November 2006

Available by subscription only

ISSN 0967-2583

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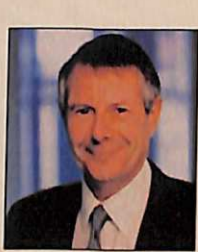
SYSTEMHOUSE

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

CONNECTING FOR HEALTH: A PERSONAL VIEW

By Richard Holway



Richard Holway
Director, Ovum Plc

On 29 September 06, it was announced that Accenture was quitting its involvement in the NHS IT project. The media was full of comment portraying the project as a *"disaster"* - indeed *"yet another public sector IT disaster"*. Yet again, Richard Granger, and the way in which he both procured and managed the project, was at the centre of that criticism.

In October, I decided that I would break my silence and write an alternative view. I was amazed at the reaction this created. I had more emails on this subject from readers than anything I have written in years. In essence they all said *"It was about time someone put their head above the parapet and said this."* My comments were reported extensively in the press and *Computer Weekly* ran the article in both their online and print editions and they too had a massive mailbag. That was interesting, given the negative stance which Tony Collins and *Computer Weekly* have had on this project for years. If you Google for articles linking Tony Collins and the NHS, you get an amazing 44,000 matches. I skim read as many as I could and couldn't find one article with a "positive attitude" that Tony had ever written on the project. I'm all for critical comment but maybe their readers too were getting fed up with the one-sidedness of the reporting. BT featured my views in their "News in the Loos" posted in every WC in every BT building in the UK. *A new low for Holway!*

Several readers took the trouble to call to discuss their views. These included the heads of the NHS IT project at several of the suppliers as well as Richard Granger (who heads the project for the NHS) himself.

This is an updated version of the piece.

Preamble

I've had an association with practically all the parties involved in this project right from the start. I've known Richard Granger from day one. Ovum has a continuing contract with the NHS IT project team. I have a close board level relationship with some of the major players and Ovum numbers every one of the major suppliers to the project as its long-term customers. In many people's view that would make me biased and/or highly conflicted - the main reason why I have not made public statements or written pieces on the project for quite some years.

But maybe there comes a time when you should stand up and let your views be heard.

1 - Supporting the objectives

I have yet to meet anybody who opposes the overall objective of the NHS project.

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techMARK 100	**+2.0%**	**1447**

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When it is fully implemented it will be a major force for good. It will save lives - many lives, maybe yours, maybe your kids. I have little doubt that it will be looked upon throughout the world as a model to be followed.

2 - An IT project or a change project?

Connecting for Health is almost always referred to as an "IT project" and, indeed, projects at the Passport Office, Criminal Records Bureau, Inland Revenue self assessment, National Air Traffic Services, Dept for Work and Pensions, Child Support and Magistrates Courts are also described as IT projects too. I choose this particular list as all these projects are described as "IT project disasters" too.

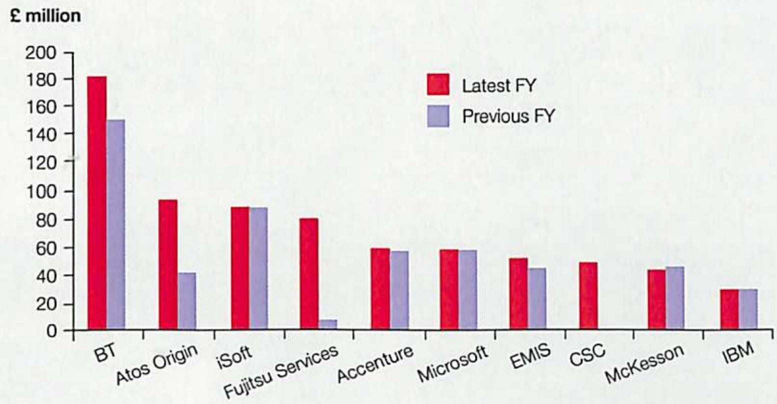
But in reality, all these are better described as "change projects". The IT bits often worked reasonably well - *it was all the other bits which didn't!*

The Passport Office is a high profile case in point as the media were full of this "IT disaster" back in the summer of 1999, with pictures of queues around the block as hapless holidaymakers were forced to wait for the issue of their passports.

The problem at the Passport Office, however, was rather more to do with HM Government's surprise decision to implement passports for children, which saw the demand rocket at just the time staff were having to learn to use a new system. The Passport Office itself was responsible for *"ensuring continuity and quality of service"*. Indeed, Siemens, the IT supplier, received hardly any criticism in the ensuing NAO report.

It is also worthy of note that if you apply to renew your passport today, the system will issue it within 24 hours.

The top 10 S/ITS suppliers to the UK health sector by S/ITS revenues



The point I am making here is that the National Programme for IT in the NHS is an enormous CHANGE project of which the IT element is but a part. Many of the problems that I know of in the project right now are far more to do with not managing the change correctly, than faults in the IT.

The Passport Office fiasco, and most of the others listed above, also points to the fact that once the initial teething problems are overcome, the systems tend to work rather well and we then all take that for granted!

3 - Achieving the Connecting for Health objectives will cause pain

Anybody who has ever been involved in any project - big or small - knows that. Why we have so many media observers who are so naive as to suggest otherwise baffles me.

The larger the project, the more "unknowns" there will be. Indeed one of the criticisms of the NHS IT project was the "vagueness" of, and omissions in, the initial specifications.

But these "unknowns" are NOT an IT problem alone - they have infected every large project known to man. Be it building Concorde, the Channel Tunnel, the new Wembley Stadium, all the way to putting a man on the moon. They have often required "inventions" along the route to solve the "unknowns", which have in turn added to the knowledge assets of mankind.

It is not too grand to suggest that the NHS IT project might do likewise.

4 - Avoid "one-sourcing"

I have written many articles over many years against the concept of what I dubbed "one-sourcing" - i.e. putting all your eggs in one supplier's basket. Indeed I'd stake a claim on being one of the first to advocate "multi-sourcing". NHS IT is the most advanced example of just that. Accenture failing and CSC picking up the pieces is an example of the benefits of the approach NOT of its failure!

5 - Avoid paying suppliers for their failures

How many times have you read of public sector contracts failing and us, the tax payers, picking up the costs of that failure? How many times have "one-source" suppliers been able to extract huge extra sums from HM Government to correct their own failures? Granger went out of his way to avoid, or at best minimise, this possible eventuality on the NHS IT project.

Michael Cross writing in *The*

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Guardian on 19 October 06 observed *"Of all the bidders, Accenture should have gone into the NHS contracts with its eyes widest open. That it signed up anyway suggests that somewhere up the line it was assumed that government contracts can be topped up with extra services if things go awry. That almost always happened in the past. But Granger negotiated the contracts precisely to avoid getting held over such a barrel. That's why the neighbouring contractor, CSC, was able to step in."*

6 - Extracting maximum value from suppliers

Granger has undoubtedly been very hard on T&Cs from suppliers. He has saved millions with the deals he struck with suppliers like Microsoft. If only that approach really had been adopted throughout the public sector, again the savings would have been huge. Current takeup of shared services and collective buying across all Government departments is still lamentably slow.

The problem is that charging customers less is hardly in the interests of either suppliers or their trade associations.

7 - So was Granger *"too hard"* on these poor, weak suppliers?

Firstly, we are not talking about naive start-up companies here. Accenture has had more experience of (and money from) large Government IT contracts than most. I refuse to have any sympathy with complaints about the contracts they willingly entered into.

Secondly, if ALL the main suppliers were now bleating (or bleeding), I'd pay more attention. But they are not. CSC was rather pleased and happy to take over from Accenture. Indeed, it's pretty much in the public domain that BT would also have been happy to take over too.

Win-win, not lose-lose

I whole-heartedly agree that the best user-vendor relationships are where both "sides" are winners and the vendor makes an acceptable profit. I have always considered litigation as a statement of failure by BOTH parties. Again, I actually think Granger understands and complies with that. As far as I know Granger hasn't actually litigated against any supplier yet - preferring the kind of arrangement which led to Accenture's exit.

"Mistakes, we've made a few"

Now, don't get me wrong, I too can write much about the mistakes made in this project. I have long criticised the lack of early involvement and commitment from the medical profession; something which the project was far too slow to address. I can criticise, in particular, the decision to add choice onto electronic booking. It added another level of complexity for something, actually, neither doctor nor patient wanted. The plan to sweep out all the existing systems and suppliers was also misguided. Something which has since been addressed. *I could go on...*

HM Government too must accept criticism. It was naive to believe or announce that the "only" costs of the project were those related to its procurement. Training and implementation has cost much more than the initial procurement costs in every IT system I have ever been associated with. The timescales imposed on this project, as ever, were initially for political expediency rather than having any relationship to common sense.

Attitude

"In my experience, a critical factor for success on these mega-programmes is whether or not people WANT the project to succeed - a "can do" attitude and partnership among the principals is absolutely necessary for success". So says Patrick O'Connell who manages all of BT Global Services' NHS IT projects. He should know as he has spent the last 25 years being responsible for some of the largest projects around.

In my own 40 years' experience, I couldn't agree more. What Connecting for Health needs is a change of attitude - in the media and throughout the NHS.

What it certainly does NOT need at this point is a change of direction - either in terms of personnel (where even the project's greatest critics think that removing Granger at this point would be a disaster) or in its governance. We sincerely hope that will not happen, as to make that level of change at this crucial stage would be to the considerable detriment of the project's main aim - *"to produce a new integrated system to modernise the NHS"*.

I may be biased and conflicted. But I feel passionately that the aims of Connecting for Health are something we should all now develop a "positive attitude" towards.

ACCENTURE GROWS 9% WORLDWIDE IN 2006, BUT DECLINES IN UK

Accenture posted a good set of worldwide FY 06 results last month, marred only by the cost of withdrawal from its ill-fated NHS outsourcing mega-deals. For the full year to 31 August 2006, worldwide revenues rose 9% in local currency (7% in dollars) to reach $16.6bn. Operating margin fell 2.5 percentage points (partly the NHS effect) to 11.1%, which is still best-in-class for a large Western player.

Revenue and operating margin would have been higher excluding the reversal (i.e. writing-off) of $339m in previously-booked UK consulting revenues in Q4, part of the price of exiting the NHS deals. Resources (oil, gas etc), communications & high tech, and products (automotive, retail, FMCG etc) were the fast growers in Europe, though capital markets and utilities saw declines.

Looking forward, Accenture expects worldwide growth in FY 2007 between 9% and 12% in local currencies, with operating margin between 12.6% and 13.1%.

UK suffers from NHS withdrawal

Accenture's 10-K filing, published in mid October, showed UK revenues in FY 06 were down to 13% of worldwide revenues (versus 17% the previous year). Based on this, our estimate is that Accenture's UK revenues declined 18% to about $2,165m (down about 15% in sterling to around £1,210m) in FY 06, largely because those NHS revenues got reversed as a result of the exit agreement.

Yet even excluding that reversal, we estimate that UK revenues would still have declined by 5%. By contrast, Accenture saw growth in other key EMEA geographies.

The NHS exit looks good, leaving Accenture with no liabilities other than repaying £63m in revenues received, and those transition costs. Given the scare stories about huge exit penalties and multilateral lawsuits that preceded the exit, Accenture has done well. But has Accenture's reputation suffered from the NHS debacle? Partly, yes. Whatever it says, it handled the NHS badly. Does it have a general execution issue? We think not. But the UK operation took its eye off the ball in late FY 04 and FY 05. It missed growth opportunities - especially in short-term business and IT consulting work - and bet too big on some major contracts that terminated or scaled down: NHS, Sainsbury, Centrica for example. That's one of the perils of a business model where growth is driven by big outsourcing deals.

Unilever will help

What next? We reckon the FY 06 revenues were boosted by a one-time payment from former customer J Sainsbury for early termination of its outsourcing deal, so Accenture has to replace those revenues. And the NHS nightmare isn't quite over; there's another $125m in NHS exit costs in H1 2007.

But it's been making up lost ground. In June, it signed its largest-ever HR outsourcing contract, a seven-year deal worth upwards of £300m with UK-based Unilever. That will help get revenues back on the upwards curve. Meanwhile, we understand that utilisation rates are back in healthy territory - important when half your business is project services.

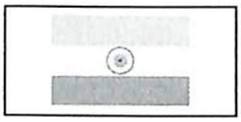
With the NHS now firmly behind it, Accenture can concentrate on profitable growth. It traditionally has broad-based revenue growth and it's not overweight in any vertical, which is good. The challenge is to grow revenues from a large base without the benefit of new billion-dollar megadeals, something Accenture has lacked for a couple of years (barring the ill-fated NHS). Unilever is big, but it's not mega and it can't drive UK growth. And mega-deals are now fewer and further between than in recent years.

