

SYSTEMHOUSE

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

NEXT-GENERATION NETWORKS: GOOD NEWS FOR S/ITS PROVIDERS

Later this year, Cardiff will be the start of something big. BT has chosen the Welsh capital as the first recipient of its next-generation network (NGN) rollout. This means that exchanges and customer lines will be upgraded from the public switched telephone network onto a higher-capacity Internet protocol (IP) network. Over the coming years, the rest of Cardiff, and then the rest of the UK, will benefit from such upgrades, as this £10 billion 21st Century Network (or 21CN as BT calls it) takes shape.

But so what? And why are you reading about this in a software and IT services publication? The answer, in a word, is convergence.

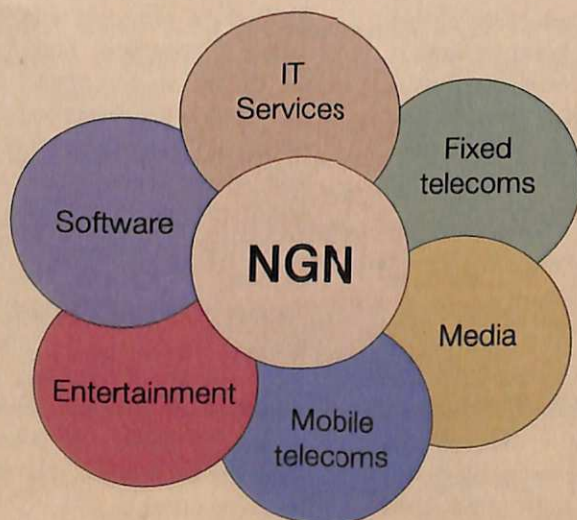
The levels of performance and standardisation being built into 21CN and other NGNs (such as Cable & Wireless's planned rival infrastructure) promise convergence in many forms: fixed and mobile, voice and data, data and content

and, perhaps most significantly, IT and telecommunications.

Intelligence in the network

Networks are increasingly application-capable. It is possible today to buy from a telco a set of service-level agreements (SLAs) that will provide adequate service to support many enterprise applications over a wide area network. But it's often a messy and expensive business.

The introduction of NGNs will bring two major advantages to anyone trying to run networked applications. Firstly, you'll have more control and predictability. That's not just because NGNs will be bigger and faster. They will also benefit from a lot more intelligence to handle and prioritise applications. At present, multi-protocol label switching (MPLS) can offer five classes of service over a virtual private network (VPN) - in other words, a network controller has five pre-set performance levels that can be assigned to different



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INDICES

(changes in September 2006)

Ovum S/ITS Index	+3.7%	5169
FTSE IT (SCS)	+3.23%	528
techMARK 100	+2.8%	1418

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types of network traffic. NGNs will make class of service much more granular and offer realtime application prioritisation. So when an urgent video conference is called by the Board, it won't be degraded by an email shot from Marketing. It's not that email shots from Marketing aren't important, but they can stand a lot more latency than video conferencing.

The second advantage is standardisation. As networks converge around IP, and increased network intelligence allows 'thinner' client devices, the write-once-run-anywhere application becomes more of a reality. This will drive adoption of application hosting and managed application services more generally. The question is then, of course, who will sell and profit from such services?

What's in it for the telcos?

Could the NGN owners and operators (i.e. the telcos) use their beefed-up infrastructure to sell hosted application services directly to business clients? We expect them to take this opportunity in two key areas.

Firstly, telcos see communications applications as their natural domain and will continue to push hosted mail, messaging, conferencing and other communications services to their business customers. Secondly, telcos see standardised, networked services as a means to increase wallet share among small enterprise customers. Per-user-per-month offerings such as BT's eSalesForce CRM address a need for reliable but cheap application services that the larger IT services firms have by and large been unable to cater for.

The telcos will not, however, mount a big push into the

corporate applications market. For one thing, they don't have the applications expertise to take on a SAP or an Oracle on their turf. For BT to compete directly in the enterprise applications space, for example, looks both risky and unnecessary. Better to stick to selling the network that supports such services and focus on those sweet spots in communications applications and small enterprises. However, the case for investing in NGNs has been made on both improving the efficiency of existing network services, as well as new revenue streams through entry into new areas of the market. This may mean that while telcos might not enter the enterprise applications market themselves, they might partner with the right players to provide enterprise applications as part of their ICT solutions.

A bonus for the software players

NGNs bring a lot of opportunity for applications providers. Software-as-a-service (SaaS) needs a lot of network intelligence and resilience if it is to find acceptance with large corporates. Such customers need to simplify and reduce the cost of maintaining their enterprise applications, but they will only take up services that are reliable and secure. NGNs should thus offer a big boost for SaaS in the enterprise, and in so doing will help the software firms in their strategic goal of shifting from products into services-oriented business models.

Positives for IT services providers

One could be gloomy about the prospects for IT services providers, given the software providers' entry into services and the increasing ability of the telcos to offer IT services in certain areas

of the market. These are undoubtedly competitive threats driven by NGN-enabled convergence. However, IT service providers should not despair.

In the converging world of ICT, networks are designed and run to support applications as well as communications: voice is becoming just another IP application. Many CIOs already see their networks this way. This means they often see the value of involving enterprise application experts in their network strategies.

LloydsTSB, for example, chose IBM (in partnership with Vanco), rather than BT, to run its IP network. So the opportunity exists for IT services providers to address areas of network business that were previously out of their reach. As NGNs take effect, that opportunity can only grow. IT services firms will need to grow their in-house network expertise in order to take advantage of it. Simultaneously, the competitive threat to the telcos' enterprise network revenues will grow.

The unknown unknowns

And so the next generation of networks promises to bring telcos, IT services firms and applications providers into ever greater competition. And that's just the bit we can predict right now. Such is the disruption NGNs will cause that we have no doubt new business models - and indeed new types of business - will emerge to exploit it. Looking beyond the business environment, NGNs could, for example, be the basis of mass-market hosted computing and entertainment services we are not yet able to devise. With 20Mb or more into every home, a lot more becomes possible.

(Phil Codling)

Holway Comment

Pace of disruption accelerates

On 19 September 2006, I addressed 50 of the very top CEOs in our now annual ICT Leaders' Dinner for the Prince's Trust Technology Leadership Group. We are proud, here at Ovum, that the events that we have participated in for the Prince's Trust have raised over £500,000 since our involvement started in 2002.

The key messages of my presentation will, of course, be familiar to all SystemHouse readers. Top line growth for the ICT sector has moderated but disruption has intensified, creating huge threats for the established players and equally huge opportunities for new players and current players willing (and able) to make the

changes required fast enough to compete.

How slowly things changed in the past

Since I started in the tech sector 40 years ago I have always believed that I worked in a fast changing environment. The move from mainframe to distributed systems took over 20 years. The move to PCs took another 15 years and the Internet took at least ten years to go from geek to mainstream. Even in the consumer space, text messaging, digital cameras, music downloads and the like have all taken quite a considerable length of time to move from early adopter (i.e. me) to mainstream (i.e. most of my friends!)

In every sense, I see that rate of change accelerating - not in small, difficult to notice, steps, but



Richard Holway

in huge 'Wow, is it really happening *THAT* fast?' strides.

Global sourcing moves to mainstream at alarming speed

In IT services, perhaps the most significant example is the move towards global sourcing. Our recent report for the DTI showed that labour of offshore origin engaged in UK IT services work would double from 64,000 in 2005 to 131,000 in 2008. This is a huge structural change in a very short

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Disruption and disintegration: change and opportunity in the UK software and IT services market

An Ovum Event, 11th October 2006

The IT market in the UK may be mature, but it's changing more than ever. Join Ovum for the evening to explore and debate some of the key disruptions impacting the IT industry today and in the near future.

The evening is an annual event held by the Holway@Ovum team. Richard Holway (Director, Ovum) will chair the evening and will be joined by Senior Analysts at Ovum to present on the latest topics driving the industry. The presentations will be followed by a Q&A session with a panel of Ovum analysts specialising in the UK software and IT services market.

For more information on the evening and how to purchase tickets please contact:
Suzana Murshid, Account Manager, +44 20 7551 9071 or email suzana.murshid@ovum.com

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period of time which will have a major effect on every aspect of our industry - from the prospects for employment in IT all the way through to massive changes in the leaderboard of the suppliers to that market. We have been used to reporting a 'top ten' leaderboard over nearly 20 years where the constituent companies remain the same (barring acquisition!) and just the places are juggled. Now we face the very real possibility of not one but two new offshore entrants to those hallowed ranks in the next few years.

That is change at an unparalleled rate.

But if you think that is fast, you should look at what is happening in the 'social networking' arena.

'Blonde chick putting on socks...'

Six months back I was alerted by a *Sunday Times* article with the title 'Blonde chick putting on socks...' A video with this title had been posted on YouTube.com and had immediately received 12 million hits. For purely research purposes you must understand, I decided to take a look for myself and entered the often weird world of YouTube, where amateurs (mostly teenagers) post short videos. YouTube now streams 100 million videos per day and is now the sixth most visited English language site on the Internet (Source: alexa.com). Forget 'geek to mainstream' in ten years, YouTube did not exist until early 2005 and, indeed, all the real action has been compressed into, at most, the last 12 months.

I cannot think of any site that has had this speed of take-up.

Initially, YouTube may indeed appear 'whacky' to anyone over the age of 25, but it is quickly turning mainstream. Indeed, since I started researching this article I

have discovered many other regular YouTube fans amongst my friends and colleagues - all well over 25!

Recently the White House started posting anti-drug videos on YouTube, NBC, Warner and others have started posting their videos on the site. A Paris Hilton channel has been launched, which advertises a forthcoming TV series. As I write this article YouTube carries banner ads from the Post Office and LloydsTSB. Given the current pace, by the time you read this I wouldn't be surprised to learn that The Queen intends to put her 2006 Christmas message on YouTube!

