857,000	Loss both
EPS	-2.67p	-5.50p	Loss both

Sirius Financial Solutions plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£20,523,966	£21,704,052	+5.7%
PBT	-£581,160	£385,444	Loss to profit
EPS	-3.90p	1.40p	Loss to profit

Sirvis IT plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£528,000	£3,230,000	£3,948,000	+647.7%
PBT	£129,000	£321,000	£345,000	+167.4%
EPS	0.76p	0.60p	0.16p	-78.9%

smartFOCUS plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£2,201,853	£2,850,101	+29.4%
PBT	-£554,444	-£324,052	Loss both
EPS	-0.70p	-0.30p	Loss both

Sopheon plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£6,734,000	£4,323,000	-35.8%
PBT	-£5,806,000	-£1,964,000	Loss both
EPS	-6.30p	-1.60p	Loss both

Spring Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£360,197,000	£476,429,000	+32.3%
PBT	-£18,946,000	£5,842,000	Loss to profit
EPS	-12.92p	6.80p	Loss to profit

StatPro Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£8,426,000	£9,072,000	+7.7%
PBT	£146,000	£162,000	+11.0%
EPS	0.60p	5.30p	Loss both

Stilo International Plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£2,279,000	£2,076,000	-8.9%
PBT	-£1,445,000	-£1,299,000	Loss both
EPS	-2.61p	-1.56p	Loss both

Superscape plc

	Final - Jan 04	Final - Jan 05	Comparison
REV	£1,100,000	£4,050,000	+268.2%
PBT	-£6,969,000	-£5,475,000	Loss both
EPS	-7.10p	-4.20p	Loss both

SurfControl plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£46,209,392	£47,859,580	+3.6%
PBT	£5,602,649	£7,890,650	+40.8%
EPS	13.12p	19.73p	+50.3%

Systems Union Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£78,427,000	£104,230,000	+32.9%
PBT	£6,124,000	£4,614,000	-24.7%
EPS	5.80p	3.90p	-32.8%

Tadpole Technology plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£1,476,000	£4,831,000	£4,439,000	+200.7%
PBT	-£1,515,000	-£2,767,000	-£1,411,000	Loss both
EPS	-0.60p	-1.00p	-0.40p	Loss both

Telecity plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£23,536,000	£25,837,000	+9.8%
PBT	-£9,522,000	-£6,804,000	Loss both
EPS	-4.70p	-2.70p	Loss both

Tikit Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£9,558,000	£11,903,000	+24.5%
PBT	£713,000	£859,000	+20.5%
EPS	2.90p	4.50p	+55.2%

Torex Retail

	Final - Dec 03	Final - Dec 04	Comparison
REV	£67,559,000	£67,935,000	+0.6%
PBT	£3,873,000	£7,711,000	+99.1%
EPS	1.00p	2.90p	+190.0%

Total Systems plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£3,843,856	£3,451,633	-10.2%
PBT	£715,938	£496,098	-30.7%
EPS	4.94p	3.56p	-27.9%

Touchstone Group plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£14,901,000	£17,269,000	+15.9%
PBT	£555,000	-£82,000	Profit to loss
EPS	1.50p	-3.20p	Profit to loss

Trace Group plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£7,478,000	£15,472,000	£7,314,000	-2.2%
PBT	£117,000	£822,000	£201,000	+71.8%
EPS	0.38p	4.69p	0.77p	+102.6%

Triad Group plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£36,534,000	£46,200,000	+26.5%
PBT	-£759,000	£150,000	Loss to profit
EPS	-5.20p	0.77p	Loss to profit

Tribal Group plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£185,744,000	£229,470,000	+23.5%
PBT	£5,322,000	-£212,000	-104.0%
EPS	-1.40p	-8.20p	Profit to loss

Ultima Networks plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£1,770,000	£1,906,000	+7.7%
PBT	£169,000	£313,000	+85.2%
EPS	0.09p	0.14p	+55.6%

Ultrasis Group plc

	Final - Jul 03	Final - Jul 04	Comparison
REV	£548,000	£1,535,000	+180.1%
PBT	-£12,864,000	-£364,000	Loss both
EPS	-0.53p	-0.02p	Loss both

Universe Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£42,129,000	£43,992,000	+4.4%
PBT	-£2,730,000	-£74,000	Loss both
EPS	-7.00p	-0.10p	Loss both

Vega Group plc

	Final - Apr 04	Final - Apr 04	Comparison
REV	£44,127,000	£52,602,000	+19.2%
PBT	£1,918,000	£2,907,000	+51.6%
EPS	5.74p	8.61p	+50.0%

Vianet Group plc

	Final - Sep 03	Final - Dec 04	Comparison
REV	£33,714	£376,878	+1017.9%
PBT	-£2,056,476	-£2,417,000	Loss both
EPS	-3.10p	-1.90p	Loss both

VI Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£8,823,000	£9,698,000	+9.9%
PBT	-£1,250,000	-£259,000	Loss both
EPS	-3.92p	-0.84p	Loss both

Workplace Systems International plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£10,664,000	£7,680,000	-28.0%
PBT	-£7,398,000	£363,000	Loss to profit
EPS	-4.80p	0.11p	Loss to profit

Xansa plc

	Final - Apr 04	Final - Apr 05	Comparison
REV	£419,500,000	£376,400,000	-10.3%
PBT	-£29,000,000	£10,800,000	Loss to profit
EPS	-11.92p	2.58p	Loss to profit