Over the worst

Overall, we think the UK has seen the worst. Accenture is rather like the German football team: highly talented, sometimes a bit lucky, and usually at its very best when coming back from behind - as we saw with the success of its Grow America campaign.

What it now needs is a Grow Europe campaign. CEO Bill Green referred in passing to a rebalancing of power between the vertical-market operating groups (where power and P&L have recently resided) and the geographical organisations, adding that he hoped this rebalancing would help to grow revenues in Europe. We wonder if this is the genesis of Grow Europe.

(Douglas Hayward)



INDIAN COMPANIES' Q2: CLIENTS SHOULDER GROWING OFFSHORE COSTS

Most big Indian offshore services providers released their second quarter and first half results over October. Here we run through the highlights for the top three:

TCS: Revenue for India's largest offshore services provider grew 42% to $975m in the second quarter under US GAAP, with operating income up 39% to $247m, a margin of 25.3%, down from 25.8% last year. Excluding domestic Indian business, second quarter revenue grew 51% year-on-year.

First half revenue was also up 42% to $1.88bn, with operating profits up 29% to $448m, a 23.9% margin, down from a 26.2% margin last year. On a regional basis, UK revenue grew by 101% to $202m or 20.7% of the total; Continental European revenue grew by 82% to $76m or 7.8% of the total. North American revenue grew by 31% to $522m.

Infosys: Under US GAAP, revenue grew 42% in the second quarter to $746m, with operating income up 44% to $211m, a 28.3% margin. For the six months, revenue grew 40% to $1.4bn, with operating income up 37% to $381m.

On a regional basis, and under Indian GAAP, European revenue growth was strong at 63%, now representing 26% of second quarter revenues. And Infosys keeps the lead in terms of North American growth with revenue growing 47% from the region in the quarter.

Wipro: Has grown IT services and BPO revenue by 43% under US GAAP to $591m for the second quarter, and by 42% to $1.12bn for the first half ended 30 September 2006. Organic growth for IT services over the first half was 39%, with the company's eight acquisitions over the past year boosting divisional growth to 45% year-on-year to $1.03bn. The BPO division grew 21% over the first half to $95.8m.

Wipro splits out its total revenue - including that from its Consumer Care and Lighting division (c5% of revenue) - by region. On this basis, European revenue grew by 44% over the first half to $335m (23% of total), US revenue grew by 41% to $740.6m (51% of total).

Comment: Both TCS and Infosys cited price increases to explain why growth has returned to +40% this year. TCS cited a 3% - 5% average increase on prices for like-for-like services at contract renewal, and an impressive 5% - 10% increase in prices on new contracts. Infosys cited a 3% - 4% rise in revenues from new client wins.

We think that part of these rises, as with Infosys, is about passing increased costs in India on to clients - but just as much of the rises can be attributed to both players further establishing themselves around "hot" solutions. In Infosys' case, package software implementation has been very strong, while TCS cited its ability to cross-sell ERP and business intelligence software services into existing clients as a reason for its strong performance this half.

The main positive for Wipro was an improvement in BPO operating margins to 21% from 9.7% last year. This has been the result of an intensively managed re-organisation that has de-emphasised low-margin voice-based business and focused on growing back-office transactional services and higher-value end-to-end propositions. It is a spectacular turnaround for a part of the business that was looking very shaky last year.

Outside of BPO, specific growth areas for Wipro have included its infrastructure services, and like TCS and Infosys, Wipro has also cited increased traction from enterprise application services and testing. However, it is worth noting that organically, Wipro's growth would have fallen just below the 40% mark.

But on the gloomier side, there was also evidence of the strain that these companies are starting to put on India's creaking infrastructure. In an interview on Indian TV on Infosys' results, a senior Infosys executive complained that Indian bureaucracy is holding back infrastructure development, which in turn is threatening revenue growth, saying starkly that "the whole country is reaching maximum capacity". This quarter has shown that clients are happy to take on the rising costs associated with these capacity issues - particularly in staffing. But this will only last as long as the rates charged by these top firms remain significantly lower than onshore options while, at the very least, maintaining quality.

(Samad Masood)

TietoEnator

TIETOENATOR STABILISES ITS UK PERFORMANCE

TietoEnator - the company that beat Microgen in the race to buy AttentiV last year - released its Q3 results on Friday morning. Worldwide revenues grew 5.0% (but only 2.0% organically) to €397m, while operating (EBIT) margin was 7.9%, down a percentage point for the quarter to 30 September 2005.

Tieto reported *"high"* customer activity, counter-balanced by price pressure in commoditised services (such as parts of outsourcing) and in services subject to offshore competition (especially telecoms).

The UK, formerly a problem area after a wobble earlier this year, looks improved. CEO Pentti Heikkinen said the geography is *"stable and keeping to its forecasts"*. Although we reckon that the UK (where Tieto got its foothold in May last year by buying financial services specialist AttentiV) saw a €4m revenue fall to €14m in Q3, this not quite what it seems. Tieto says the fall reflects the effects of a spectacular quarter for banking-software licence sales in Q3 2005. Importantly, the UK business is now profitable and Tieto is confident enough to make London the HQ of its global Banking & Insurance vertical, which sounds like an endorsement of the UK subsidiary - mixed perhaps with a desire to keep a closer eye on it.

Tieto is refreshing its global banking and insurance solutions portfolio and is looking for new local partners, which sounds like a good strategy. Basing banking & insurance in London may help build Tieto's presence in the UK, which is looking the stronger of the two main non-Nordic geographies.

Long term there is the question of whether TietoEnator should base its proprietary software products (which we agree help it to create value and differentiate itself) on its own software code, or whether it should buy in core functionality (say, from SAP, Oracle or Microsoft) - at least in mainstream verticals such as financial services - and concentrate on adding value through niche extensions.

Overall, Tieto's trying to shake off a series of big issues: chiefly price erosion, low organic growth and poor project execution. Of the problem projects that disrupted last quarter's (Q2) results, Tieto says all but two are fully fixed. Pricing pressure is not so easily fixed, however, especially given TietoEnator's late start in global sourcing. Meanwhile, poor organic growth is a real issue. Tieto's strategy of pan-European growth through focusing on a handful of key verticals ("spearheads") is not yet delivering real organic growth.

We see corporations maintaining their interest in using technology to cut costs, but supplementing it with a new interest in using IT to stimulate top-line growth, speed time to market and enable new business models - something we call the Growth Agenda. That's good for suppliers with innovative propositions, and we think Tieto has some interesting ideas in (for example) the digitisation of business processes. But we wonder if its IT and business consulting capabilities are strong enough to differentiate its solutions, particularly outside its Nordic homeland.

(Douglas Hayward)

SIEMENS

RESTRUCTURE PUTS END TO SBS SALE RUMOURS

Siemens has said it will merge Siemens Business Services with its four software development units. The organisation will be known as Siemens IT Solutions and Services (SIS) and will generate revenues in the region of €5bn. It will employ 43,000 members of staff.

Comment: SBS has been going through a period of restructuring in order to turnaround what has been a rather dismal financial performance for some years now. We've already seen SBS sell the IT support business (and there has been much discussion around what the future holds for the rest of the services business) and restructure to take a more customer-centric approach. The integration of the services business with the software units is the third piece of the strategy. The rationale of this third step is to merge additional software capabilities into the IT services

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division to allow modification/integration of vertical-specific software applications in the specific verticals that SBS targets.

In creating the Siemens IT Solutions and Services organisation, the parent company has signified its desire to cement its efforts in S/ITS. This puts an end to the current round of speculation relating to a possible sale of the services business. Siemens CEO, Klaus Kleinfeld, went as far to say: *"IT know-how is a key to Siemens' success."* We therefore expect to see the profile of SIS rise.

Global sourcing and factory services

The integration does not see the IT services and software businesses starting a relationship from scratch. For example, SBS in the UK has already been using the UK capability of Programme and System Engineering (PSE), which develops software and IT solutions primarily for the Siemens group in areas such as healthcare, telecommunications and automation technology. PSE has a nearshore capability in Southern Europe. Combined with the SISL (Siemens Information Systems Ltd) operation in India, SIS will have a strengthened global sourcing capability. However, don't expect there to be any top-line benefits straight-off. The pay-back will be more about increasing the scope of delivery capability. And, if executed well, there could be welcome benefits to the bottom line.

Interestingly, if we look at some of Siemens' UK public sector IT services contracts, the often sensitive issue of creating cost reduction through global sourcing sometimes does not even come into the equation. This is because many of these contracts are output-based (e.g. the number of MOTs processed for VOSA) so the discussion is around 'how can we get the output up?', not 'what is the lowest cost we can get it for?'

In the background, SBS has also been creating what it calls Global Production Centres, which are focused on bringing a factory-type approach to some of the more commoditised, non-differentiating services. Siemens claims it can even locate some of them in relatively expensive Germany and still gain economies of scale. While many of these centres are now fully operational, they're not running at full capacity. Clearly this is about ongoing development - and that's fair enough because at least Siemens is treading the right path.

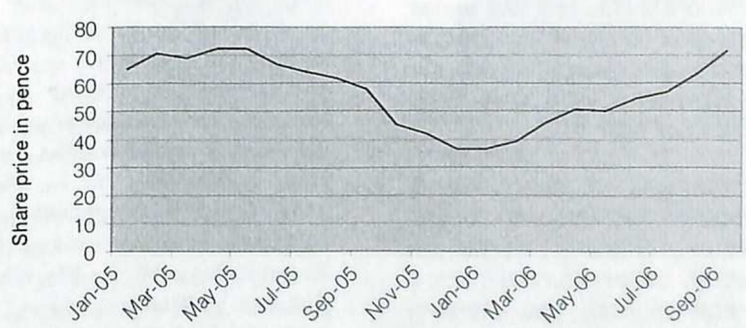
Our talks with SBS customers indicate that the company is seen as a trustworthy partner, and is capable of remaining so. But as it moves from a highly customised service offering to a more standardised portfolio (via the use of its GPCs) it must take account of the impact this could have on the high service levels the customer has become accustomed to. *(Kate Hanaghan)*

0%
72p

MSB ANNOUNCES INTERIMS, ACQUISITION STILL ON

MSB International, the IT staffing company, has released its results for the six months to end July 2006. Revenue increased 5.8% to £49.8m. PBT was £700k versus £200k last year and EPS was 1.6p, up from 0.54p. The company currently has an offer on the table from Networkers International. The acquisition would technically constitute a reverse takeover.

MSB's share price ups and downs



Comment: MSB didn't hold its usual analyst briefing this month, presumably because it's not 'business as usual' (first a bid from Keyman then a counter bid from Networkers). So we don't, for example, have a detailed view of how it is progressing strategically - i.e. whether it has progressed in diversifying away from the provision of IT staff. It has for the past couple of years been trying to develop its non-IT business, but progress hasn't been rapid. Meanwhile, it failed in its search to find a suitable candidate for either merger or acquisition, in order to gain scale.

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The improvement in profits this half is worth noting. The operating margin has increased from a very slim 0.4% to 1.5% - due to *"actions taken to reduce operational gearing"*.

We think being bought won't do MSB any harm. It seems to have got stuck in a bit of a rut. So the combination of new leadership with new opportunities to cross-sell and diversify could help its ultimate aim, which is to boost the bottom line. From what we can tell, however, Networkers does not provide a significant cross-sell opportunity. We look forward to understanding more about the rationale behind the acquisition and where management plan to take MSB next.

The current offer, from Networkers International, is for 73p per share. Compared with the initial offer from Keyman of 65p (announced in August), which was based on MSB's share price in March, it looks good. Since the end of February, however, MSB has seen its share price increase from 39p to 72p at the end of October. *(Kate Hanaghan)*

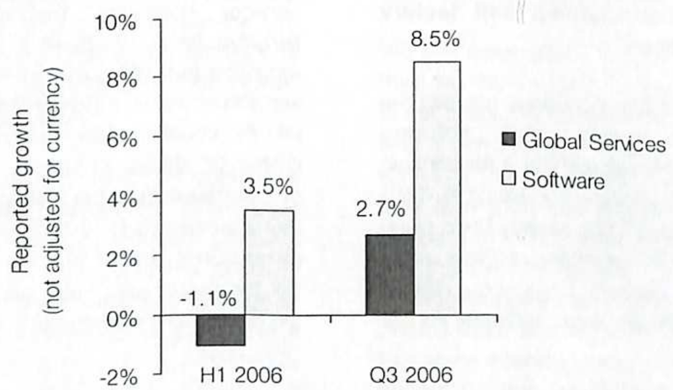
IBM REPORTS A MORE ENCOURAGING QUARTER

IBM announced an unexpectedly good set of Q3 results. Total revenue grew 5% at constant currency to $22.6bn compared with Q3 last year. Total gross profit margin was 42.0%, up 1.4% from 2005. IBM's Q3 PBT margin also improved slightly, from 13.5% to 14.0%.