It is all becoming so seriously mainstream that Microsoft this month rushed out its own 'MeTooTube' called MSN Soapbox.

So far YouTube has no revenue stream but is spending upwards of \$1.5 million per month to stream user clips. That, of course, has not stopped the speculation of how much YouTube would be worth in an IPO - \$2 billion+ and rising by the day. Pretty exciting stuff for its 20-something founders Chad Hurley and Steve Chen. Names which might become as familiar to us even faster than we learned about Google's founders - Larry Page and Sergey Brin - or Niklas Zennstrom of Skype/Kazaa.

'So what?'

Now, I suspect that your current reaction to reading thus far in this piece will be '*Interesting but so what?. It doesn't affect me.*'

How wrong you would be!

Firstly, YouTube is having a major social effect on its huge young generation of users. Some, hopefully most, of the content is either good or at worst harmless.

But some is downright dangerous - for example, the many playground slapping videos or the dangerous pranks performed just to get a hot video on YouTube. The feedback areas of the site could also be a backdoor for any aspiring paedophile.

Secondly, people nowadays expect to do this kind of social networking at work as well as at home. CIOs are already telling us the effect that this is having on their networks and, indeed, the demands from staff for more wikis, blogs and mashing at work!

Thirdly, YouTube disrupts the established media channels which you undoubtedly take for granted. As young people spend hours on YouTube so they don't watch conventional TV or buy teen magazines. So advertisers move where the viewers are. The established media suffers and cuts investment in new programmes. If you were an ITV viewer you will have suffered the consequences already!

Big corporations are now moving fast not to be left behind in this 'social networking' revolution. News Corporation has already bought MySpace - already the fourth most visited English language website. The \$580 million price tag looked high a year back. They have since signed a \$900 million deal with Google which makes it look a veritable bargain now! Mixi, the much smaller Japanese equivalent to MySpace, has just floated with a \$2 billion valuation. Yahoo! is said to be in serious discussions with Facebook, with a \$1 billion valuation rumoured.

The other 'natural reaction' is to quote the '*faster they rise, faster they fall*' maxim. That is very dangerous set against the mistakes many made in writing off

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the prospects for companies like Google.

Social networking will go mainstream very fast

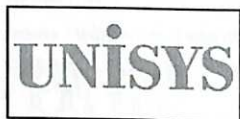
My own bet would be that 'social networking' is not only here to stay but will be huge. It is quickly moving out of its teenage base. Within a short time you will be watching YouTube videos of your

grandson, your company will have a dedicated YouTube section to enable employee communications, you might start posting your own business video blogs or designing business marketing campaigns embracing YouTube. Who knows, I wouldn't bet *against* a daily Holway YouTube posting of views on topical tech subjects that you will view as part of your 'Martini

Moment' - anytime, anywhere and on any device.

Of course that would bring the disruption right onto Ovum's doorstep in terms of the way we deliver and charge for our services to you.

So we all have to take care as the rate of change accelerates and disruption rules.



UNISYS' NEW MANAGEMENT FOCUSES ON THE STRENGTHS

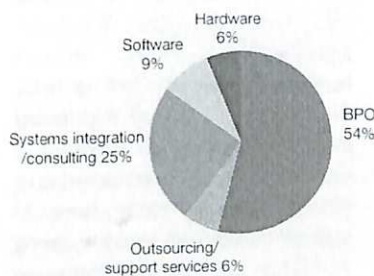
We spent the last couple of days at Unisys's European analyst conference. The overall message hasn't changed since last year when Unisys first embarked on a broad-based restructuring and re-positioning (see *Hot News 7 November 2005*). Unisys is still targeting its top existing clients with its "five pillars" of solutions in Outsourcing, Open Source, Microsoft, Secure Enterprise, and "realtime infrastructure". And it is still reducing operational costs, centralising delivery and removing operational "stove-pipes".

However, Unisys has thoroughly refreshed its senior management and sales teams (half of the outsourcing sales team has been replaced). The result, we think, is significantly more clarity on the company's future direction and business pipeline in Europe.

Notable appointments include UK MD Nick Wilson (formerly head of IBM Global Services for UK), and his continental counterpart Jean-Marc Lazzari (previously vice president of IBM Business Consulting Services in France, Belgium and North Africa).

Comment: After a disastrous year in 2005, Unisys reined in much of its business to focus on its strengths. The Unisys we met

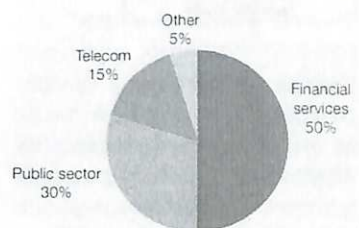
Unisys UK revenue segmentation FYE 31 December 2005, est. at £490m total revenues



Source: Ovum

yesterday was refreshingly plain-spoken about its future direction, which will be driven in part by the following actions.

Prioritise existing customers: too many clients were being asked to follow Unisys on its journey from a hardware player to a services player. One result of this was confusion for clients and frustration for Unisys as it failed to get a clear message across about, for example, its strong reputation for delivery. Unisys has now identified its top 500 worldwide accounts (of which 168 are European) and has segmented these into three levels of priority, dependent on their strategic value to the company. By focusing more effort on these selected clients, Unisys aims to triple its revenue



in the top 50 accounts and double its revenue in the next 200 accounts.

Capitalise on existing technology: it has never been a sexy company, but some of Unisys' technologies still have surprisingly strong presences in key markets. For example, HOLMES for Police forces in the UK, the UFSS platform in financial services, its "call-back" and messaging platforms to the telecoms industry, and finally its security and logistics solutions, which have been used for Homeland Security in the US, but also in Europe and the Far East.

Business process outsourcing (BPO): although some in Unisys might regret having ever entered into its once onerous iPSL and

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UISL arrangements, the opportunity in the market is simply too large to ignore. Thankfully, IT transformation is no longer the main message here, and Unisys is injecting a new realism into Unisys' UK BPO strategy that should rebuild the company's credibility in this market. If this can be achieved, Unisys could start targeting a broader range of vertical BPO services such as mortgages and electronic payments processing.

Otherwise, we found Unisys to have a realistic positioning in IT infrastructure outsourcing, where

it is interested in the opportunities presented by upcoming renewals that will move from large single- to smaller multi-sourced contracts. Priority will be given to multi-country and ideally multi-region deals where Unisys could credibly play on its size advantage to be more nimble than its larger competitors. The company's real-time infrastructure (RTI) offering is also food for thought and is a credible contribution to the industry debate on service componentisation and infrastructure standardisation. Here Unisys' potential advantage is its lack of proprietary tools and

systems, and the company is comfortable to take a relatively strong line on the need for open industry standards in next generation IT infrastructures.

The fundamentals of its new corporate strategy are sound. Unisys must now prove it can deliver on this vision. Much will depend on how much autonomy the US HQ returns to the European operations, ameliorating the centralised control imposed last year when things were really heading downhill.

(Samad Masood)



HIRING AT SQS HITS FIRST HALF MARGIN

Cologne-based testing services provider SQS announced its results for the six months to June. The AIM-listed firm confirmed revenue growth of 18.5% to euro31.5m. Operating profit fell by 6% to euro1.9m, taking the operating margin down from 8.0% to 6.3%. PBT was up 2% to euro1.7m, while earnings per share fell from 0.10p to 0.07p. As expected there is no interim dividend but the company still intends to pay a final dividend for 2006.

Comment: SQS had previously flagged the strong H1 revenue growth, all of which was organic, in a July trading update. But the results announcement brought disappointing news on H1 profits. The reason behind the lowered margin is pretty straightforward: as CEO Rudolf van Meegen and CFO René Gawron explained to us in a discussion following the results, SQS hired 55 new consultants in the period, and needed to put them through a 6 week training course before they could begin to earn fees.

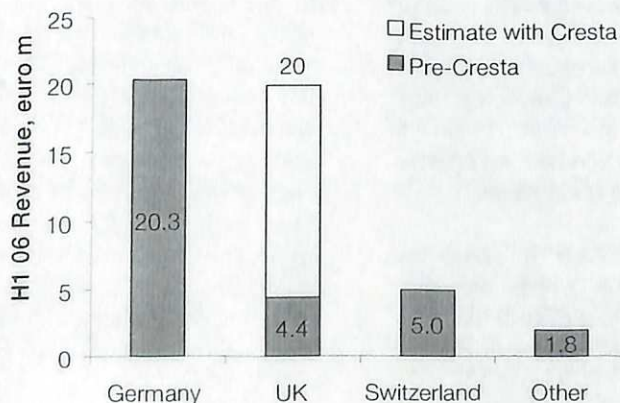
This bullish H1 recruitment puts a lot of pressure on the company

to deliver second half growth. There are some positive indicators, with SQS reporting a healthy pipeline that includes a number of large testing deals. It claims it's starting to win against some of the larger IT services providers, citing a recent example in Germany (details of which should follow in the coming weeks). Meanwhile, it also sees growing opportunities as a specialist testing subcontractor to the outsourcers and SIs. Managing the "co-opetition" that such relationships will inevitably bring looks like a key task ahead for the company.

In SQS' three key markets, business with UK customers was down 1% to euro4.4m, but Germany and Switzerland showed good growth (at 18% and 50% respectively). SQS told us that some of the sluggish UK performance - and indeed the rapid growth in Switzerland - was due to the need for a team of English-speaking consultants to work on a project in Switzerland during the period. Revenue growth from UK-based staff was just into double digits.

The key challenge for the UK business in the second half will be

Cresta transforms SQS' UK business



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integrating and gaining the benefits from the Cresta acquisition, which completed July 1st. Founder-run Cresta makes SQS UK a euro40m p.a. operation, and thus on a par with Germany. The new enlarged UK operation will be run by a mixture of Cresta and SQS management. The acquisition reduces SQS's over-reliance on a single, albeit large, market. SQS also expects to be able to drive cost savings in the

UK business, and predicts that both G&A and R&D expenses as a proportion of revenue will decline in the coming periods.