XKO Group plc

	Final - Mar 04	Final - Mar 05	Comparison
REV	£45,400,000	£44,853,000	-1.2%
PBT	-£2,323,000	£10,013,000	Loss to profit
EPS	-9.70p	34.60p	Loss to profit

XN Checkout Holdingsplc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£14,315,000	£18,298,000	+27.8%
PBT	-£2,242,000	£1,734,000	Loss to profit
EPS	-9.40p	10.80p	Loss to profit

Xpertise Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£10,767,000	£13,170,000	+22.3%
PBT	-£2,140,000	-£868,000	Loss both
EPS	-0.70p	0.16p	Loss both

ITSAs DIP WHILE THE REST MARCH ON

In a month of pretty good performances across the board, it is the UK staffing agencies that have let the team down. The FTSE 100 gained 3.3% in July, while the techMark climbed 4.5%, the FTSE IT Index gained 4.2% and AIM improved by 5.5%. Meanwhile, Ovum's Index of UK software and IT services companies registered a modest increase of 1.34%. Within this Index, ITSAs (IT Staffing Agencies) registered an average decline of 5.7%.

All but two of the ten ITSAs in the Ovum Index declined in July. PSD Group was flat, but top marks to Glotel for its 32% increase to 106p. The company reported good performance in its overseas business and it is likely that, going forward, the UK will account for a decreasing share of its total business.

The most important factor in pushing ITSA shares down in July was Spring's profit warning – its second in two months. The company said that the trend for weakened conditions is continuing. For the half year to June 2005, it expects to see a "*small decrease*" in revenues on last year and a "*small*" operating loss. As a result, Spring's share price lost 24% in July to hit 53p. Ovum's forecasts for the ITSA market point to quite a substantial decline in growth for many of the players. Last year's magic double-digit growth rates – registered as the market bounced back after some dreadful years – should not be used as an indication of how this year will unfold.

Elsewhere within the S/ITS Index, training company QA saw shares tumble 38% to 1.7p after announcing that consulting revenues plunged 35% to £1.8m in its first half to end May 2005. Raft International was another loser in July. Shares dipped 32% to 6.2p after the company published a disappointing set of results for the first half. Raft also said that its revenues in the second half would fall short of the guidance at its AGM.

On average, shares in tech resellers were up 8.3%. Among the better performing shares was Morse, which increased 32% to 93p. Traders were pleased to see the company finally sell off its loss-making French operation.

Read *Hotnews* everyday for breaking analysis of events in the software and IT services arena. *(Kate Hanaghan)*

29-Jul-05		
	S/ITS Index	**5032.15**
	FTSE IT (SCS) Index	**519.99**
	techMARK 100	**1252.04**
	FTSE 100	5282.30
	FTSE AIM	1054.00
SCSI Index =1000 on 15th April 1989	FTSE SmallCap	3033.19

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/07/05 to 29/07/05)	+1.34%	+3.31%	+4.45%	+4.24%	+5.58%	+3.87%
From 15th Apr 89	+403.22%	+157.22%				
From 1st Jan 90	+446.91%	+123.64%				
From 1st Jan 91	+610.89%	+144.51%				
From 1st Jan 92	+381.61%	+111.88%				
From 1st Jan 93	+215.77%	+85.57%				+118.63%
From 1st Jan 94	+201.40%	+54.53%				+62.32%
From 1st Jan 95	+235.66%	+72.31%				+73.68%
From 1st Jan 96	+122.81%	+43.18%	+58.64%		+10.55%	+56.23%
From 1st Jan 97	+87.95%	+28.26%	+36.88%		+7.98%	+38.94%
From 1st Jan 98	+65.80%	+2.86%	+31.24%	-48.00%	+6.25%	+31.12%
From 1st Jan 99	+27.67%	-10.20%	-14.01%	-64.04%	+31.49%	+46.47%
From 1st Jan 00	-56.13%	-23.78%	-66.87%	-86.01%	-45.46%	-2.09%
From 1st Jan 01	-39.90%	-15.11%	-51.20%	-73.32%	-26.69%	-4.71%
From 1st Jan 02	+4.88%	+1.24%	-14.98%	-38.41%	+17.40%	+17.60%
From 1st Jan 03	+85.50%	+34.05%	+92.98%	+52.84%	+74.82%	+66.61%
From 1st Jan 04	+7.61%	+17.99%	+23.35%	+3.25%	+26.17%	+22.55%
From 1st Jan 05	+2.17%	+9.72%	+4.65%	+7.04%	+4.79%	+9.97%

End July 05	Move since 1/1/99	Move since 1/1/00	Move since 1/1/01	Move since 1/1/02	Move since 1/1/03	Move Since 1/1/04	Move Since 1/1/05	Move in July 05
System Houses	20.6%	-52.9%	-36.7%	14.1%	127.3%	18.5%	8.0%	2.0%
IT Staff Agencies	-72.7%	-76.2%	-62.1%	-31.7%	2.8%	-32.6%	-14.8%	-5.7%
Resellers	72.3%	-17.0%	9.7%	22.2%	65.2%	-13.8%	-5.0%	8.3%
Software Products	71.7%	-58.7%	-70.0%	-3.4%	60.0%	-1.4%	1.3%	1.3%
Holway S/ITS Index	27.7%	-56.1%	-39.9%	4.9%	85.5%	7.6%	2.2%	1.3%

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