For once Asia Pacific led the major geographies with 6% growth in constant currency terms to $4.5bn. The Americas were up 2% at $9.8bn and EMEA was up 2% at $7.3bn. As for the business divisions, hardware revenues were up 8% to $5.6bn (thanks to excellent z-Series sales) and software was up 7% to $4.4bn. Global Services grew by 2% to $12.0bn, and total signed services contracts hit $10.5bn during the quarter, bringing the backlog to $109bn, down $4bn on a year ago.

Comment: At last, a better quarter for IBM in Europe. Revenue growth was modest, just 2% to $7.3bn. But most of the major countries grew including the UK, France, Italy, Spain and the Netherlands. That said, Germany declined for the second quarter in a row. Overall, it's clear that IBM is now beginning to get better execution under its new European management structures.

IBM Q3: an improvement on the first half



Growth in software revenues was led by IBM's branded middleware software (WebSphere, IM, Lotus, Tivoli and Rational), which grew 18% to represent over half of IBM's software business. Tivoli produced an exceptional result - up 42% due to large signings towards the end of the quarter and its recent acquisitions. This success was balanced by a decline in operating systems and other middleware, hit by the general decline in mainframe software prices and reduced i-Series sales. All in all, IBM Software continues successfully to ride the SOA wave and benefit from its own recent acquisition programme.

Although growth was modest and contract signings were not exactly stellar, Global Services managed to stabilise its position in Q3. IBM's previously stated (albeit modest) ambition of "mid-single digit" growth from Global Services in the second half of 2006 now looks possible. Global Technology Services (predominantly infrastructure-focused systems integration and outsourcing activities) revenues were $8.1bn, which is 2% up on last year. Global Business Services (predominantly business consulting and application-focused activities) revenues were up 1% at $4.0bn. Overall, Global Services edged up its profitability (with a 9.5% Q3 PBT margin, compared to 9.2% in the same period last year).

Global Services has by no means given up on topline growth, but IBM's long-term strategy for services inevitably reflects the needs and pressures

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of a mature market. The company's moves towards globalisation of its services are well known, large-scale and in line with what many of its competitors are striving for too. The other key, and related, strand in the long-term plan that we see emerging is the "productisation" of IT services. IBM's investments in SOA capability within its Industry Solutions group, including its recent acquisition of Webify, are one tangible sign of this today. But productisation is a complex evolving strategy, and one that the Holway@Ovum team will be following closely and commenting on further in future.
(Phil Codling)

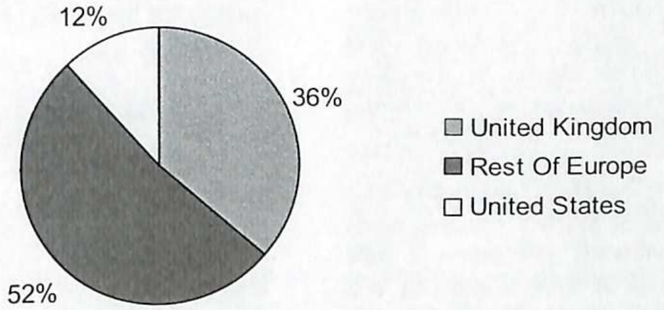
3%
67p

HARVEY NASH

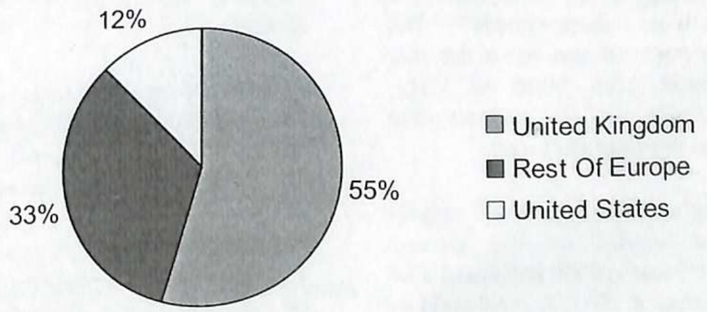
HARVEY NASH GROWS NICELY BUT MARGINS DROP

Harvey Nash, the recruitment company with offshore development capabilities, has announced its results for the six months to end July 2006. It has been a period of growth across all of its geographies. In the UK, revenues increased 14% to £44.2m, representing 36% of total revenues. However, operating margin decreased from 3.1% to 2.9%. In mainland Europe, growth was stronger at 53%, taking revenues to £63m. Operating margin also decreased, to 1.6% from 1.7%. The USA increased revenues by 10% to £14.1m, and increased operating margin from 2.3% to 2.8%. The company's offshore operation is also growing well, with revenue up 29%. Total group revenues increased 31% to £121.2m. Net fee (gross profit) increased 11% to £23.1m, while operating margin slipped from 2.4% to 2.2%.

Harvey Nash revenue split H12007



Harvey Nash operating profit split H12007



Comment: The strong organic growth Harvey Nash has registered in H1 looks set to continue as investment in new offices and staff pay off. Europe saw particularly good growth, with Benelux being the best performing country. The company points to "positive business confidence" across the region as the impetus for such good growth. But expansion into new locations, such as Geneva, has also helped to edge growth upwards. Expect to see acquisitions in both existing and new areas in the coming months.

Harvey Nash's spread across three main geographical regions is a strong asset and it's good to see that each area is delivering good growth. But as the numbers above show, margin in the UK and Europe has decreased. This is likely to be partly related to investments the company has made. On the upside, it is making an on-going and concerted effort to focus on value-added, higher-margin work. In the UK, we would hope to see the margin improve soon, especially given the focus it has on the placement of more senior (and therefore more profitable) staff. More generally, Harvey Nash is benefiting from increased demand for senior technologists - a sign that some customers are willing to put their hands in their wallets to invest in new IT projects.
(Kate Hanaghan)

T-SYSTEMS AND LOCKHEED SHORTLISTED FOR CENSUS 2011

The Office for National Statistics has shortlisted T-Systems and Lockheed Martin as suppliers for Census 2011, the UK's next national population census.

Under the proposals, the three Census Authorities - ONS (for England and Wales), the General Register Office for Scotland and the Northern Ireland Statistics and Research Agency - jointly decided to engage T-Systems and Lockheed Martin in the final phase of negotiations for the potential managed ICT services contract.

The proposed deal will involve one of the two suppliers being contracted to perform a wide range of services including web hosting, call centre management, IT infrastructure management, and printing & scanning services to support the collection and processing of data from the Census questionnaire. The contract will run for a five-year period from 2008 to 2012, although the total contract value has not been disclosed.

The eventual winner will provide the service for the Census Rehearsal in 2009 and then the full Census in 2011. And following an assessment of the performance of both Lockheed Martin and T-Systems in a Census test in May 2007, the ONS plans to announce the eventual supplier in December 2007.

Comment: Although the total value of the contract has not been released, we anticipate it being a major opportunity for either Lockheed or T-Systems given the scale of the proposed service that will support data analysis for the UK's population of 60 million.

The ONS has invested heavily in bringing in technology suppliers to speed up and automate many of the processes involved in the census, and it aims to build on this significantly with the new managed service contract. In the 2001 Census, the ONS spent a total of £87.5m with external suppliers - we expect it to be considerably more this time as it contracts out more of the services.

Of particular interest to us is how T-Systems and Lockheed Martin reached the final bidding stage on the contract. The companies beat off competition from four other suppliers to reach the final stage. We assume that the suppliers will be expected to make significant investments into the census programme, and indeed the deep pockets of both companies will have gone some way to re-assuring the ONS.

Partnering is going to play a key role in the 2011 programme as the ONS looks for best-of-breed suppliers to take on the various components of the programme. Lockheed for example is bringing together a broad range of suppliers including public sector Broadcasting Support Services, LogicaCMG, Pearson Government Solutions, Royal Mail, Cable & Wireless, Polestar, Oracle, Xansa, as well as consultants to support it in the proposal process. The company is also arguably the front-runner to win the eventual award having already provided the technology and services for the 2001 Census.

T-Systems has comparatively less experience in the UK public sector, however it is showing considerable ambition, and is targeting major new opportunities, notably the £500m eBorders programme, where it is competing as a prime contractor against stalwarts like EDS and BT. As with eBorders however, T-Systems is keeping its cards close to its chest with regards to its choice of partners. We expect it to make some announcements on this over the coming months.
(John O'Brien)

ATOS ORIGIN DRAGGED INTO PRIVATE EQUITY RUMOUR MILL

October saw one private equity (PE) takeover in the UK S/ITS sector as fuel card and payment processing player Retail Decisions (ReD) confirmed an offer from RD Card Ltd, an investment vehicle set up by Palamon Capital Partners. Northgate IS began the month telling shareholders that it was in takeover discussions "following a number of unsolicited approaches", and ended it confirming that those discussions - widely believed to

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be with PE firms - had been terminated.

Meanwhile, PE-related rumours continue to create a lot more noise than actual deals. Dell and BT stayed on the list of rumoured targets in October. One significant name added to that list was Atos Origin, which was said during the month to have received approaches from US-based PE giant Blackstone.

Comment: We have no way of telling whether there is a shred of truth to any of these rumours. So let's look at the facts. Firstly, private equity firms are awash with funds, and with a paucity of good homes for them they are tending to consider larger and larger deals. So far in this current wave of PE interest in our sector, we haven't seen a buy-out of a major IT services firm (like Atos Origin). That said, the potential CSC PE deal was no flimsy rumour; the parties involved invested a lot of effort in assessing its feasibility. So overall, it's not hard to believe that large IT services firms are the subject of serious PE inspection.

That Blackstone could be involved in a move for Atos Origin is also feasible. It was part of the consortium that bought SunGard, and has been looking to bulk up its IT industry exposure. And as for the target, we've got used to seeing Atos Origin as a consolidator rather than a take-over target. But that doesn't mean a take-over isn't possible. Indeed, the firm might make an ideal vehicle for a PE firm to consolidate other investments into, assuming it can hang on to the acquisition and integration skills of the current management.

Another key thing a PE firm would be seeking is room for margin leverage. With operating margins in mid single digits (5.1% in H1 of this year), there should be scope for this in future periods, as Atos Origin itself has acknowledged. However, given that 70% of Atos Origin's revenue comes from non-UK Europe, one factor any potential acquirer would need to consider is the company's presence in those economies where rationalising a workforce tends to be a difficult, protracted process.

On balance, it's highly likely that these talks are taking place (as well as many others between private equity firms and IT services players in the UK, Europe and beyond!). But recent history also suggests that this deal, like so many PE-led forays into our sector, will probably not happen. In the meantime, Atos Origin may benefit from a much-needed hike in its share price, but it'll need to be mindful - as we've said time and again - of the effect of all this on customers. We've heard from previous subjects of buy-out rumours that such uncertainties can spook potential new customers in particular. Outsourcing is about minimising risk, and doubts over future ownership inevitably set off a warning light in the CxO's mind.

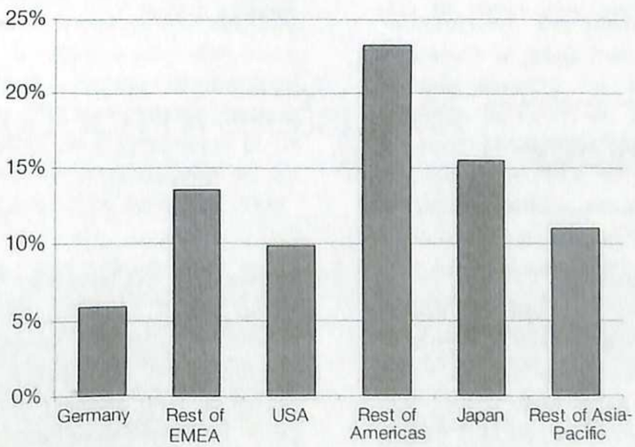
(Phil Codling)

Q3 CONFIRMS SAP REBOUND

SAP reported Q3 revenue up 11% at €2.25bn. Software licence revenues grew by 17% to €691m in the quarter compared to €590m a year ago. Maintenance revenue was up 10% at €882m and service revenue grew 8% to €653m.