Asked if more acquisitions were on the cards, van Megen told us that SQS believes it has adequate scale in the UK, Germany and Switzerland to pursue an all-organic growth strategy. So its attention is turning to other opportunities where it is less well

represented - for example Scandinavia, and Europe's third largest IT services market, France. In the second half and into next year, however, it's clear that the key to getting margins moving in the right direction is SQS' ability to keep its consultants highly utilised on major testing projects. So we'll be watching closely for evidence of contract wins in the coming months.

(Phil Codling)



PA CONSULTING GROUP GROWS ITS OUTSOURCING ADVISORY SERVICES

We met up recently with Scott Hamilton, a partner at PA Consulting Group specialising in sourcing advice. This is a big area for PA (representing about 11% of its UK S/ITS revenues last year), and the consultancy recently joined up with Manchester Business School to launch a workshop programme on sourcing for senior executives. Hamilton reports healthy growth continuing in the sourcing market.

Comment: The Manchester Business School course is not a new service line for PA, but it's a good chance to build its brand among general business decision makers. We see a continuing niche for consultancies with no outsourcing arms to position themselves as independent advisors on sourcing to businesses. PA has a strong claim to this area, given its long track record in management consulting and change management, but also its strengths in IT services.

If we divide the sourcing process into three phases of strategy ("what services do we need to support business growth?"), *procurement* ("get us these services!") and *execution* ("make this deal work!"), PA has a good

claim to work in all three phases. This gives it an advantage against the pure-play sourcing specialist advisers like TPI, Morgan Chambers and Orbys (the latter having just been bought by Ovum).

The sourcing specialists are obviously strongest in that middle phase of the process: Hamilton says he'd rather not compete with pure-play sourcing advisers if the deal only covers the procurement process. But combine the middle bit with one or two of the other parts, and the IT consultancies come into their own. And PA - like other IT consultancies - has a trump card versus the sourcing specialists: its understanding of technology can arguably give it a deeper insight into the technical strengths of rival bids. It can also play a role in facilitating the continuous introduction of innovation over the lifetime of outsourcing deals, which is an increasingly important priority for long-term outsourcing contracts.

Meanwhile, the sourcing specialists are being pushed into covering execution as well as procurement by some clients, who think advisers work better if they stick around to make the deal work. That brings sourcing

houses more directly into competition with the consultancies, and means that the latter's business and IT consulting expertise becomes more of a differentiator.

PA's response is obviously to stress the need for a more strategic, business-led view of the sourcing process. Hamilton understandably argues that spending on the three phases is skewed wrongly; he says historically it's probably been around 10/80/10, whereas he thinks it should be more balanced across all three domains, possibly towards 50/30/20, reflecting PA's strengths! We're rather sceptical that businesses will adopt a particularly strategic attitude to sourcing, given the rather opportunistic and rushed way these issues are too often addressed, but Hamilton has a good argument.

For PA, the threats include a major push into sourcing advice by the Big Four and high-level consultancies like McKinsey, Bain etc. To meet this threat and to drive differentiation versus the sourcing specialists, we think PA will strengthen its capabilities in the sourcing strategy space, given its genuine management-

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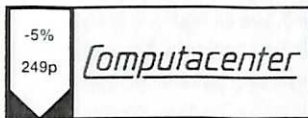
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consulting background (it's not just an IT consultant).

What would happen if a consulting house were to buy a

sourcing specialist? That's unlikely, since the cultural fit wouldn't be great, but some of these players are serious about sourcing advisory work. It was

interesting to see former Orbys director Alex Blues defecting to KPMG last year, to build the firm's sourcing advisory business. (Douglas Hayward)



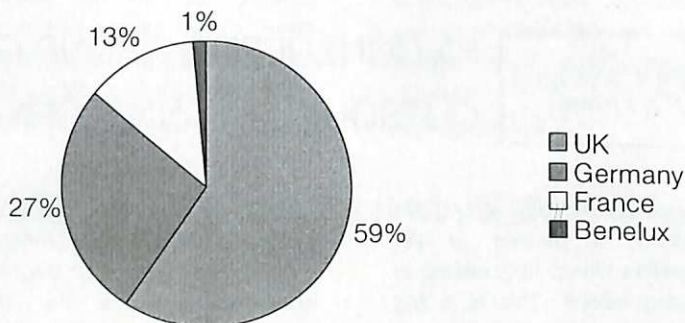
COMPUTACENTER SERVICES: A WORK IN PROGRESS

Yesterday we headlined Computacenter's financial results for the six months to end June 2006. Revenue declined 3.5% to £1.11bn. PBT was up to £14.5m (H1 of 2005: £8.2m), while EPS was 4.3p (H1 of 2005: £1.2p).

In the UK specifically, revenue declined from £661.1m to £715.5m, but operating profit improved to £16.4m from £14.9m - taking the margin to 2.48% from 2.0%. Services revenue in the UK was £134.5m, or 20% of total revenues.

Comment: The point to make on the profits is that the 77% increase in PBT partly reflects the very poor performance in H1 2005. However, we would add that work has also been done to focus on higher margin activities and cut costs. The profit story over the past two years is not a particularly nice one. In the UK, operating profits slumped 44% (H1 2004 versus H1 2006), while the margin declined from 3.9% to 2.5%. Life hasn't been any more pleasant across the other geographies. France and Benelux are STILL loss-making, while Germany has seen profits 'yo-yo' but ultimately decline to £500k. We find it hard to believe that given France's emphasis on resale, and its on-going loss-making situation, management aren't thinking seriously about what the future holds for this business. We wouldn't be surprised to see it go up for sale in the near future.

Geographical split of H1 revenue: UK is the leading force



The German business has a different profile to both France and the UK - it has a much greater focus on services and enterprise products. The issue management needs to address here is its infrastructure, back-office, and sales force capability, which are all still geared towards supporting an organisation with a larger personal systems business.

The UK business is by far the largest in the group, accounting for 60% of revenues. UK revenues declined 7.6% to £661m in H1 2006, largely due to hardware price declines. It is, however, evolving in the right direction - with PCs now accounting for less of the business and services accounting for more. This evolution is set to continue over the longer-term, meaning shareholders will have to show patience.

H1 was a "disappointing" period for the managed services business (+1.88% at group

level) - and it faces further challenges as Computacenter fights to retain a £30m p.a. contract at BT (set to conclude next March) and a £5m p.a. contract with another unnamed customer. These will continue to be testing times for its managed services business.

We would, however, highlight some broader positives across the services business. Firstly, the project services business has seen good growth (12.2% at group level) - partly driven by its new server virtualisation proposition. Secondly, Computacenter's heavy investment into services that can be shared across its customer base (e.g. helpdesks, technical skills) makes good sense for a company that needs to be as stream-lined as possible.

The sheer size of the resale business (c80% of its revenues) can drown out the fact that Computacenter is actually the 25th largest services

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organisation in the UK - larger than arguably better-known names in services such as Steria, Liberata and Xchanging. In a market where PC prices are only going in one direction and where growth in IT services is

single-digit, Computacenter needs to get its strategy just right in order to ensure future financial success. Management have been careful to emphasise that Computacenter is a work in progress. We think it is

generally moving in the right direction, but our concern remains the timescale. Can it transform itself before the market - and competitors - get the better of it?

(Kate Hanaghan)

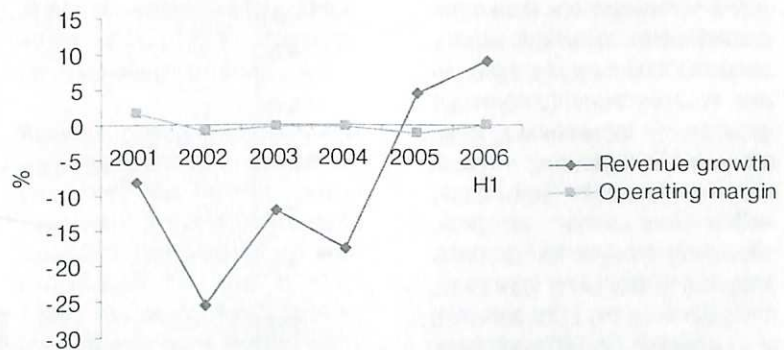


PARITY EDGES INTO PROFITABILITY

Resourcing, solutions and training company, Parity, has returned to operating profit for the six months ended 30 June 2006. Revenue increased 9% to £73m, while operating profit stood at £244k - up from last year's loss of £1.1m. All three divisions are now profitable, with revenue in Resourcing up 20% to £53.7m, Business Solutions down 17% to £10m and training down 12% to £9.2m. Net debt stands at £4.8m, down from last year's £15.4m.

Comment: Parity has been on a tricky road to recovery. Indeed, the journey is far from over. Chairman John Hughes took the helm during very dark days, and he did an admirable job of trimming costs and setting the strategic direction. Yes, the company is now back in the black at the operating level, but this is absolutely not the end of the story.

Parity revenue growth and margin performance



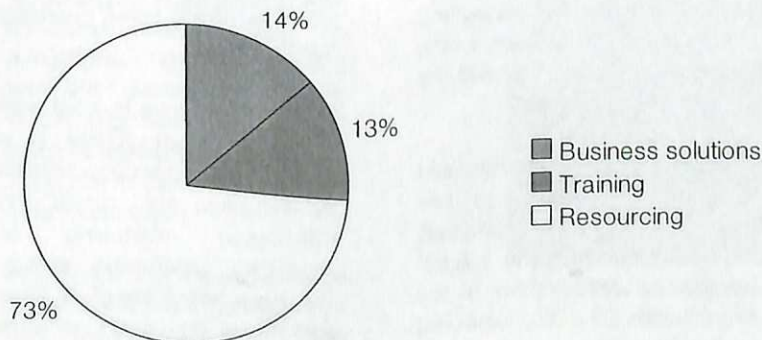
CEO, Alwyn Welch, has spent large chunks of his time working with sales people to cement key deals. This is indicative of the company's approach more broadly: focus on fewer deals, focus on more profitable deals, and focus on areas where it knows it can win deals.

The resourcing business has performed well during the year, partly because it concentrates on

placing more senior staff (e.g. project managers) where the margins are better and where demand is currently strong. It has also increased the business mix in favour of the more profitable public sector contracts.

But one to watch could well be the solutions business. Over the course of a year or so, Parity has invested in sales people, consultants and programmers and slimmed down on higher-level management. The performance in H1 wasn't anything to write home about - with revenues down and the margin still super thin. However, management say opportunities from H1 will flow through into H2. One area the company has been focused on is the utilities sector - and its recently-announced contract with Northern Ireland Electricity is an example of a success here. Given its size (i.e. it

Revenue split for Parity H1 2006 Total H1 revenue = £73m



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has a relatively small systems integration capability), Parity has found some success in providing application services to organisations that are too small to gain the economies from enlisting an offshore provider. Using its

nearshore capability in Antrim (where it claims costs are 30% lower), Parity is in a position to exploit this smaller end of the market, while gaining some of the cost benefits of its operation in Northern Ireland.

Overall, Parity is on the right track, with a renewed sense of focus. All three businesses are now profitable, but the challenge will be to maintain that for the full year and beyond.

(Kate Hanaghan)



INTERIM REVENUE AT SMARTFOCUS RISES BY 73%

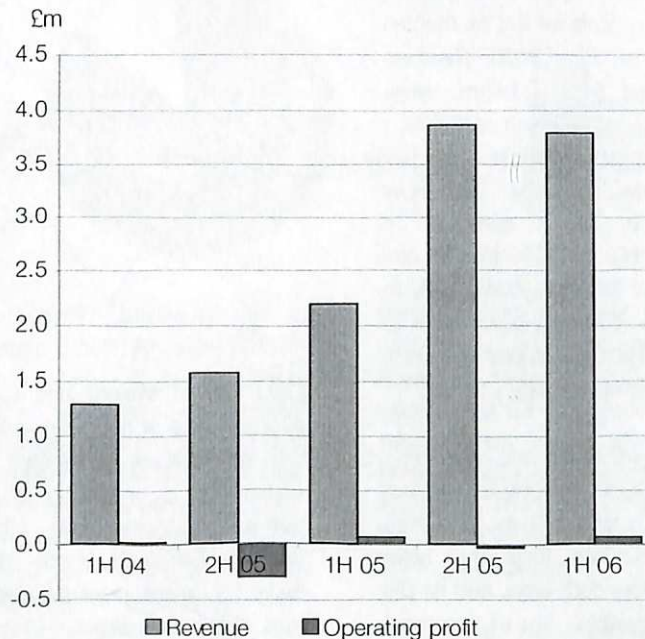
For the six months to 30 June 2006, enterprise marketing management software vendor smartFOCUS saw its revenue rise £3.79m from £2.18m last year – an increase of 73%. However, operating profit narrowed to £32k from £44k, which was a fall of 28%. Operating margin fell to 0.8% from 2.0%. Net profit was £25k, 56% down on the £56k achieved a year earlier. On 30 June 2006, the company had £1.53m in cash, compared to £1.64m on 31 December 2005. During the period, it gained £537k (net of expenses) from a share issue.

In May, the company acquired online e-mail marketing specialist Email Reaction for £1.6m, now re-branded smartREACTION. In July 2005, it bought French marketing software vendor Aims Software for euro1.5m (of which euro500k was deferred). Aims brought smartFOCUS annualised unaudited recurring revenues of approximately euro1.2 million.

In the statement, the company said that it has "seen a substantial increase in business activity for the Group" in the first half of the year. It also says that it intends to "continue devoting the Company's cash resources to its operations" and therefore would not be paying a dividend.

smartFOCUS is benefiting from a rising market and one that is also

Revenue and operating profit for Smartfocus in half-years



generating lots of new ideas. If we presume that Email Reaction brought relatively little revenue in the month or so smartFOCUS has owned it while Aims brought it around £600k in revenue, more than half the £1.6m increase in turnover was organic. In this case, the wafer-thin operating margin is not a significant worry, especially given the cash that the company has on hand.

However, CFO Steve Kirk said that he is expecting to see organic growth in the second half, which is traditionally the 'bigger' half year for the company, as the chart shows. He is also expecting to see a higher operating margin

as well, which would be nice, especially since the company has had either wafer thin or negative operating margins, as the chart also shows (though note that the operating profit excludes share-based payments). That said, good organic growth can be worth sacrificing some operating margin for.

Marketing software is a hot area at the moment. There is a window of opportunity caused by disruption from e-mail and web-based marketing to 'traditional' marketing efforts. The hype has finally died away from these two areas, and we are now into real action here.

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Results from e-mail or web campaigns are much more amenable to measurement - provided you have the right software. This has increased the

search for techniques that enable the measurement of results from the 'traditional' advertising channels of print, radio and television. So there is a

long way to go in this market, and while there's a lot of competition, there is also a lot of opportunity too.
(David Bradshaw)



ORACLE GROWS VIGOROUSLY IN Q1

Oracle results for Q1 2007, the period that finished at the end of August, beat market expectations. Total GAAP revenues were up 30% to \$3.6 billion. Operating income was up 28% at \$943m, with operating margin improving 0.6% to 26.3%. Net income went up 29% to \$670 million. Total GAAP software revenues, a figure important to the markets, grew 29% to \$2.7 billion. Services revenue grew 33% to \$846 million.

These Oracle Q1 results were impressive and brought congratulations from many of the financial analysts on the earnings call. Indeed, they represent the strongest Q1 performance for many years, and impressed the markets. In after-hours trading Oracle stock peaked at \$18.29 compared with \$16.13 at market close earlier in the day.

The year-on-year growth figures for technology licence revenue were strong at 13% in constant currency (Americas +18%, EMEA +8%, APAC +13% - again on a constant currency basis). Within those figures the middleware revenue grew more strongly than database revenue, with no geographic region showing particular weakness. Evidently, Oracle has been giving strong focus to consistent and efficient execution in the field and this is to be encouraged.

However, it was the performance of the applications business that was most significant to us. Oracle reported applications licence

revenue in Q1 of \$228 million, representing a constant-currency year-on-year growth of 78%, with strongest regional growth in APAC (Americas +69%, EMEA +78%, APAC +125% - again on a constant currency basis).

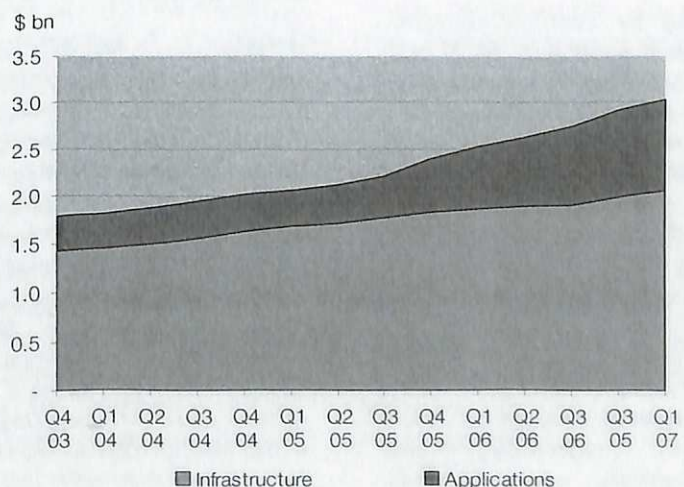
Although, part of this growth was non-organic a substantial proportion was organic. Oracle executives on the call made continued comparisons of their performance with that of SAP. Oracle has many competitors in many different niche markets but is clear on which its main competitor is.

The business application market has always been a competitive market, but the past year has seen the intensity of competition increase and enter a period of structural change. SAP was able to make progress in the applications market in the period where Oracle was focused on

acquiring and then integrating PeopleSoft/JD Edwards, Siebel and others. However, the acquisition indigestion seems to have well and truly passed, with Oracle able to compete effectively in the application market. Intensified competition can only be a good thing for the customer and we see no lessening of the Oracle-SAP competition in the quarters ahead. Structural change is being driven by the increased symbiosis of the middleware and application markets with SAP and Oracle, in particular, having this dual approach to market.

The chart shows, shows a slightly different perspective on the software revenues, with a rolling four-quarters average of both applications and infrastructure software revenues (licences plus maintenance). This shows that though there is still growth in the infrastructure

Oracle's software revenue, rolling four-quarters average



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business, the proportion of software revenue due to applications revenue is creeping up quarter-by-quarter.

An interesting observation is the 49% year-on-year growth of the On Demand business unit, a factor that was unremarked in the conference call. Although likely to be due to integration of the Siebel On Demand business, it is an area where we think future growth will be driven. Oracle generates strong margins through its support LOB and the On Demand unit is where potential exists for a next phase of growth. We will be watching the performance of that business unit intently, to see

whether this growth potential can be achieved.

Another observation is that Oracle seems to be saying that acquiring companies is just as 'good' as growing the same revenue organically. The not-so hidden sub-text is, "Don't worry about the organic, look at the headline figure, that's all that matters".

To many in the software industry, this is controversial. There's a widely-held belief in many quarters that organic growth is the 'gold standard' of software company performance. However, there are others who hold the view that the

secret to success is to use your cash and the 'currency' of your shares to make the best acquisitions you can. In effect, it's just as valid to buy other companies with ready-made customers as it would be to 'buy' those customers via sales, marketing and software development to address and win in new markets.