Readers may recall that in the last quarter, SAP fell below expectations for licence revenue. There was concern that Oracle's improved performance in the business applications space was going to restrict SAP's future growth. Growing licence revenue

Figure 1 **SAP's regional growth rates**



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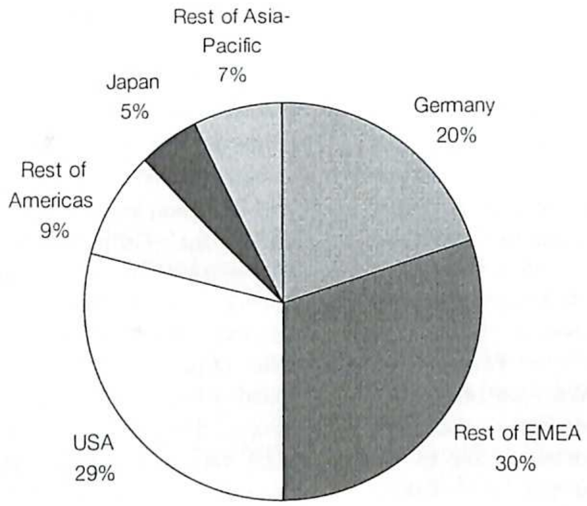
by 17% year-on-year is a robust response to those concerns. What is also very encouraging is that the upswing is worldwide, rather than tied to one region.

The Americas and Asia-Pacific are both growing at 13% while EMEA grew at 10%. SAP's two largest country markets - the USA and Germany - grew by 10% and 6% respectively. Thanks to the appreciation of the euro, constant currency growth rates were anything up to 6% above the headline growth rates (with a 17% constant currency rate posted in the Americas and 19% in Asia-Pacific, for example). Figure 1 shows a further breakdown of the growth rates within SAP's sub-regions. For comparison, Figure 2 shows the distribution of total revenue.

Even in Europe, the constant currency growth rate was 1% higher. Non-euro zone countries accounted for around 50% of SAP's EMEA revenue outside Germany in 2005. This suggests that non-euro revenue grew by an additional 2% over the 13% growth for EMEA excluding Germany.

Maybe we are over-interpreting these figures, but it looks to us that the UK, with around 9% of SAP's EMEA revenue in 2006 and Switzerland with around 7% must have done very nicely in Q3.

Figure 2 **SAP's regional revenues in Q3 (€m)**



However, the region also includes rapidly growing countries like Russia and Eastern Europe. Some of these may have really taken off in Q3 - though SAP isn't saying which.

Whatever the truth is, these results also add further weight to our view that the enterprise software segment of the S/ITS market has undergone a significant rebound in the past 18 months. Here in the UK, we expect growth in the enterprise software market as a whole to reach almost 10% this year, a far cry from the 1% we reported in 2003 and well above the mid-single-digits performance we continue to see in the UK *IT Services* market.

The positive macro-economic climate continues to act as a driver of software spending; we're still finding plenty of CIOs prepared to invest in upgrades, legacy renewal and extensions to existing implementations. Exactly when the economy will turn less favourable is hard to predict. When it does, however, history suggests that enterprise software growth rates will fall. However, there's also good reason to believe that, as software as a service (SaaS) gains increasing acceptance in the coming years, the software market - and with it software vendors' financial performance - should become less tied to the vagaries of the economic cycle.

(David Bradshaw & Phil Codling)

10%
514p

AXON ISSUES A PROFIT UPGRADE

SAP specialist Axon Group published an upbeat trading statement last month saying that its 2006 adjusted pre-tax profit should exceed market expectations. CEO Mark Hunter said Axon is making "excellent progress" and that the full-year result "will be at least 10% ahead of current market expectations", despite "significant investment" in the group's US operations. The adjusted pre-tax profit excludes amortisation of intangible assets on acquisition, share-based payments, restructuring and exceptional costs

The statement came barely a month after Axon posted its H1 results (revenues up 57% to £63.4m, pre-tax margin stable at

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8.8%), when Hunter reported a "strong" order book and a "good" pipeline. This trading statement confirms what we said in September - that Axon is a well-run company riding the SAP and project-services revival.

Strength through focus

Much of its strength comes from strong focus: it qualifies deals heavily early in the process, sticks to a handful of verticals (mostly UK local government) and concentrates deal-capturing energies on chasing a handful of big contracts where it often rides on the back of a large outsourcer (Capita comes to mind) that needs a consulting/systems integration partner. Not surprisingly, Axon's top 10 clients supply 72% of its revenues. Is that too heavy a concentration? Well, it's a lot, but these relationships tend to be longer-term than they are for many other project-services suppliers.

An advantage of this strategy of partnering with outsourcers is that it plugs Axon into long-term outsourcing deals, something most project-services specialists can only dream of, giving it greater revenue visibility and up-selling opportunities. It also lets Axon form relatively deep and long-lasting relationships with key customers and partners.

Axon also has a reasonable balance of systems integration, consulting and application-management capabilities, which protects it to some extent against commoditisation and pricing pressure, particularly from offshore players.

Some questions to answer

So things are going well and not just because Hunter - who loves to speak off the hoof - somewhat modestly says that Axon is "in the right place at the right time". But for the long term, Axon must decide whether it wants to be a serious pan-European player (it pretty much admits that its alliance with itelligence and Acando is not the long-term solution), and whether it wants to be more than a very niche player in the US, the graveyard of many an aspiring UK player.

It also has to expand or supplement its modest Malaysian offshore capabilities, given the increasing acceptance of offshore provision in both private and public sectors and the consequent pricing implications. Global sourcing is a very difficult subject for mid-sized companies. Axon has aggressive plans to gain scale (defined as revenues of £250m) by 2008, and one advantage of that scale will be that it can economically develop more powerful onshore/nearshore capabilities.

(Douglas Hayward)

Capgemini
CONSULTING.TECHNOLOGY.OUTSOURCING

CAPGEMINI UK PLANS FOR THE FUTURE

We met recently with Mark Porter, CEO of Capgemini UK's project-services business (known by the acronym of P&C), who also acts as the legal CEO of Capgemini UK as a whole.

Capgemini UK has had an excellent run recently, growing revenues an incredible 21% (to £715m) in H1 2006, and almost doubling operating margin to 5.8% (versus 3.2% in H1 2005).

Executives said recently that some 57% of UK revenue in H1 2006 came from the Aspire outsourcing mega-deal with HMRC, and we reckon the rest was split about 60/40 respectively between general outsourcing and project services.

Porter reports good project services growth in retail (especially for SAP projects) and in utilities. Looking forward, he wants to target the financial services sector (where Capgemini UK is oddly weak, after losing ground during the last downturn). The plan is to double financial services as a percentage of UK project services revenue (to just under 20%) by the end of 2008.

Comment: Leaving aside Aspire, Porter's project-services unit grew 27% to reach £280m revenues (23% of Capgemini UK revenues) in 2005, and that's excluding the work done for Aspire (currently 400 people working on application development), which gets billed separately. Porter says his unit is still growing healthily in 2006, adding that the project services unit is profitable, with *"double digit"* profitability.

Nevertheless, like many of his colleagues at group level, Porter's already planning for the next inevitable economic-led downturn in project services. First, he wants to rebalance the UK project services revenues so that new growth comes disproportionately from private-sector verticals, where Capgemini UK is currently weak, particularly financial services. Porter will target areas which will include business banking, wealth management, MiFID and compliance. In retail banking, he'll be pushing multi-channel customer management propositions, aiming

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to exploit existing "supplier fatigue" among High Street banks.

We think this strategy sounds sensible. Beyond a handful of mega-deals, UK public-sector growth nowadays is fairly modest - the baton of growth is passing back to the private sector. Financial services is leading the recovery, and is especially keen on offshoring, which Capgemini is turning from a weakness into a strength.

Secondly, Porter is looking to find a way to get his consultants into major commercial accounts where Capgemini doesn't already have a presence, and to get them generating repeat business in these accounts. The idea is that Capgemini can then win pull-through outsourcing revenues, helping to retain its position in these accounts once the inevitable next downturn arrives.
If Capgemini can get back into financial services (easier now that it's stronger in outsourcing and offshoring) and strengthen its position in retail and utilities, it's got a good chance of growing revenues and profitability after the Aspire engine stops accelerating and starts merely cruising. *(Douglas Hayward)*

UNISYS

UNISYS Q3: STILL A MOUNTAIN TO CLIMB

Unisys has released its results for the third quarter ended 30 September 2006. Revenue has grown 2% year-on-year to $1.4bn, but was flat on a constant currency basis. Services revenue was up 4% to $1.2bn and technology down 10% to $193m. Net losses were reduced to $77.5m from $1.6bn last year, but excluding restructuring and pension scheme expenses, operating profits were $37m, equivalent to a 2.6% operating margin.

Revenue from the US declined by 5% to $637m due in part to a fall in project services spend in the federal sector. International revenue grew 8% to $773m, with the Europe/Africa region now accounting for 34% of total revenue.

Comment: Unisys' headline numbers remain uninspiring, but there is some evidence that the company has passed the nadir and that growth is returning. Services orders are up by double-digits year-on-year, and technology orders increased sequentially, bucking the seasonal dip in business in this quarter.

These orders are being built around the handful of solutions areas that Unisys started targeting as strategic to growth earlier this year. Of these, Security and Outsourcing have performed very well to date. Prominent public sector wins for technology and services for e-borders and ID management within the US, South Africa, Malaysia and Australia have helped to establish Unisys in this niche of the security market. Meanwhile, in Outsourcing, Unisys is also playing to its strengths, focusing on smaller deals between $15m and $150m, and partnering heavily to benefit from the trend to "multi-source" large contracts on renewal.

Partnership has also helped Unisys win two deals with the European Commission - one for data centre support and security, and another for open source IT infrastructure work. Unisys has even taken the pragmatic step of sub-contracting to Wipro in a recent deal primed by the offshore services provider. Meanwhile, it is still driving its own nascent global sourcing strategy, planning to grow its 2,100 offshore staff numbers to 6,000 in India, China and Eastern Europe by 2008.

But Unisys still has a mountain to climb before attaining strong revenue growth and sustainable profitability. Although services orders might be growing, revenue growth, at least in outsourcing, is under pressure from a high proportion of deal renewals that are being let for less money. Meanwhile, Services operating margins are still very low (1.8%), and currently a third of profits are propped up by the declining Technology division. A Headcount reduction of 5,000 over FY06 should help boost profitability. But if IT services are to be the saviour of Unisys in the future, the company must re-invest much of these savings in its global sourcing expansion and staff training.

Ultimately, Unisys is taking the right action to re-invigorate its business. However, to pull itself out of this slump it needs to continue to differentiate the new offerings that it launched for 2006, and be highly competitive in each of these target markets. Much of its effort on doing this is still work in progress, and the ongoing internal restructuring will continue to threaten the company's outlook. Even if Unisys does achieve a return to full profitability as early as the end of 2007, it may still be unclear whether it can survive as an independent company if it has not established each of its new solutions offerings in their respective markets.
(Samad Masood)

Mergers & Acquisitions - October

Buyer	Seller	Seller Description	Acquiring	Price	Comment
3i Infotech	Rhyme Systems	UK asset managment software vendor	100%	£28m	Rhyme Systems will give Mumbai-based 3i Infotech an onshore foothold into the UK financial services sector. Rhyme's asset management products - Quasar and rhymeSIGHT - along with its Altimis, Fiscal and Arrow applications for brokers are used by financial services firms in the UK including Barclays, Friends Provident, Coutts RBS, Rathbones, M&G, Jupiter, LCH.Clearnet and Brewin Dolphin.
BT	Counterpane Internet Security Services	A privately held US Managed Security Services provider	100%	Undisclosed	BT has completed the acquisition of Counterpane Internet Security Services, a privately held US Managed Security Services provider. Counterpane will continue to trade in its present form until April 2007, and will be gradually integrated into the BT managed services organisation. Although the managed security services market has been enjoying healthy growth over the last 2 years it is still suffering from slow growth in previous years and is ripe for consolidation. The present growth makes it attractive to established companies looking for growth areas. The logic of this acquisition has many similarities to the recent acquisition of ISS by IBM. Specifically both Counterpane and ISS are strong in the threat intelligence sector and will enable their new owners to build up security services with high levels of "intellectual capital" in them: "layer 3" services as BT calls them.
Capgemini	Kanbay International	US-listed offshore company specialising in financial services	100%	$1.25bn	Capgemini said this morning that it is acquiring Kanbay International, a US-listed offshore player specialising in financial services. Kanbay brings around 6,900 employees - of which 20% are located onshore - and 2006 expected revenues around $400m. Capgemini's Indian presence moves to 12,000 out of a total headcount of 72,000, giving it about 16% of staff offshore. Meanwhile Capgemini wants to have around 35,000 (excluding BPO personnel) staff based offshore by 2010, mostly working out of India. Capgemini also said that its Q3 2006 revenues were up by 12.4% in Q3 to €1,881m. Capgemini is revising its guidance slightly upwards for an operating margin in 2008 possibly up to 8.5% (and 10% during peak activity times). A clever move for several reasons. First, Kanbay brings presence in financial services (79% of revenues) and in the US: two areas where Capgemini needed to develop not only in project services but also in application management. Second, Capgemini becomes a significant player in India and pulls well ahead of its European peers in offshore provision. Third, Kanbay brings a focus on financial services, rather than on generic staff augmentation offering.
Kingston Communications	Smart421	Hull-based telco	100%	£24m	One piece of M&A that caught our attention, even if the buyer - Hull-based telco Kingston Communications - was a somewhat "unusual suspect" in the UK S/ITS landscape. The acquired party was Smart421, a privately-held provider of mid-market IT implementation and managed services. Kingston paid £24m for Smart421, which grew its revenue by 25% to £11.1m in its FY06 (to June), with a PBT of £1.5m. Kingston was originally the council-owned incumbent phone operator in Hull. It IPO'd in 1999 and has expanded both within Yorkshire (where it competes in the consumer market) and nationally across the UK (where it competes to deliver services to businesses). Kingston's aim with this acquisition is to add Smart421's IT and applications capabilities to its existing communications-centric portfolio and thus increase wallet share with UK business customers.