Whose to say whether the strategy of Sage, which largely grows by acquisition, is better or worse than SAP, which generally eschews large acquisitions, when both companies are unquestionably successful with their chosen strategies?

(Kate Hanaghan)



COMPEL CONCLUDES STRONG FY06

Compel, a provider of IT infrastructure, rentals and solutions, has announced its results for the twelve months ending June 2006. Revenue increased 17% to £92.6m, while operating profit increased by 68% to £3.75m. This produced a margin of 4.0%, versus 2.8% in FY05. Pre-tax profit increased 68% to £2.3m. Diluted EPS improved from 3.4p to 4.2p. Cash generated from operations before tax was £8.3 million (2005: £10.6 million).

During the year the company acquired rental firm, Hire IT and Allinity, a PeopleSoft consultancy. Both have now been integrated.

Neville Davis, Chief Executive, said: "Our markets are stable, showing growth; we have grown faster than these markets and are confident that we can continue to do so".

Comment: Compel has concluded the year very satisfactorily. Progress has been made organically and inorganically, and we would expect this theme to continue. In

other words, more acquisitions (in particular in the business solutions division) are likely, but so too is growth within the existing business. The indications following the Allinity acquisition are positive. While it has benefited from a pick-up in the market for PeopleSoft consulting, Compel has also started to address cross-sell opportunities with other parts of its existing businesses. We think this represents a good opportunity and are confident Compel can do a good job of this.

The business solutions operation (the Oracle consultancy where Allinity sits) holds significant potential for Compel, particularly in terms of profits. The increase in operating margin - from 2.8% last year to 4.0% this year - is largely due to the company's increasing shift towards Oracle-based consulting. In fact, consultancy is so important to Compel that we expect it to actively search-out acquisitions in this area in order to increase both its customer reach and its bottom line.

Shortly after revealing its results, Compel announced that it had won a contract with an unnamed government department worth in "excess of £5m". Compel will upgrade and re-engineer the client's existing Oracle/PeopleSoft implementation. The contract will be undertaken in conjunction with "a major support services company". Work commenced this month and will last approximately 18 months.

It would be wrong to view Compel's three main businesses (tech services, including resale, business solutions (Oracle consulting) and IT rental) as three standalone operations. They often work together, and off each other. For example, the work the company did with concrete maker, Bison. Here, Compel was able to create pull-through (on licence and infrastructure sales) from the implementation of an ERP solution. Indeed, the real measure of success for Compel going forward will be the degree to which it can sell a broader range of its services into its top set of customers.

(Samad Masood)

CIOs STRUGGLE TO BRIDGE THE GAP BETWEEN IT AND BUSINESS

In late September we were at an extremely well attended CIO gathering by Silicon.com, with the delegate list fielding impressive company names including key global, European and UK enterprises, as well as from the UK public sector. Having participated at a vendor a week before, we noted a dramatic difference in language, focus, and 'pain points' between the demand and the supply side in the IT industry.

CIOs: it's lonely at the top

The key issue for CIOs today is the challenge of adding value, and maintaining relevance in board-level, business strategy discussions. CIOs confess that the perception of them as 'the IT guy' does them no favours in this respect, nor does the tendency of some to use technology rather than business language in these discussions. What is more, many feel that they haven't 'earned' the right to talk strategy because they still need to get the 'basics' right. Hence, while we note a definite air of optimism returning on the demand side, boosted by the loosening of the IT budgets, it is still a fledgling optimism, tempered by the questions about credibility, skills and professionalism within the IT function. In this respect, some CIOs confessed to approaching business strategy conversations with other CxOs with an apologetic attitude.

What do we make of these impressions? To us, this implies that many CIOs have made little

progress in enhancing their arguably weak position in the boardroom. Critically, we detect that many still struggle to articulate their contribution to meeting their company's business objectives, and fewer still are keen to push initiatives to transform business processes supported by IT.

This balance of power among the CIO and the rest of the board has one key implication for vendors' sales approach. We believe this adds further credibility to the consulting- IT solutions sales approach championed by players such as IBM and Accenture, where business strategy and process consulting sales at board level is generally the door to more lucrative IT project and outsourcing sales.

CIOs views on offshoring and outsourcing

Inevitably, a major topic for debate were the related issues of offshoring and outsourcing. CIOs confess an attraction to the cost advantages of moving work offshore, as well as the benefits of outsourcing their IT or business processes. But we also note that they still have very strong concerns in terms of management, culture, and agility issues relating to offshoring/outsourcing contracts. To many CIOs who are in principle in favour of the outsourcing option, the decision to single source or multi-source is also a major issue for debate. CIOs are clearly concerned whether a single supplier can deliver it all in a cost

effective way, and note a need for greater cost transparency in such deals. On the other hand, they note that while the 'best of breed' (i.e. multi-sourcing) approach has clear cost advantages, the associated management and integration challenges are the stumbling blocks with this approach.

We don't believe in implicit superiority of either approach, as each has implicit benefits and challenges that will be appealing to different enterprises. While we note a clear trend of multi-sourcing contracts prevailing in the outsourcing market, we are cautious to call this the definitive way forward; particularly as the management and integration challenges begin to weigh on both the vendors as well as users, as delivery on the recent contracts gathers pace.

Optimism returning at CIOs?

Optimism is definitely back with the IT users, evidenced by the turnout at this event, but it is tempered by considerable insecurities among CIOs. The key one in terms of bridging the gap between IT and business remains their biggest challenge. We believe CIOs won't get closer to bridging this gap until they stop talking about IT projects, a code for costs to the CFOs and CEOs, and start talking about, and actively defining, their role in the solutions that address their organisations' burning business priorities.

(Angel Dobardziev)

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BT LAYS OUT ITS NETWORKED IT SERVICES STRATEGY

BT Global Services (BTGS) briefed analysts last month on its services roadmap and its commercial strategy. The essential message of the day was that BT can dominate the area where IT services and telecom services overlap, the area that BT calls "networked IT services".

The argument is that IT services players like Accenture, IBM and EDS have neither the communications-network skills nor the global reach to support corporations in this space, especially corporations requiring truly global support. BTGS CEO Andy Green said boldly that there were only three other players with the combination of skills and network capabilities to offer truly global, network-centric communication and IT services to corporations - AT&T, Verizon and Orange.

Green was clear that his unit's chief differentiator is the worldwide BT communications network. It already spreads across 128 countries, rising to 160 by December 2007, and is in the early stages of a major upgrade to an all-IP next-

generation iteration, known as 21CN.

BT executives worked hard to differentiate the company from the IT services players, trying to draw the line between tasks that BT's IT services partners can do and networked IT services work that only a telco like BT can do properly.

They gave the example of BT running an SAP application across a customer's global network: BT has network traffic-management tools to manage the SAP application, prioritising it above other network traffic at crucial times, for example when the books close at quarter-end. But if the customer wants the SAP application tweaked with new functionality, then BT will call in partners like HP or Accenture.

Much of the promise of networked-IT services sounds like the logic behind Concert, the joint-venture that BT ran in the late 1990s only to shut it down during the downturn. Why should BTGS succeed where Concert failed?

Partly because IT and

communications technology has matured since Concert, getting closer to the promise of delivering truly converged services. Partly because BT has learned the lessons of Concert, especially the fact that corporations want services from a vendor that understands the desktop and the LAN as well as the WAN, and that can manage applications end-to-end across all three domains. As one executive put it: 'IP traffic doesn't know the difference between the WAN and the LAN'.

That's true. But for BTGS to succeed, it must have a strong focus on the area where the IT services players are either weak or disinterested - chiefly, managing the LAN and the WAN, and managing the connection between the two. Everything else - for example, its ambitious plans to offer managed IT security and support services over the Internet to SMEs - hangs on that. BT must also send clear and stable messages to its IT services partners about where it plays and where it doesn't, so that they know where BT's role ends and theirs begins.

(Douglas Hayward)

HOW DO YOU MARKET IT SERVICES?

Last week we attended a conference which focused exactly on this theme. It was an extremely well attended gathering with speakers including senior marketing executives from companies such as Accenture, CSC, HP, LogicaCMG, TCS and Unisys. One player which was conspicuous by its absence (as speaker) was IBM.

Comment: The key theme, which appeared time and again in the various vendor speeches, was that of innovation. Today it seems mandatory to include a reference to innovation in anything vendors say, much in the same way that you couldn't go to a vendor briefing a year ago without a reference to agility. Yet, many vendors admit to widespread

customer confusion as to what agility means to them, and no doubt many are confused and sceptical towards the current push to innovation. We certainly didn't get clear view as to what some of the vendors would actually deliver to customers when they showcased their innovation capability, and worldwide R&D 'centres of excellence'.

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To us, this lack of clarity goes to the core of the marketing challenge which many IT services vendors face today: CIOs and CxOs may be moving away from cost reductions towards initiatives aimed at delivering revenue growth, but in virtually every case they seek a clear link between IT investment and a delivery of measurable business value. We believe vendors are no closer to addressing this challenge until they are seen to show a clear understanding of the customer pain points, and demonstrate a clear link in their marketing messages between their capabilities and customers' business, not just IT, problems. Because, as one CIO at the conference put it, "there are no

major IT projects anymore, there are business projects with IT as part of the solution".

Another key theme was the balance between global and local marketing on one hand, and the link between sales and marketing on the other. One of the key messages from that debate was that while we operate in an industry with global delivery models, that does not equate to uniform global marketing. Marketing messages have to be localised, because as one speaker put it: "Try approaching the French government with the UK messages on outsourcing". The link between the sales and marketing operations of services players is an interesting issue. Many vendors were keen to

point to their processes and initiatives to align the two, but when we pressed two of them to grade this alignment on a scale of 1 to 10, it was obvious that there is lot to be done in this respect: one said they are at 6 today and another suggested that they are 8-9 in some areas and 2-3 in others.