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Oct 06	Change since IPO
SSP Holdings Plc	Insurance sector IT systems	SP	AIM	98p	£70m	02-Oct-06	117p	19.4%
Matchtech Group Plc	Staffing for technical positions	A	AIM	310p	£70m	27-Oct-06	345p	11.3%
Zamano	Mobile content platform	SP	AIM	24p	£16m	31-Oct-06	29p	18.8%
Brulines (Holdings) Plc	Retail technology	SP	AIM	123p	£30m	31-Oct-06	145p	17.5%

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Gow i Group Plc	HR and content management software	SP	AIM	n/a	n/a	n/a
Datatec Limited	ICT reseller and services provider	R	AIM	n/a	n/a	n/a

UK software and IT services share prices and market capitalisation - October 2006

	SCS Cat.	Share Price 31-Oct-06	Capitalisation 31-Oct-06	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Oct-06	Share price move since 29-Sep-06	Share price % move in 2006	Capitalisation move since 29-Sep-06
@UK plc	SP	0.20	7.51	-	5.17	305.34	-46%	-69%	-£6.39m
Alphameric	SP	0.72	86.77	13.7	1.18	330.27	1%	-20%	£0.60m
Alterian	SP	1.15	46.58	33.7	4.38	572.50	9%	-14%	£3.86m
Anite Group	CS	0.74	256.18	73.5	1.35	429.82	-1%	8%	-£1.74m
Ascribe	SP	0.38	40.10	36.4	7.50	1,973.68	2%	7%	£0.80m
Atelis plc	SP	0.12	3.00	-	-	558.14	-29%	-44%	-£1.25m
Atlantic Global	SP	0.14	3.07	-	1.44	457.63	4%	-37%	£0.11m
Autonomy Corporation	SP	4.81	889.42	4.2	16.22	146.67	4%	23%	£60.15m
Aveva Group	SP	5.98	399.05	49.3	6.05	2,990.00	13%	-36%	£45.38m
Axon Group	CS	5.14	304.96	45.9	3.32	2,935.71	10%	88%	£34.89m
Bond International	SP	1.43	39.67	17.8	2.85	2,192.31	2%	44%	£0.84m
Brady	SP	0.33	8.39	-	3.45	401.23	23%	3%	£1.55m
Business Systems	CS	0.11	8.07	10.9	0.23	88.24	0%	-38%	-£0.05m
Capita Group	CS	5.39	3319.26	29.5	2.31	145,702.61	-2%	29%	-£55.42m
Centrom	CS	0.02	2.67	-	0.42	291.67	8%	-61%	£0.19m
Charteris	CS	0.16	6.67	39.7	0.33	172.22	-3%	-57%	-£0.22m
Chelford Group	CS	2.30	16.35	12.8	1.38	39,999.93	27%	-5%	£3.48m
Civica	CS	2.56	159.34	222.6	1.50	1,462.47	11%	3%	£16.18m
Clarity Commerce	SP	0.61	9.73	10.5	0.73	488.00	-5%	-20%	-£0.48m
Clinical Computing	SP	0.07	2.17	-	1.31	55.44	-5%	-31%	-£0.12m
CODASciSys	CS	1.74	133.93	-	1.84	1,348.84	4%	-58%	£4.62m
Compel Group	CS	1.02	34.43	23.6	0.54	812.00	1%	13%	£0.51m
Computacenter	R	2.63	417.94	15.6	0.18	392.16	6%	3%	£21.87m
Computer Software Group	SP	1.19	65.21	40.7	4.63	1,008.50	2%	78%	£1.10m
Cornwell Management Consultants	CS	0.27	4.67	4.1	0.26	190.31	-25%	-64%	-£1.59m
Corpora	SP	0.06	7.42	-	2.85	147.89	-22%	-54%	-£2.07m
Dealogic	SP	1.53	108.75	13.0	3.51	663.04	9%	3%	£8.91m
Delcam	SP	3.15	19.01	9.8	0.79	1,211.54	3%	-5%	£0.60m
Detica	CS	3.25	362.95	37.0	5.17	811.88	8%	-73%	£25.43m
Dicom Group	R	2.60	226.63	37.7	1.08	797.06	7%	25%	£14.16m
Dillistone Group	SP	1.47	7.91	-	-	1,073.26	0%	7%	£0.00m
Dimension Data	R	0.37	573.70	25.5	0.41	66.16	6%	-7%	£34.65m
DRS Data & Research	SP	0.40	13.93	-	1.12	365.91	3%	7%	£0.43m
Electronic Data Processing	SP	0.65	15.86	64.4	2.28	1,990.20	8%	-2%	£1.22m
FDM Group	A	1.03	23.80	25.0	0.72	1,257.67	24%	22%	£4.64m
Ffastfill	SP	0.04	9.09	-	3.43	31.25	-12%	-3%	-£1.21m
Financial Objects	CS	0.52	24.40	-	1.75	223.91	10%	30%	£2.13m
Flomerics Group	SP	0.75	11.03	11.9	0.97	2,884.62	-8%	-14%	-£0.96m
Focus Solutions Group	CS	0.27	7.72	60.0	1.42	138.46	23%	29%	£1.43m
GB Group	CS	0.35	28.89	-	0.10	222.53	1%	1%	£0.42m
Gladstone	SP	0.27	14.10	68.1	1.84	681.25	21%	16%	£2.46m
Glotel	A	0.56	21.57	8.6	0.24	290.91	-3%	-32%	-£0.77m
Gresham Computing	CS	1.27	63.51	-	4.54	1,362.90	4%	56%	£2.38m
Group NBT	CS	1.65	33.65	16.5	2.98	822.50	10%	44%	£4.47m
Harvey Nash Group	A	0.67	43.46	11.9	0.21	380.00	3%	49%	£1.31m
Highams Systems Services	A	0.05	1.59	-	0.12	138.89	-9%	60%	-£0.16m
Horizon Technology	CS	0.67	54.27	13.3	0.28	245.48	1%	-20%	£0.46m
IBS OPENSystems	CS	1.91	76.20	-	4.88	1,249.18	1%	19%	£0.80m
I S Solutions	CS	0.18	4.56	49.3	0.83	680.09	-11%	35%	-£0.56m
ICM Computer Group	CS	3.20	67.72	21.1	0.89	1,779.17	26%	-4%	£13.80m
IDOX	SP	0.06	11.67	6.9	0.82	8.02	2%	-56%	£0.23m
In Technology	CS	0.38	53.91	-	0.19	1,530.00	1%	20%	£0.35m
InterQuest Group	A	0.81	20.40	11.5	0.74	1,400.00	-14%	87%	-£3.29m
Innovation Group	SP	0.30	133.07	-	2.18	128.82	-2%	-2%	-£2.26m
Intelligent Environments	SP	0.06	9.89	-	3.17	65.16	20%	88%	£1.61m
Intercede Group	SP	0.51	17.15	-	9.50	841.67	66%	49%	£6.79m
Invu	SP	0.27	30.85	21.6	9.80	2,842.08	-10%	29%	-£0.74m
iSOFT Group	SP	0.46	104.44	-	0.40	413.64	-10%	-88%	-£11.48m
iTrain	SP	0.03	2.07	11.9	1.13	30.88	-19%	-51%	-£0.49m
IX Europe	CS	0.45	77.66	-	3.45	1,475.41	15%	48%	£9.92m
K3 Business Technology	SP	1.12	19.19	-	0.87	855.75	6%	37%	£1.03m
Kewill	SP	0.73	56.94	20.7	2.13	1,432.81	9%	1%	£4.52m
Knowledge Technology Solutions	SP	0.01	2.02	-	1.62	275.00	120%	-21%	£1.10m
LogicaCMG	CS	1.66	2541.02	31.8	1.39	2,266.50	6%	-7%	£755.54m
Lorien	A	0.48	9.41	-	0.07	480.00	22%	22%	£1.67m

UK software and IT services share prices and market capitalisation - October 2006

	SCS Cat.	Share Price 31-Oct-06	Capitalisation 31-Oct-06	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Oct-06	Share price move since 29-Sep-06	Share price % move in 2006	Capitalisation move since 29-Sep-06
Macro 4	SP	2.00	44.68	14.7	1.35	806.45	-6%	-24%	-£2.79m
Manpower Software	SP	0.22	9.62	-	2.22	224.23	19%	-24%	£1.55m
Maxima Holdings	CS	1.82	29.13	30.3	2.35	1,323.64	13%	17%	£3.36m
Mediasurface	SP	0.14	10.81	-	2.00	1,029.41	0%	19%	£0.00m
Micro Focus	SP	1.44	286.07	33.2	3.52	0.00	21%	22%	£50.34m
Microgen	CS	0.47	47.75	11.2	1.17	200.85	4%	-36%	£2.03m
Minorplanet Systems	SP	0.41	11.82	-	0.54	837.25	-6%	-7%	-£0.58m
Misys	SP	2.04	1019.40	-	1.07	2,534.89	-10%	-15%	-£116.33m
Mondas	SP	0.14	4.90	-	2.34	186.67	-13%	8%	-£0.70m
Morse	R	0.92	139.30	9.5	0.38	369.00	-10%	-3%	-£14.72m
MSB International	A	0.72	14.81	-	0.16	380.26	0%	101%	£0.00m
NCC Group	CS	2.61	84.93	18.6	4.09	1,559.88	-3%	13%	-£2.61m
Ncipher	SP	2.60	73.24	37.6	4.21	1,040.00	11%	25%	£7.32m
Netcall	SP	0.17	10.88	27.5	3.28	333.33	10%	27%	£0.99m
Netstore	CS	0.33	40.90	15.3	1.13	218.33	-2%	-15%	-£0.94m
Networkers International	A	0.34	2.51	55.8	0.13	1,046.88	-7%	5%	-£0.19m
Northgate Information Solutions	CS	0.80	427.50	20.0	1.28	308.65	-2%	-6%	-£9.32m
NSB Retail Systems	SP	0.28	101.38	6.6	2.10	2,391.30	0%	-15%	£0.00m
OneclickHR	SP	0.04	6.32	-	1.32	106.25	6%	-3%	£0.37m
OPD Group	A	4.29	113.76	30.8	2.60	1,947.72	12%	71%	£12.08m
Parity	A	0.57	21.55	-	0.16	9,499.96	0%	533%	£0.00m
Patsystems	SP	0.16	25.96	-	1.68	151.87	10%	20%	£2.40m
Phoenix IT	CS	3.23	190.23	15.2	2.15	1,196.30	13%	19%	£21.94m
Pilat Media Global	SP	0.70	36.51	20.6	2.81	3,487.50	7%	57%	£2.49m
Pixology	SP	0.37	7.40	-	1.64	261.51	18%	-34%	£1.12m
Planit Holdings	SP	0.28	25.87	21.7	0.92	1,177.08	0%	11%	£0.00m
Portrait Software	CS	0.16	13.81	-	0.97	105.05	-9%	-40%	-£1.29m
Proactis Holdings	SP	0.59	17.62	23.4	-	1,206.19	8%	21%	£1.36m
Prologic	CS	0.85	8.50	18.9	1.23	1,024.10	0%	38%	£0.00m
QinetiQ Group	CS	1.85	1206.77	18.2	1.15	840.55	6%	-16%	£74.78m
Qonnectis	CS	0.01	2.46	-	40.98	300.00	-10%	-47%	-£0.27m
Quantica	A	0.41	26.69	10.0	0.69	326.61	-6%	-31%	-£1.65m
Red Squared	CS	0.06	1.16	-	0.47	315.93	15%	-13%	£0.15m
Retail Decisions	SP	2.02	157.77	22.2	2.89	2,728.48	1%	51%	£1.56m
RM	SP	1.70	154.01	73.8	0.59	4,850.00	-6%	7%	-£11.04m
Royalblue Group	SP	9.26	303.86	29.3	4.09	5,444.12	12%	29%	£31.35m
Sage Group	SP	2.40	3106.07	20.3	4.00	92,307.69	-4%	-7%	-£135.89m
Sanderson Group	SP	0.44	18.40	-	1.27	880.00	2%	-16%	£0.42m
SDL	CS	2.20	137.04	45.2	1.75	1,466.67	2%	2%	£2.80m
ServicePower	SP	0.25	20.10	-	2.53	250.00	4%	-19%	£0.80m
Sirius Financial	SP	1.50	26.35	299.0	1.21	996.67	-2%	3%	-£0.53m
SiRViS IT plc	CS	0.04	4.13	40.3	0.52	31.52	0%	21%	£0.00m
smartFOCUS plc	SP	0.16	12.51	125.0	2.07	1,756.76	-10%	8%	-£1.73m
Sopheon	SP	0.20	27.24	-	5.84	287.77	7%	3%	£1.70m
Spring Group	A	0.63	101.78	94.5	0.22	702.78	27%	2%	£21.32m
StatPro Group	SP	1.06	41.46	22.9	3.84	1,318.75	14%	60%	£5.11m
SThree Group plc	A	3.65	503.59	22.5	2.08	1,771.84	9%	69%	£41.74m
Stilo International	SP	0.02	1.92	-	0.92	42.50	-6%	-19%	-£0.11m
Strategic Thought	CS	0.96	25.04	9.8	2.18	708.49	-46%	-29%	-£21.51m
SurfControl	SP	4.80	150.81	-	2.63	2,400.00	3%	-8%	£3.85m
Tadpole Technology	SP	0.03	9.94	-	2.06	60.35	11%	-31%	£0.99m
Tikit Group	CS	2.39	30.10	140.6	1.49	2,078.26	7%	36%	£1.89m
Torex Retail	SP	0.38	147.71	-	0.88	950.00	-12%	-64%	-£20.41m
Total Systems	SP	0.40	4.16	18.4	1.19	745.28	-9%	-1%	-£0.42m
Touchstone Group	SP	1.78	20.27	71.2	1.17	1,695.24	-4%	31%	-£0.80m
Trace Group	SP	1.00	14.79	13.8	1.03	796.00	0%	4%	£0.00m
Triad Group	CS	0.27	4.01	-	0.09	196.30	-2%	-48%	-£0.08m
Ubiquity Software	SP	0.22	40.20	-	5.39	552.76	13%	-41%	£4.57m
Ultima Networks	R	0.01	2.30	8.0	1.21	27.44	-31%	-31%	-£1.02m
Ultrasis Group	SP	0.01	19.31	-	12.58	29.59	-20%	-28%	-£4.73m
Universe Group	SP	0.09	5.28	21.3	0.12	377.78	-21%	-55%	-£1.40m
Vega Group	CS	2.39	48.55	15.6	0.78	1,954.92	3%	17%	£1.22m
VI group	SP	0.10	3.73	-	0.38	200.00	3%	21%	£0.09m
Xansa	CS	0.79	272.89	33.1	0.73	2,025.64	-3%	-12%	-£9.50m
XKO Group	SP	0.98	41.83	19.6	0.93	653.33	-1%	-3%	£14.45m
Xpertise Group	CS	0.40	2.08	-	0.16	1,590.00	1%	-52%	£0.03m

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.

@UK plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£828,000	£1,454,073	£978,000	+18.1%
PBT	-£128,000	-£1,683,833	-£1,260,000	Loss both
EPS	-0.70p	-8.50p	-3.30p	Loss both

Alphameric plc

	Interim - May 05	Final - Nov 05	Interim - May 06	Comparison
REV	£30,834,000	£73,493,000	£36,504,000	+18.4%
PBT	£3,292,000	£7,555,000	£2,823,000	-14.2%
EPS	2.40p	5.10p	1.80p	-25.0%

Alterian plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£7,806,000		£10,629,000	+36.2%
PBT	-£649,000		£889,000	Loss to profit
EPS	-0.04p		3.20p	Loss to profit

Anite Group plc

	Final - Apr 05		Final - Apr 06	Comparison
REV	£189,403,000		£164,667,000	-13.1%
PBT	£6,820,000		£10,449,000	+53.2%
EPS	0.50p		2.50p	+400.0%

Ascribe plc

	Interims - Dec 04	Finals - Jun 05	Interims - Dec 05	Comparison
REV	£1,644,000	£5,347,000	£4,537,000	+176.0%
PBT	-£4,000	£794,000	£717,000	Loss to profit
EPS	-0.16p	0.65p	0.44p	Loss to profit

Atlantic Global plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£2,146,000		£2,137,000	-0.4%
PBT	£188,000		-£631,000	Profit to loss
EPS	0.50p		-2.63p	Profit to loss

Autonomy Corporation plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£20,834,010	£54,834,272	£63,348,936	+204.1%
PBT	£3,509,100	£7,210,588	£11,537,366	+228.8%
EPS	0.03p	0.04p	0.04p	+33.3%

Aveva Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£57,163,000		£65,930,000	+15.3%
PBT	£9,124,000		£11,155,000	+22.3%
EPS	23.78p		36.13p	+51.9%

Axon Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£40,393,000	£91,799,000	£63,437,000	+57.0%
PBT	£3,546,000	£8,128,000	£5,593,000	+57.7%
EPS	4.30p	10.50p	6.30p	+46.5%

Bond International Software plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£9,578,000		£13,924,000	+45.4%
PBT	£1,881,000		£2,668,000	+41.8%
EPS	6.63p		7.82p	+17.9%

Brady plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£1,530,585	£2,431,609	£1,718,798	+12.3%
PBT	-£283,610	-£1,035,046	-£193,443	Loss both
EPS	-0.86p	-2.70p	-0.63p	Loss both

Business Systems Group Holdings plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£29,485,000		£34,639,000	+17.5%
PBT	£576,000		£782,000	+35.8%
EPS	0.90p		0.92p	+2.2%

Capita Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£687,300,000	£1,435,500,000	£845,000,000	+22.9%
PBT	£74,500,000	£153,100,000	£92,400,000	+24.0%
EPS	7.92p	16.05p	10.29p	+29.9%

Charteris plc

	Final - Jul 05		Final - Jul 06	Comparison
REV	£19,290,000		£20,089,000	+4.1%
PBT	£891,000		£359,000	-59.7%
EPS	1.28p		0.38p	-70.3%

Chelford Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£6,494,000	£14,494,000	£9,162,000	+41.1%
PBT	£702,000	£1,367,000	£231,000	-67.1%
EPS	7.85p	17.98p	1.43p	-81.8%

Civica plc

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£49,576,000	£106,028,000	£56,499,000	+14.0%
PBT	£559,000	£2,501,000	-£2,145,000	Profit to loss
EPS	-1.80p	1.10p	-4.70p	Loss both

Clarity Commerce Solutions plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£16,310,000		£18,884,000	+15.8%
PBT	£513,000		£953,000	+85.8%
EPS	2.36p		5.80p	+145.8%

Clinical Computing plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£710,322	£1,655,806	£967,698	+36.2%
PBT	-£895,582	-£1,538,499	-£464,112	Loss both
EPS	-2.30p	-4.40p	-1.50p	Loss both

CODASciSys plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£35,306,000	£72,771,000	£39,221,000	+11.1%
PBT	£3,289,000	£7,666,000	£3,616,000	+9.9%
EPS	9.80p	22.60p	11.60p	+18.4%

Compel Group plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£79,103,000		£92,647,000	+17.1%
PBT	£1,346,000		£2,258,000	+67.8%
EPS	3.40p		4.20p	+23.5%

Computacenter plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£1,151,553,000	£2,285,209,000	£1,114,939,000	-3.2%
PBT	£8,221,000	£34,012,000	£14,524,000	+76.7%
EPS	1.20p	10.90p	4.30p	+258.3%

Computer Software Group plc

	Final - Feb 05		Final - Feb 06	Comparison
REV	£14,072,000		£25,156,000	+78.8%
PBT	£928,000		£2,347,000	+2.9%
EPS	3.19p		2.89p	-9.4%

Cornwell Management Consultants plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£10,001,000	£20,720,174	£11,528,000	+15.3%
PBT	£969,000	£1,579,959	-£476,000	Profit to loss
EPS	4.10p	6.40p	-2.30p	Profit to loss

Corpora plc

	Final Jun 05		Final Jun 06	Comparison
REV	£1,930,101		£2,601,888	+34.8%
PBT	-£4,844,338		-£8,474,846	Loss both
EPS	-11.50p		-4.60p	Loss both

DCS Group plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£42,200,000		£35,100,000	-16.8%
PBT	£2,100,000		-£3,400,000	Profit to loss
EPS	10.38p		-4.19p	Profit to loss

Dealogic Holdings plc

	Interim - Jun 05	Final - Dec 05	Interim - Ju8nn 06	Comparison
REV	£16,715,263	£36,280,700	£20,474,736	+22.5%
PBT	£5,801,578	£14,314,300	£7,584,789	+30.7%
EPS	3.89p	10.78p	5.11p	+31.4%

Delcam plc

	Interim - Jun 05	Final- Dec 05	Interim - Jun 06	Comparison
REV	£11,835,000	£24,011,000	£13,466,000	+13.8%
PBT	£1,084,000	£2,337,000	£1,208,000	+11.4%
EPS	15.60p	32.30p	16.40p	+5.1%

Detica Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£71,027,000		£101,504,000	+42.9%
PBT	£8,781,000		£11,419,000	+30.0%
EPS	31.30p		42.70p	+36.4%

Dicom Group plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£179,795,000		£209,219,000	+16.4%
PBT	£10,479,000		£12,055,000	+15.0%
EPS	9.10p		8.40p	-7.7%

Dimension Data Holdings plc

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£662,917,640	£1,571,761,404	£830,913,030	+25.3%
PBT	£12,077,110	£28,800,244	£16,556,262	+37.1%
EPS	0.32p	0.78p	1.09p	+240.6%

DRS Data & Research Services plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£6,325,000	£12,452,000	£8,985,000	+42.1%
PBT	-£277,000	£17,000	£336,000	Loss to profit
EPS	-0.68p	-0.02p	0.63p	Loss to profit

Electronic Data Processing plc

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£3,472,000	£6,971,000	£3,274,000	-5.7%
PBT	£216,000	£431,000	£218,000	+0.9%
EPS	0.60p	1.01p	0.82p	+36.7%

FDM Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£16,438,000	£35,068,000	£21,119,000	+28.5%
PBT	£408,000	£1,565,000	£1,258,000	+208.3%
EPS	0.60p	4.10p	3.60p	+500.0%

Ffastfill Plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 04	Comparison
REV	£1,583,000	£4,327,000	£227,700	-85.6%
PBT	£1,594,000	-£2,879,000	£1,566,000	Loss both
EPS	-1.00p	-1.60p	-0.70p	Loss both

Financial Objects plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£5,589,000	£13,916,000	£10,452,000	+87.0%
PBT	-£144,000	-£183,000	£649,000	Loss to profit
EPS	-0.47p	-0.52p	1.51p	Loss to profit

Flomerics Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£5,256,000	£11,424,000	£5,677,000	+8.0%
PBT	£295,000	£966,000	£91,000	-69.2%
EPS	1.49p	6.01p	0.46p	-69.1%

Focus Solutions Group plc

	Final - Mar 05		Final - Mar 6	Comparison
REV	£5,431,000		£6,585,000	+21.2%
PBT	£26,000		£128,000	+392.3%
EPS	0.10p		0.45p	+350.0%