We believe marketing and its correct alignment within the other elements of IT players' value chain (i.e. sales, delivery) will play an even more critical role in the maturing UK SITS market, and Holway@Ovum research going forward will reflect this. Watch this space for research, analysis and opinion on the best (and worst) practices in this area.

(Angel Dobardziev)

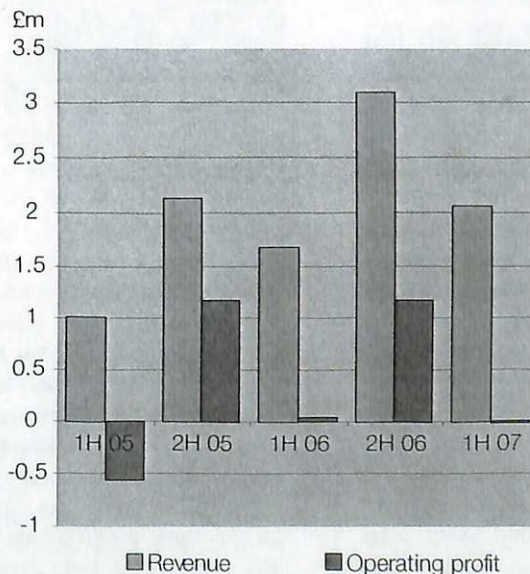


INVU REVENUES RISE IN 1H

Document management software vendor Invu has seen its turnover rise 23% to £2.07m in the half-year to 21 June 2006 (its fiscal H1 07), compared to £1.57m last year. The expensing of share options, which cost the company £64k, led the company to report an operating loss of £18k, compared to an operating profit of £49k a year ago (restated to expense to stock options according to FRS 20). Net loss was £3k compared to a net profit of £60k a year ago. Cash from operations was £283k, nearly 600% up on the £41k generated a year ago.

It's important not to read too much into the profitability for the first half. As the chart shows, Invu's second half is normally where all the profits are generated - last year it ended up with a net profit for the year of £1.18, pretty well all of it from the second half.

Invu's revenue and operating profit for the last five and half-years



In the year before the picture was even more extreme, with a thump loss in the first half turned into a tidy overall profit by an even more thumping profit in the second half!

(Oh, but why is it that nearly all software companies have taught their customers to hang on to near the end of the fiscal year to get the best deals?)

[continued from page fifteen]

With turnover up 23%, there's the potential for the net to be even higher in this financial year. Of course a lot depends on execution in the coming months.

According to the company, recurring revenue from its InvuCare maintenance and customer support services increased to £620k compared with £450m for the same period last year. This is a very encouraging sign.

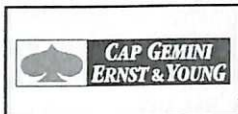
Another encouraging sign is that

Invu has become an OEM partner to Sage, so it will be providing Sage's document management system. This is an important relationship, as business applications typically generate large amounts of both structured and unstructured data that needs to be managed and controlled. Document management is one of the key technologies in meeting the increased burden of reporting requirements that are being placed on businesses. While we suspect that Sage was a tough negotiator on price, it will still be very good for

Invu. Indeed it may also generate 'add on' direct sales.

Indeed, the link-up with Sage addresses one of the long-term problems for the document management area: the need for document management to move from being a technology in search of a problem, to a technology that is part of an overall business solution. We believe that this is where the real value of document management will be seen.

(David Bradshaw)



CAPGEMINI UK GROWS MARGINS AND REVENUES IN H1

Capgemini released its full H1 2006 results yesterday, giving profitability details as well as revenue growth figures. The UK did well: operating margin almost doubled from 3.2% in H1 2005 to 5.8% this time around; revenues were up 22%, which was the strongest growth in Europe.

Capgemini executives said that some 57% of that UK revenue came from just one contract: Aspire, the phenomenally successful outsourcing mega-deal with HM Revenue & Customs (HMRC). Aspire grew some 53% in H1 2006, despite having been in full production for eight straight quarters.

Comment: Aspire illustrates our long-held belief that project services work best when they have an outsourcing client base to sell into. Some 44% of Aspire revenues currently come from application-development work, essentially add-on work over and above the original contract signed in early 2004. Capgemini has an astounding 1,500 people working just on application development projects for Aspire, in addition to

the sizeable staff it inherited from EDS to run the business.

Aspire powered Capgemini UK's impressive rise from number nine UK S/ITS player to number six in 2005 (although it's worth noting that about 40% of Aspire revenues are pass-through revenues that go straight to Fujitsu Services, albeit with Capgemini taking a management margin). As we say in our just-published new profile of Capgemini, if Cap can get its non-Aspire UK business growing profitably, it could even challenge Fujitsu Services for the number three slot in 2007.

But it surely can't rely on Aspire for revenue growth beyond 2006. Aspire has defied gravity and surprised even Capgemini's senior management - Cap actually budgeted for Aspire-related work to plateau or fall off this year. CEO Paul Hermelin wouldn't say when Aspire will stop being a growth story, and he probably doesn't know yet, given that Cap and HMRC are negotiating the next year's Aspire budget right now. All Hermelin

could say was that 2006 "will be another good year" for Aspire. It could hardly be anything else.

Meanwhile, the rest of the UK has to grow too. Capgemini has reported finding "good" UK public-sector growth beyond Aspire, and indeed the Metropolitan Police contract really kicks in during H2. We reckon that Capgemini's chargeout rates are holding up or rising in the UK, once we strip out the "offshore" effect in blended rates. The challenge now is to look beyond the public sector for growth, now that the recovery in the private sector is robust. That's not necessarily easy, especially since Capgemini as a whole is somewhat underweight in financial services, the obvious second front in the UK.

But with the subsidiary getting back to financial health and aggressively building its offshore presence, Capgemini UK is in better shape than it's been for quite a while. Meanwhile, the company as a whole is stepping up its investment in training and new solutions, and that should help.

(Douglas Hayward)



NHS SWAPS ACCENTURE FOR CSC

NHS Connecting for Health (NHS CFH) has confirmed that CSC will be replacing Accenture as the Local Service Provider (LSP) for delivery of the National Programme for IT in the NHS (NPIIT) in the North East and Eastern clusters.

Accenture will transfer responsibility for delivery in these areas to CSC by 8 January 2007. It will only retain responsibility for delivering picture archiving and communication systems (PACS) and radiology information systems.

The new contracts are together worth £1.965m to CSC over nine years, which is equivalent to what Accenture would have earned under the original contracts. Accenture is retaining £110m of the £173m which it has already been paid by the NHS.

iSoft, the main application provider to both Accenture and CSC, will remain the core application provider in the North East region and the interim solution provider in the East and East Midlands region. The beleaguered software supplier will also retain preferred supplier status for future solutions in the East and East Midlands region subject to a benchmarking review. Under the agreements, any potential litigation between Accenture and iSoft in the period concerned will be annulled.

Comment: Accenture appears to have got off fairly lightly, avoiding the onerous penalty payments threatened in the NHS IT contracts. When questioned on this Richard Granger, Chief Executive of NHS CFH, said the

settlement represented good value for money for the taxpayer relative to the things that Accenture had already delivered. A balance had to be struck between the prospect of extended legal proceedings and moving the work forward quickly within the original 'financial envelope'.

We think NHS CFH was right to take a pragmatic approach to resolving the issue as quickly as possible avoiding further delays but protecting the taxpayer.

However, there are wider implications for Accenture than pure financials. It is difficult to see how the company's reputation in the UK public sector could not have been tarnished by this turn of events. And although the company claims there is no official policy on priming on public sector mega-deals, we'd be surprised if it didn't take a more cautious approach to such contracts in the future.

For CSC an extra £2bn of public sector IT money will be welcome but there are significant levels of risk attached to taking on two new clusters. CSC will need to scale up quickly in terms of both staff and infrastructure. The fact that some 250-300 Accenture employees will transfer to CSC should make this a bit easier and CSC's subcontractors - Hedra, SCC and System C - will also benefit. iSoft's ability to deliver is also a risk for CSC and the NHS. However, the fact that CSC now has the right to step in and take over the development of iSoft's software should it fail

to deliver puts CSC in a stronger position than before.

How can CSC succeed where Accenture couldn't? CSC's strong relationship with iSoft and experience of managing the troubled software company should help. Managing iSoft will be easier when there is only one organisation doing it rather than two, and only one set of demands are being placed on iSoft. Other differences between CSC and Accenture's set up, such as the fact that CSC owns its own data centres, could also benefit CSC.

CSC's rollout approach is also notably different to Accenture's. CSC is planning to use the same approach that it used in the North West cluster where it has initially focused on deploying systems to hospitals and the primary care organisations that serve them. In this way it's managed to get critical mass early in the Programme and its earnings have reflected that. Accenture, on the other hand, focused on rolling out smaller systems to the fragmented GP market. CSC claims combining both approaches could actually accelerate the pace of deployments under NPIIT rather than slow it down.

While it is difficult to believe that there won't be some knock-on effects from the transition, we were encouraged to hear from Keith Wilman, UK President and CEO of CSC, that CSC has already signed up a number of acute Trusts in its new clusters to receive the iSoft software. It is not waiting until the transfer of the contracts in January but is starting work now.

(Douglas Hayward)



ATOS ORIGIN UK LOOKS TO THE FUTURE

As part of its general H1 revenue and profitability announcement, Atos Origin also released some details of its UK performance. As expected, UK operating margin was down at 5.1%, versus 8.3% in H1 2005. As previously announced, UK revenues were down 7.8% organically at euro541m (£372m) in H1.

The margin decline was caused in great part by a euro25m charge to cover the cost of completing a series of loss-making public-sector contracts, counter-balanced slightly by increased profits from the AEMS (Atos Euronext Market Solutions, the IT outsourcing business targeting financial markets) the UK business. Excluding both these factors, UK margin would have "slightly increased", the company said.