GB Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£283,522,000		£284,729,000	+0.4%
PBT	-£2,465,000		-£12,112,000	Profit to loss
EPS	-1.84p		-8.26p	Profit to loss

Gladstone Plc

	Interim - Feb 05	Final - Aug 05	Interim - Feb 06	Comparison
REV	£3,912,157	£8,411,642	£4,314,130	+10.3%
PBT	£130,925	£195,919	£381,634	+191.5%
EPS	0.28p	0.38p	0.71p	+153.6%

Glotel plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£119,496,000		£134,175,000	+12.3%
PBT	£2,571,000		£4,020,000	+56.4%
EPS	4.70p		6.40p	+36.2%

Gresham Computing plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£6,634,000	£13,982,000	£6,967,000	+5.0%
PBT	-£742,000	-£1,246,000	-£433,000	Loss both
EPS	-1.27p	-2.20p	-0.76p	Loss both

Group NBT plc

	Interims - Dec 04	Final - Jun 05	Interims-Dec 05	Comparison
REV	£5,413,000	£11,280,000	£6,164,000	+13.9%
PBT	£676,000	£1,690,000	£967,000	+43.0%
EPS	3.29p	8.30p	3.07p	-6.7%

Harvey Nash Group plc

	Interim - Jul 05	Final - Jan 06	Interim - Jul 06	Comparison
REV	£92,705,000	£202,294,000	£121,246,000	+30.8%
PBT	£1,732,000	£4,003,000	£2,649,000	+52.9%
EPS	2.30p	5.05p	2.58p	+12.2%

Highams Systems Services Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£13,512,000		£17,997,000	+33.2%
PBT	-£511,000		-£13,000	Loss both
EPS	-1.86p		-0.05p	Loss both

Horizon Technology Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£64,892,430	£205,876,300	£90,541,800	+39.5%
PBT	£2,254,230	£4,647,300	£2,157,630	-4.3%
EPS	3.12p	5.11p	1.87p	-40.1%

IDS OPEN Systems plc

	Interim - Jun 05	Final -Dec 05	Interim - Jun 06	Comparison
REV	£5,216,000	£15,623,000	£9,383,000	+79.9%
PBT	£991,000	£3,331,000	£1,398,000	+41.1%
EPS	2.70p	6.00p	1.40p	-48.1%

ICM Computer Group plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£77,628,000		£75,680,000	-2.5%
PBT	£4,438,000		£4,759,000	+7.2%
EPS	14.90p		15.00p	+0.7%

IDOX plc

	Interim - Apr 05	Final - Oct 05	Interim - Apr 06	Comparison
REV	£7,024,000	£14,155,000	£6,912,000	-1.6%
PBT	£214,000	£876,000	£1,000	-99.5%
EPS	0.12p	0.85p	-0.07p	Profit to loss

Innovation Group plc (The)

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£28,772,000	£60,916,000	£38,543,000	+34.0%
PBT	£1,078,000	-£11,344,000	£4,293,000	+298.2%
EPS	0.16p	-2.94p	0.75p	+368.8%

InTechnology plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£283,522,000		£284,729,000	+0.4%
PBT	-£2,465,000		-£12,112,000	Loss both
EPS	-1.84p		-8.26p	Loss both

Intelligent Environments Group plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£3,074,928		£3,120,506	+1.5%
PBT	-£452,796		-£231,667	Loss both
EPS	-0.23p		-0.15p	Loss both

Intercede Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£1,806,000		£2,142,000	+18.6%
PBT	-£426,000		-£382,000	Loss both
EPS	-0.70p		-0.90p	Loss both

InterQuest Group plc

	Interim - Jun 05	Final- Dec 05	Interim - Jun 06	Comparison
REV	£12,558,585	£27,598,849	£22,516,190	+79.3%
PBT	£549,133	£1,370,527	£806,975	+47.0%
EPS	1.80p	6.60p	1.80p	+0.0%

IIVU plc

	Interim - Jul 05	Final - Jan 06	Interim - Jul 06	Comparison
REV	£1,680,000	£4,775,000	£2,065,000	+22.9%
PBT	£60,000	£1,248,000	-£3,000	Profit to loss
EPS	0.06p	1.23p	0.00p	Profit to loss

iSOFT Group plc

	Final - Apr 05		Final - Apr 06	Comparison
REV	£261,932,000		£201,695,000	-23.0%
PBT	£44,524,000		-£343,750,000	Profit to loss
EPS	10.97p		-165.10p	Profit to loss

I S Solutions plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£5,514,000		£5,085,000	-7.8%
PBT	-£328,000		£108,000	Loss to Profit
EPS	-1.17p		0.35p	Loss to Profit

iTrain plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£947,655	£1,829,645	£645,741	-31.9%
PBT	£33,494	£203,255	-£268,787	Profit to loss
EPS	n/a	0.22p	n/a	n/a

K3 Business Technology Group plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£8,529,000		£22,029,000	+158.3%
PBT	£1,160,000		£279,000	-75.9%
EPS	10.00p		-1.40p	Profit to loss

Kewill Systems plc

	Final - Mar 05		Interim - Mar 06	Comparison
REV	£26,680,000		£31,648,000	+18.6%
PBT	£2,443,000		£1,601,000	-34.5%
EPS	3.40p		3.30p	-2.9%

Knowledge Technology Solutions Plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£770,185		£1,250,474	+62.4%
PBT	-£904,161		-£966,536	Loss both
EPS	-0.71p		-0.65p	Loss both

LogicaCMG plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£891,700,000	£1,834,100,000	£1,243,100,000	+39.4%
PBT	£37,700,000	£105,600,000	£29,500,000	-21.8%
EPS	2.90p	7.40p	0.70p	-75.9%

Lorien plc

	Final - Nov 04		Final Nov 05	Comparison
REV	£122,714,000		£129,161,000	+5.3%
PBT	£1,152,000		£34,000	-97.0%
EPS	6.90p		-0.01p	Profit to loss

Macro 4 plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£33,103,000		£31,742,000	-4.1%
PBT	£2,779,000		£4,005,000	+44.1%
EPS	13.00p		12.80p	-1.5%

Manpower SoftWare plc

	Final - May 05		Final - May 06	Comparison
REV	£5,909,466		£4,333,238	-26.7%
PBT	£336,139		-£1,745,233	Profit to loss
EPS	0.70p		-3.90p	Loss to profit

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Maxima Holdings plc

	Final - May 05		Final - May 06	Comparison
REV	£8,076,167		£19,132,000	+136.9%
PBT	£1,038,016		£1,524,000	+46.8%
EPS	8.30p		5.90p	-28.9%

Mediasurface plc

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£3,661,081	£6,796,433	£4,438,840	+21.2%
PBT	£138,747	-£811,609	£350,342	+152.5%
EPS	0.20p	-1.00p	0.40p	+100.0%

Micro Focus International 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

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£21,227,000	£40,782,000	£19,608,000	-7.6%
PBT	£3,561,000	£5,530,000	£2,857,000	-19.8%
EPS	2.50p	4.10p	1.90p	-24.0%

Minorplanet Systems Plc

	Interim - Feb 05	Final - Aug 05	Interim - Feb 06	Comparison
REV	£11,400,000	£22,000,000	£10,900,000	-4.4%
PBT	-£3,100,000	-£19,200,000	-£100,000	Loss both
EPS	-244.00p	-12.00p	0.00p	Loss both

Misys plc

	Final - May 05		Final - May 06	Comparison
REV	£888,400,000		£953,300,000	+7.3%
PBT	£27,600,000		£226,600,000	+721.0%
EPS	12.30p		43.60p	+254.5%

Mondas plc

	Final - Apr 05		Final - Dec 05	Comparison
REV	£4,592,675		£2,091,456	n/a
PBT	-£1,384,081		-£1,446,579	Loss both
EPS	-5.30p		-5.40p	Loss both

Morse plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£429,531,000		£367,120,000	-14.5%
PBT	£2,909,000		£16,965,000	+483.2%
EPS	0.80p		9.50p	+1087.5%

MSB International plc

	Interim - Jul 05	Final - Jan 06	Interim - Jul 06	Comparison
REV	£47,115,000	£95,660,000	£49,843,000	+5.8%
PBT	£163,000	-£558,000	£695,000	+326.4%
EPS	0.54p	-2.89p	1.06p	+96.3%

NCC Group plc

	Final - May 05		Final - May 06	Comparison
REV	£18,786,000		£20,747,000	+10.4%
PBT	£5,417,000		£6,551,000	+20.9%
EPS	10.00p		13.60p	+36.0%

Ncipher Plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£7,967,000	£17,380,000	£10,439,000	+31.0%
PBT	£1,548,000	£3,739,000	£719,000	-53.6%
EPS	4.70p	10.62p	0.50p	-89.4%

Netcall plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£2,822,086		£3,134,500	+11.1%
PBT	£158,059		£391,900	+147.9%
EPS	0.20p		0.60p	+200.0%

Netstore plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£21,397,000		£36,043,000	+68.4%
PBT	£653,000		-£805,000	Profit to loss
EPS	1.43p		-0.01p	Profit to loss

Nexus Management plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£1,231,134	£2,469,862	£1,233,412	+0.2%
PBT	-£18,143	-£186,945	£48,187	Loss to profit
EPS	0.00p	0.00p	0.00p	Loss to profit

Northgate Information Solutions plc

	Final - Apr 05		Final - Apr 06	Comparison
REV	£205,692,000		£332,738,000	+61.8%
PBT	£3,889,000		£30,594,000	+686.7%
EPS	0.79p		3.83p	+384.8%

NSB Retail Systems plc

	Interim - Jun 05	Finals - Dec 05	Interim - Jun 06	Comparison
REV	£22,229,411	£48,387,000	£23,347,252	+5.0%
PBT	£3,529,946	£9,969,000	£3,913,186	+10.9%
EPS	0.80p	4.00p	0.97p	+21.3%

OneclickHR plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,291,391	£4,764,879	£2,785,928	+21.6%
PBT	-£730,170	-£1,745,204	-£135,855	Loss both
EPS	-0.66p	-1.30p	-0.09p	Loss both

OPD Group plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£43,714,000		£56,821,000	+30.0%
PBT	£2,856,000		£4,552,000	+59.4%
EPS	7.20p		13.60p	+88.9%

Parity Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£67,252,000	£138,523,000	£73,018,000	+8.6%
PBT	-£2,002,000	-£8,425,000	-£1,317,000	Loss both
EPS	-25.91p	-3.23p	3.13p	Loss to profit

Patsystems plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£7,708,000	£15,457,000	£7,125,000	-7.6%
PBT	-£284,000	-£777,000	£409,000	Loss to profit
EPS	-0.10p	-0.50p	0.20p	Loss to profit

Phoenix IT Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£88,331,000		£108,919,000	+23.3%
PBT	£11,084,000		£17,949,000	+61.9%
EPS	15.40p		20.80p	+35.1%

Pilat Media Global plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£4,694,490	£13,004,880	£8,390,704	+78.7%
PBT	-£778,486	£2,465,939	£1,054,298	Loss to profit
EPS	-1.02p	3.28p	1.46p	Loss to profit

Pixology plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,889,623	£4,514,729	£1,805,948	-4.4%
PBT	-£835,547	-£2,163,393	-£725,742	Loss both
EPS	-3.18p	-9.79p	-3.12p	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 plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£14,288,000		£11,572,000	-19.0%
PBT	£1,433,000		-£1,344,000	Profit to loss
EPS	2.49p		-2.11p	Profit to loss

Prologic plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£6,928,000		£9,657,000	+39.4%
PBT	£421,000		£629,000	+49.4%
EPS	2.76p		4.49p	+62.7%

QA plc

	Final - Nov 04		Final - Nov 05	Comparison
REV	£30,153,000		£31,180,000	+3.4%
PBT	-£2,386,000		£141,000	Loss to profit
EPS	-1.40p		0.05p	Loss to profit

Qonnectis plc

	Interims - Dec 04	Final - Jun 05	Interims- Dec 05	Comparison
REV	£26,050	£60,007	£66,983	+157.1%
PBT	-£364,256	-£1,048,503	-£415,393	Loss both
EPS	-0.36p	-0.93p	-0.25p	Loss both

Quantica plc

	Interim - May 05	Final - Nov 05	Interim - May 06	Comparison
REV	£17,019,000	£38,922,000	£22,798,000	+34.0%
PBT	£1,160,000	£2,560,000	£1,141,000	-1.6%
EPS	1.92p	3.86p	1.09p	-43.2%

Qinetiq Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£858,900,000		£1,053,100,000	+22.6%
PBT	£78,000,000		£72,500,000	-7.1%
EPS	11.70p		9.80p	-16.2%

Red Squared plc

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£1,040,122	£2,455,915	£785,464	-24.5%
PBT	-£200,670	-£290,700	-£241,372	Loss both
EPS	-0.67p	-1.05p	-0.80p	Loss both

Retail Decisions plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£14,705,000	£54,672,000	£95,663,000	+550.5%
PBT	£3,522,000	£8,020,000	£4,211,000	+19.6%
EPS	3.98p	8.84p	4.10p	+3.0%

RM plc

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£109,211,000	£262,707,000	£114,185,000	+4.6%
PBT	-£904,000	£11,528,000	£1,967,000	Loss to profit
EPS	-1.10p	8.90p	1.60p	Loss to profit

royalblue group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£34,082,000	£74,234,000	£44,397,000	+30.3%
PBT	£4,754,000	£11,336,000	£6,074,000	+27.8%
EPS	10.80p	31.00p	13.20p	+22.2%

Sage Group plc

	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison
REV	£372,900,000	£776,621,000	£455,900,000	+22.3%
PBT	£95,800,000	£205,357,000	£113,700,000	+18.7%
EPS	5.11p	11.10p	6.05p	+18.4%

Sanderson Group plc

	Final - Sep 04		Final - Sep 05	Comparison
REV	£11,880,000		£15,460,000	+30.1%
PBT	-£328,000		-£482,000	Loss both
EPS	-1.00p		-1.29p	Loss both

SDL plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£34,080,000	£78,479,000	£45,568,000	+33.7%
PBT	£3,103,000	£5,217,000	£3,627,000	+16.9%
EPS	3.09p	4.68p	3.23p	+4.5%

ServicePower Technologies plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£3,444,000	£7,937,000	£6,331,000	+83.8%
PBT	-£1,078,000	-£1,611,000	-£894,000	Loss both
EPS	-1.54p	-2.14p	-1.10p	Loss both

Sirius Financial Solutions plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£10,586,000	£21,780,968	£11,468,000	+8.3%
PBT	£226,000	£340,229	£573,000	+153.5%
EPS	0.50p	0.50p	2.00p	+300.0%

Sirvis IT plc

	Final - May 05		Final - May 06	Comparison
REV	£8,083,000		£7,998,000	-1.1%
PBT	-£2,432,000		£106,000	Loss to profit
EPS	-2.45p		0.09p	Loss to profit

smartFOCUS Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£2,183,779	£6,041,106	£3,789,339	+73.5%
PBT	£44,980	£33,424	£18,780	-58.2%
EPS	0.07p	0.12p	0.03p	-57.1%

Sopheon plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£1,909,000	£4,664,000	£2,954,000	+54.7%
PBT	-£918,000	-£1,236,000	-£246,000	Loss both
EPS	-0.70p	-0.90p	-0.20p	Loss both

Spring Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£219,584,000	£454,725,000	£207,894,000	-4.9%
PBT	-£4,627,000	-£7,485,000	£2,017,000	Loss to profit
EPS	-3.06p	-4.89p	1.16p	Loss to profit

StatPro Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£5,017,000	£10,786,000	£6,330,000	+26.2%
PBT	£554,000	£1,639,000	£822,000	+48.4%
EPS	1.40p	4.50p	2.00p	+42.9%

Sthree plc

	Interim - May 05	Final - Nov 05	Interim - May 06	Comparison
REV	£143,546,000	£315,087,000	£177,993,000	+24.0%
PBT	£8,945,000	£12,152,000	£12,453,000	+39.2%
EPS	9.50p	15.70p	6.80p	-28.4%

Strategic Thought Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£9,250,000		£11,464,000	+23.9%
PBT	£1,731,000		£2,292,000	+32.4%
EPS	5.70p		8.80p	+54.4%

Stilo International Plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£2,076,000		£2,099,000	+1.1%
PBT	-£1,299,000		-£587,000	Loss both
EPS	-1.56p		-0.60p	Loss both

SurfControl plc

	Final - Jun 05		Final - Jun 06	Comparison
REV	£52,601,075		£57,239,326	+8.8%
PBT	£4,097,312		£420,786	-89.7%
EPS	20.80p		1.12p	-94.6%

Systems Union Group plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£104,230,000		£113,354,000	+8.8%
PBT	£4,614,000		£8,189,000	+77.5%
EPS	3.90p		6.70p	+71.8%

Tadpole Technology plc

	Final - Sep 04		Final - Sep 05	Comparison
REV	£4,831,000		£9,115,000	+88.7%
PBT	-£2,767,000		-£9,221,000	Loss both
EPS	-1.00p		-2.60p	Loss both

Tikit Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Junn 06	Comparison
REV	£9,551,000	£20,162,000	£11,411,000	+19.5%
PBT	£266,000	£632,000	£990,000	+272.2%
EPS	0.20p	1.70p	5.10p	+2450.0%

Torex Retail plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£52,466,000	£167,366,000	£131,906,000	+151.4%
PBT	£2,087,000	-£13,620,000	-£3,686,000	Profit to loss
EPS	0.40p	-5.40p	-1.50p	Profit to loss

Total Systems plc

	Final - Mar 05		Fi9nal - Mar 06	Comparison
REV	£3,451,633		£3,488,309	+1.1%
PBT	£496,098		£284,632	-42.6%
EPS	3.56p		2.13p	-40.2%

Touchstone Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£17,269,000		£23,056,000	+33.5%
PBT	-£82,000		£1,142,000	Loss to profit
EPS	-3.20p		2.46p	Loss to profit

Trace Group plc

	Final - May 05		Final - May 06	Comparison
REV	£16,110,706		£14,297,000	-11.3%
PBT	£1,223,406		£1,557,000	+27.3%
EPS	5.92p		8.20p	+38.5%

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

Ubiquity Software Corporation plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£5,314,776		£7,461,000	+40.4%
PBT	-£6,407,328		-£8,737,000	Loss both
EPS	-44.00p		-5.00p	Loss both

Ultima Networks plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£1,659,000		£1,074,000	-35.3%
PBT	£313,000		-£360,000	Profit to loss
EPS	0.14p		-0.20p	Profit to loss

Ultrasis plc

	Final - Jul 04		Final - Jul 05	Comparison
REV	£1,535,000		£907,000	-40.9%
PBT	-£364,000		-£576,000	Loss both
EPS	-0.02p		-0.06p	Loss both

Universe Group plc

	Final - Dec 04		Final - Dec 05	Comparison
REV	£43,992,000		£17,557,000	-60.1%
PBT	-£74,000		£357,000	Loss to profit
EPS	-0.10p		0.40p	Loss to profit

Vega Group plc

	Final - Apr 05		Final - Apr 06	Comparison
REV	£52,602,000		£62,126,000	+18.1%
PBT	£2,907,000		£3,854,000	+32.6%
EPS	8.61p		14.80p	+71.9%

VI Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£5,006,000	£10,192,000	£5,308,000	+6.0%
PBT	£45,000	£77,000	£197,000	+337.8%
EPS	-0.37p	-0.41p	0.03p	Loss to profit

Xansa plc

	Final - Apr 05		Final - Apr 06	Comparison
REV	£376,400,000		£357,300,000	-5.1%
PBT	£15,500,000		£9,000,000	-41.9%
EPS	4.05p		2.32p	-42.7%

XKO Group plc

	Final - Mar 05		Final - Mar 06	Comparison
REV	£44,853,000		£27,640,000	-38.4%
PBT	£10,013,000		£2,482,000	-75.2%
EPS	34.60p		4.70p	-86.4%

Xpertise Group plc

	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison
REV	£7,658,000	£15,274,000	£7,845,000	+2.4%
PBT	-£60,000	-£245,000	-£11,000	Loss both
EPS	-1.16p	-0.06p	-0.22p	Loss both

STAFFING AGENCIES LEAP AHEAD IN OCTOBER

Growth continued in October across the IT indices which we track, albeit at a lower rate than Septemberś average of 3%. The Ovum S/ITS index was up 2.72%, the techMARK up by 2.01%, and only the FTSE IT SCS disappointed, producing marginal growth of 0.19%. But these index numbers hide the strong performance from the IT staffing agency segment that we saw this month.

The biggest growth came from Spring Group (up 27% to 63p), FDM Group (up 24% to £1.03), and Lorien (up 22% to 48p). Strong H1 results in August and September from all these companies - as well as from staffing agencies OPD Group, Harvey Nash and MSB International - helped carry this whole segment forward through October. The average growth of the staffing agency segment was at 4.39% - ahead of any of the other segments we track. In fact, on average, share prices in this segment have grown 74% over 2006 to date. This compares to the average 2.5% decline across the remaining three segments (resellers, computer services and software).

31-Oct-06	S/ITS Index		5310.32
	FTSE IT (SCS) Index		529.69
	techMARK 100		1446.63
	FTSE 100		6129.20
	FTSE AIM		1002.10
SCS Index =1000 on 15th April 1989	FTSE SmallCap		3636.70

Changes In Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/10/06 to 31/10/06)	+2.72%	+2.83%	+2.01%	+0.19%	-1.41%	+2.68%
From 15th Apr 89	+431.03%	+198.46%				
From 1st Jan 90	+477.15%	+159.49%				
From 1st Jan 91	+650.18%	+183.71%				
From 1st Jan 92	+408.23%	+145.85%				
From 1st Jan 93	+233.23%	+115.32%				+162.13%
From 1st Jan 94	+218.06%	+79.30%				+94.61%
From 1st Jan 95	+254.21%	+99.94%				+108.24%
From 1st Jan 96	+135.13%	+66.13%	+83.29%		+5.11%	+87.31%
From 1st Jan 97	+98.33%	+48.82%	+58.16%		+2.66%	+66.58%
From 1st Jan 98	+74.97%	+19.35%	+51.64%	-47.03%	+1.02%	+57.21%
From 1st Jan 99	+34.73%	+4.19%	-0.64%	-63.37%	+25.01%	+75.61%
From 1st Jan 00	-53.71%	-11.56%	-61.72%	-85.75%	-48.15%	+17.40%
From 1st Jan 01	-36.57%	-1.50%	-43.61%	-72.82%	-30.30%	+14.24%
From 1st Jan 02	+10.67%	+17.48%	-1.77%	-37.26%	+11.62%	+41.00%
From 1st Jan 03	+95.75%	+55.55%	+122.98%	+55.69%	+66.21%	+99.76%
From 1st Jan 04	+13.56%	+36.91%	+42.53%	+5.18%	+19.95%	+46.93%
From 1st Jan 05	+7.81%	+27.31%	+20.92%	+9.04%	-0.37%	+31.85%
From 1st Jan 06	+4.57%	+9.08%	+1.04%	-6.84%	-4.21%	+10.02%

End October 06	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 since 1/1/06	Move in October 06
IT Services (CS)	25.4%	-51.1%	-34.3%	18.4%	135.9%	23.0%	12.1%	6.5%	2.6%
IT Staff Agencies	-67.0%	-71.3%	-54.2%	-17.5%	24.2%	-18.6%	3.0%	25.3%	4.4%
Resellers	101.5%	-2.9%	28.4%	42.9%	93.2%	0.8%	11.1%	6.7%	-4.3%
Software Products	77.5%	-57.3%	-69.0%	-0.1%	65.4%	2.0%	4.7%	0.3%	3.0%
Holway S/ITS Index	34.7%	-53.7%	-36.6%	10.6%	95.7%	13.5%	7.8%	4.6%	2.7%

Of those segments, the best performer was computer services companies, which on average recorded 2.59% share price growth in October, in line with the overall S/ITS index growth this month. Chelford was a notable winner, seeing its shares rise 27% to £2.30 in October, after announcing H1 revenue growth of 41% at the end of September. ICM Computer Croup was another notable grower, and recorded an impressive 26% share price growth to £3.20 - thanks to the announcement by Netstore that it intended to make an approach.

As for the worst performing segment, it was a close run thing between resellers and software companies, and the headline numbers can be quite misleading. For example, while resellers declined by 4.34% on average, when excluding the 31% decline of small-cap (and "penny share") Ultima Networks, the segment actually grew at a respectable 2.26% in October. The 3% headline growth of software companies is also misleading. Excluding the 120% growth of Knowledge Solutions (another "penny share'), the segment actually only produced growth of 1.29% in average share prices.
(Samad Masood)