Atos said that it is beginning to shift the UK revenue mix from the current heavy public-sector focus (62% of revenues, according to Atos) towards a more balanced mix as part of its "Action Plan" for the UK. In systems integration, for example, Atos said private-sector work rose to 38% of revenues in H1 2006, up from 35% previously.

Comment: Atos Origin talked up the subsidiary's recovery during its update on UK progress. It pointed to new contracts signed worth some euro900m, and said that UK book-to-bill ratio would

be higher in 2006 than in 2005 (when it was 1.5). Executives were anxious to describe the loss-making public-sector contracts as a closed chapter, and pointed to rising utilisation rates in the consulting division as evidence that consulting is bouncing back.

From our discussion with Atos executives, we get the feeling that the UK subsidiary is confident that it is winning enough new orders to grow revenues again in 2007, after its Annus Horribilis in 2006. But it's worth pointing out that the biggest deal in that euro900m bundle is actually a renewal: the NHS Scotland contract.

As we say in our newly-published profile of Atos Origin UK, we feel that the UK operation has some structural issues it needs to resolve. The biggest is the over-dependence on the public sector - worldwide CEO Bernard Bourigeaud states that the UK "is far too much in the public sector". We believe that outside of a few new mega-deals, the UK public sector market is basically flat now, meaning that if you're not plugged into a mega-deal that's still in growth mode, you're struggling to grow much. We've said for some time that Atos Origin UK is "overweight" in the public sector, and while we're please to see Atos taking this seriously, we think it has a big task to grow its sub-scale private-sector business.

The other big issue is whether Atos Origin UK is as "joined-up" as it should be. We argue that it is not, and that it's in many ways a collection of businesses that need to understand each other better and work together more closely. Atos disagrees, but that's what we think.

We are also not convinced that Atos Origin was right to switch from being led by a vertical-market oriented structure, with sub-country P&L held by the vertical market groups, to a structure in which the service lines are dominant and hold the P&L. We think that IT services companies are best organised around customer groups, or at least around customer "pain points". To be fair to Atos, it runs its top strategic accounts vertically, and it's orienting its cross-industry sales teams to sell repeatable solutions that address generic pain points such as security, compliance, transition to shared services and so on.

So while Atos Origin UK may well see the light at the end of the tunnel, we think that it's going to be a long slog for Atos to move from the public-sector dominated model that worked until recently to the more balanced model that will work in the future. Without a major acquisition, that is . . .

(Douglas Hayward)

Mergers & Acquisitions - September

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Duke Street Capital	Gresham Partners/2e2	Provider of network and managed services	58%	n/a	Since 2002, 2e2 has pursued an aggressive acquisition strategy, buying up numerous IT and network services companies. For example, in FY05, the company acquired (what is now) 2e2 Offshore, TriSys and Yul Data Security. During FY05, revenue increased from £62m to £112m, while operating margin reduced very slightly from 8.0% to 7.9%. Managed services revenue now represent 30% of total revenue. In FY06, revenue is expected to hit £155m. And the growth it has realised is not just from acquisitions. Organic growth has been tracking 20%+ per annum. The company's significant increase in scale during the Gresham years now leaves it poised for the next stage of development - and that's where DSC will come in. Terry Burt, 2e2's CEO, says the new funding has "greatly enhanced the capacity to realise our plans". Those plans will include further acquisitions - not just in the UK but in Scandinavia too. 2e2 is also planning to make internal improvements, such as providing new services to customers, hiring new staff - and "being better positioned to bid for major contracts".
Statpro Group	FRI Corporation	Canadian supplier of securities information services and software	100%	c£25m	The core logic behind this purchase is the cross-sell opportunity between the two existing client bases. The company intends to cross-sell FRI's data products to Statpro clients and Statpro's portfolio analytics software to FRI customers. Statpro's board also believes that this will enable it to "offer a complete and enhanced service and thereby provide a realistic alternative to other systems/data solution providers, especially in the important North American market." That seems to be the best justification for the price that Statpro intends paying. Is this yet another UK vendor being drawn to the US market like a moth to a flame? To be fair, Statpro did just over 16% of its business in North America in 2005. And also to be fair, the US has to be by far the largest market for wealth management, and therefore somewhere that Statpro had to make a play in sooner or later - so why not now? However, this is a high risk acquisition. FRI is almost the same size as Statpro in turnover - this places it well over our 'rule of thumb' for acquisitions. We don't know the staff numbers, but we expect that they will be comparable. The best way for this to work is as a merger of equals, even though in practice one company has to acquire the other. Statpro therefore has to retain all the key management of FRI - and we presume that the 'exchangeable' shares are intended as a slightly unusual set of golden handcuffs. We hope they work!
Intec Telecom Systems	EUR Systems	Outsourced billing and BPO specialist	100%	£7.1m cash	Intec has made no secret of its ambitions to become one of the big boys in operational IT for telcos, and this acquisition is another stepping stone on the way to achieving its goal. Previous acquisitions have brought products; this one brings process and outsourcing expertise, important requirements for meeting the needs of telcos in future. It also strengthens Intec's presence in the large North American market. Already its biggest region by revenue, accounting for over 40% of revenue in the last financial year, North America will now also have more staff than any other region. However, the North American market is tough and many European companies have struggled to meet their growth targets in the past. Acquisition of local expertise is no guarantee of success but it certainly helps to reduce the risk.

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Sept 06	Change since IPO
Rubicon Software Group	CRM software	SP	AIM	10p	£4m	06-Sep-06	11p	10.0%
Network Data Holdings	Mortgage and Insurance network	SP	AIM	40p	£11m	21-Sep-06	43p	6.3%

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
SSP Holdings Plc	Insurance sector broker and intermediary systems	SP	AIM	n/a	n/a	02-Oct-06
Gowi Group Plc	HR and content management software	SP	AIM	n/a	n/a	n/a
Brulines (Holdings) Plc	Retail technology	SP	AIM	n/a	n/a	n/a

UK software and IT services share prices and market capitalisation - September 2006										
	SCS	Share Price		Historic	PSR	S/ITS	Share price	Share price	Capitalisation	
	Cat.	29-Sep-06	29-Sep-06	P/E	Ratio	Index	move since	% move	move since	
					Cap./Rev.	29-Sep-06	31-Aug-06	in 2006	31-Aug-06	
@UK plc	SP	0.37	13.90	-	9.56	564.89	-32%	-44%	-£6.57m	
Alphameric	SP	0.72	86.17	13.6	1.17	327.98	-1%	-20%	-£1.21m	
Alterian	SP	1.05	42.71	30.9	4.02	525.00	-4%	-21%	-£1.63m	
Anite Group	CS	0.74	257.92	74.0	1.36	432.75	1%	9%	£1.74m	
Ascribe	SP	0.37	39.29	35.7	7.35	1,934.21	13%	5%	£4.54m	
Atelis plc	SP	0.17	4.25	-	NA	790.70	-6%	-21%	-£0.25m	
Atlantic Global	SP	0.13	2.96	-	1.38	440.68	-16%	-40%	-£0.57m	
Autonomy Corporation	SP	4.62	829.27	-	15.12	140.95	19%	18%	£129.76m	
Aveva Group	SP	5.30	353.67	43.7	5.36	2,650.00	42%	-43%	£104.10m	
Axon Group	CS	4.67	270.07	41.7	2.94	2,667.14	16%	71%	£37.90m	
Bond International	SP	1.40	38.83	17.4	2.79	2,146.15	-4%	41%	-£1.67m	
Brady	SP	0.27	6.84	-	2.81	327.16	-5%	-16%	-£0.39m	
Business Systems	CS	0.11	8.13	10.9	0.28	88.24	-2%	-38%	-£0.19m	
Capita Group	CS	5.48	3374.68	30.0	2.35	148,135.49	0%	31%	£6.16m	
Centrom	CS	0.02	2.48	-	0.39	270.83	-19%	-64%	-£0.57m	
Charteris	CS	0.16	6.88	12.3	0.36	177.78	7%	-56%	£0.43m	
Chelford Group	CS	1.81	12.87	10.1	1.09	31,478.20	-1%	-25%	-£0.11m	
Civica	CS	2.30	143.16	200.0	1.35	1,313.94	-1%	-8%	-£1.39m	
Clarity Commerce	SP	0.64	10.21	11.0	0.77	512.00	-1%	-16%	-£0.08m	
Clinical Computing	SP	0.07	2.28	-	1.38	58.47	0%	-28%	£0.00m	
CODASciSys	CS	1.68	129.32	-	0.37	434.11	2%	21%	£3.09m	
Compel Group	CS	1.00	33.92	23.3	0.54	800.00	13%	12%	£3.90m	
Computacenter	R	2.49	396.07	14.8	0.17	371.64	-5%	-2%	-£21.08m	
Computer Software Group	SP	1.17	64.11	40.0	4.56	991.48	7%	75%	£4.13m	
Cornwell Management Consultants	CS	0.36	6.25	5.6	0.35	254.94	-16%	-52%	-£1.23m	
Corpora	SP	0.07	9.49	-	19.01	190.79	-8%	-41%	-£0.82m	
Dealogic	SP	1.40	99.84	-	3.22	608.69	6%	-5%	£5.35m	
Delcam	SP	3.05	18.40	9.4	0.77	1,173.08	-4%	-8%	-£0.81m	
Detica	CS	3.02	337.53	34.4	4.81	188.75	0%	0%	£0.00m	
Dicom Group	R	2.44	212.47	35.4	1.02	747.24	-4%	17%	-£7.85m	
Dillistone Group	SP	1.47	7.91	-	NA	1,073.26	7%	7%	£0.54m	
Dimension Data	R	0.35	539.05	24.0	0.39	62.17	-3%	-13%	£47.54m	
DRS Data & Research	SP	0.39	13.49	-	1.08	354.55	16%	4%	£1.90m	
Electronic Data Processing	SP	0.60	14.64	59.4	2.10	1,837.11	-1%	-10%	-£0.12m	
FDM Group	A	0.83	19.16	20.1	0.58	1,012.27	9%	-2%	£1.51m	
Fastfill	SP	0.04	10.31	-	3.89	35.42	36%	10%	£2.73m	
Financial Objects	CS	0.47	22.27	-	1.60	204.35	15%	19%	£2.84m	
Flomerics Group	SP	0.82	11.98	13.0	1.05	3,134.62	-7%	-6%	-£0.96m	
Focus Solutions Group	CS	0.22	6.29	48.9	1.16	112.82	38%	5%	£1.72m	
GB Group	CS	0.34	28.47	-	2.54	219.30	-1%	0%	-£0.42m	
Gladstone	SP	0.23	11.64	56.3	1.52	562.50	0%	-4%	£0.00m	
Glotel	A	0.58	22.34	8.9	0.25	301.30	-5%	-30%	-£1.16m	
Gresham Computing	CS	1.22	61.13	-	4.37	1,311.83	9%	50%	£5.14m	
Group NBT	CS	1.50	29.18	15.0	2.59	747.50	7%	31%	£1.85m	
Harvey Nash Group	A	0.65	42.15	11.5	0.21	368.57	6%	45%	£2.29m	
Highams Systems Services	A	0.06	1.75	-	0.13	152.78	19%	76%	£0.28m	
Horizon Technology	CS	0.66	53.81	13.1	0.28	243.64	10%	-21%	£5.08m	
IBS OPENSsystems	CS	1.89	75.40	-	4.83	1,236.07	1%	18%	£0.40m	
IS Solutions	CS	0.21	5.13	55.4	0.93	763.94	1%	52%	£0.06m	
ICM Computer Group	CS	2.55	53.92	16.8	0.69	1,416.67	-3%	-24%	-£1.80m	
IDOX	SP	0.06	11.44	6.8	0.81	7.86	-8%	-57%	-£0.93m	
In Technology	CS	0.38	53.56	-	0.19	1,520.00	4%	19%	£2.11m	
InterQuest Group	A	0.94	23.69	13.4	0.86	1,626.09	7%	117%	£1.52m	
Innovation Group	SP	0.30	135.33	-	2.22	131.00	3%	0%	£3.38m	
Intelligent Environments	SP	0.05	8.27	-	2.65	54.52	11%	58%	£0.81m	
Intercede Group	SP	0.31	10.36	-	5.74	508.33	6%	-10%	£0.59m	
Invu	SP	0.30	31.58	24.0	10.03	3,157.87	7%	43%	£1.48m	
iSOFT Group	SP	0.51	115.92	-	0.44	459.09	-2%	-87%	-£2.87m	
iTrain	SP	0.03	2.56	14.8	1.40	38.24	0%	-40%	£0.00m	
IX Europe	CS	0.39	67.74	-	3.01	1,278.69	20%	28%	£11.65m	
K3 Business Technology	SP	1.06	18.16	-	0.82	809.91	9%	29%	£1.54m	
Kewill	SP	0.67	52.42	19.1	1.96	1,319.17	13%	-7%	£6.09m	
Knowledge Technology Solutions	SP	0.01	0.92	-	0.73	125.00	-38%	-64%	-£0.55m	
LogicaCMG	CS	1.56	1785.48	29.9	0.97	2,129.55	0%	-12%	-£2.87m	
Lorien	A	0.40	7.74	-	0.06	395.00	3%	0%	£0.20m	

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

	SCS Cat.	Share	Capitalisation	Historic	PSR	S/ITS	Share price	Share price	Capitalisation
		Price 29-Sep-06	29-Sep-06	P/E	Ratio Cap./Rev.	Index 29-Sep-06	move since 31-Aug-06	% move in 2006	move since 31-Aug-06
Macro 4	SP	2.13	47.48	15.6	1.43	856.85	-9%	-19%	-£4.47m
Manpower Software	SP	0.18	8.07	-	1.57	188.14	-1%	-37%	-£0.11m
Maxima Holdings	CS	1.61	25.77	26.8	2.08	1,170.91	4%	4%	£0.96m
Mediasurface	SP	0.14	10.81	-	2.00	1,029.41	-2%	19%	-£0.19m
Micro Focus	SP	1.18	235.73	26.8	2.90	0.00	9%	0%	£20.43m
Microgen	CS	0.45	45.71	10.7	1.12	192.31	-2%	-39%	-£1.02m
Minorplanet Systems	SP	0.44	12.40	-	0.56	888.30	-5%	-1%	-£0.87m
Misys	SP	2.27	1135.73	-	1.19	2,824.15	-8%	-5%	-£99.27m
Mondas	SP	0.16	5.60	-	2.68	213.33	14%	23%	£0.70m
Morse	R	1.02	154.03	10.5	0.42	408.00	9%	7%	£12.08m
MSB International	A	0.72	14.81	-	0.16	380.26	14%	101%	£1.85m
NCC Group	CS	2.69	87.54	19.2	4.22	1,607.78	11%	16%	£8.48m
Ncipher	SP	2.34	65.91	33.8	3.79	936.00	6%	13%	£3.94m
Netcall	SP	0.15	9.89	25.0	2.98	303.03	3%	15%	£0.33m
Netstore	CS	0.34	41.84	15.7	1.16	223.33	-7%	-13%	-£3.12m
Networkers International	A	0.36	2.70	60.0	0.14	1,125.00	-8%	13%	-£0.23m
Northgate Information Solutions	CS	0.82	436.82	20.3	1.31	315.38	12%	-4%	£47.94m
NSB Retail Systems	SP	0.28	101.38	6.6	2.10	2,391.30	-6%	-15%	-£6.45m
OneclickHR	SP	0.04	5.95	-	1.24	100.00	-6%	-9%	-£0.37m
OPD Group	A	3.83	101.68	27.6	2.33	1,740.91	5%	53%	£4.78m
Parity	A	0.57	21.55	-	0.16	9,499.96	12%	533%	£2.27m
Patsystems	SP	0.15	23.56	-	1.52	137.85	-3%	9%	-£0.80m
Phoenix IT	CS	2.86	168.29	13.4	1.91	1,058.33	2%	6%	£3.39m
Pilat Media Global	SP	0.65	34.02	19.2	2.62	3,250.00	17%	46%	£4.97m
Pixology	SP	0.31	6.28	-	1.39	222.11	9%	-44%	-£0.51m
Planit Holdings	SP	0.28	25.87	21.7	0.92	1,177.08	10%	11%	£2.29m
Portrait Software	CS	0.18	15.11	-	1.06	114.90	-3%	-34%	-£0.43m
Proactis Holdings	SP	0.54	16.27	-	NA	1,113.40	16%	11%	£2.26m
Prologic	CS	0.85	8.50	18.9	1.23	1,024.10	21%	38%	£1.50m
QinetiQ Group	CS	1.74	1131.98	-	1.07	792.71	5%	-21%	£50.42m
Qconnects	CS	0.01	2.73	-	45.54	333.33	-29%	-41%	-£1.09m
Quantica	A	0.43	28.33	10.7	0.73	346.77	-17%	-26%	-£5.60m
Red Squared	CS	0.05	1.01	-	0.41	274.73	0%	-25%	£0.00m
Retail Decisions	SP	2.00	156.21	22.0	2.86	2,701.46	19%	50%	£24.99m
RM	SP	1.80	165.05	-	0.63	5,142.86	0%	14%	-£0.23m
Royalblue Group	SP	8.30	272.51	26.3	3.67	4,882.35	-5%	16%	-£14.61m
Sage Group	SP	2.51	3241.96	21.2	4.17	96,346.15	5%	-3%	£147.77m
Sanderson Group	SP	0.43	17.98	-	1.24	860.00	-8%	-18%	-£1.46m
SDL	CS	2.16	134.24	44.2	1.71	1,436.67	5%	0%	£6.54m
ServicePower	SP	0.24	19.30	-	2.43	240.00	4%	-23%	£0.80m
Sirius Financial	SP	1.53	26.88	305.0	1.23	1,016.67	16%	5%	£3.61m
SIRVIS IT plc	CS	0.04	4.13	40.3	0.52	31.52	7%	21%	£0.29m
smartFOCUS plc	SP	0.18	14.24	142.3	2.36	1,945.95	16%	20%	£2.31m
Sopheon	SP	0.19	25.54	-	5.48	269.78	-7%	-4%	-£2.04m
Spring Group	A	0.50	80.46	74.7	0.18	555.56	-9%	-19%	-£8.05m
StatPro Group	SP	0.93	36.35	20.1	3.37	1,156.25	-3%	40%	-£1.18m
STThree Group plc	A	3.35	461.86	20.7	1.91	1,625.00	3%	55%	£14.83m
Stilo International	SP	0.02	2.03	-	0.98	45.00	-18%	-14%	-£0.45m
Strategic Thought	CS	1.79	46.55	18.2	4.06	1,317.34	-2%	32%	-£1.04m
SurfControl	SP	4.68	146.96	118.8	2.57	2,338.75	12%	-11%	£16.02m
Tadpole Technology	SP	0.02	8.95	-	1.85	54.32	29%	-38%	£1.99m
Tikit Group	CS	2.24	28.21	131.8	1.40	1,947.83	12%	28%	£2.96m
Torex Retail	SP	0.43	168.12	-	1.00	1,081.25	-16%	-60%	-£18.05m
Total Systems	SP	0.44	4.58	20.2	1.31	820.75	24%	9%	£0.89m
Touchstone Group	SP	1.85	21.07	74.0	1.22	1,761.90	11%	36%	£2.05m
Trace Group	SP	1.00	14.79	13.8	1.03	796.00	2%	4%	£0.30m
Triad Group	CS	0.27	4.09	-	0.09	200.00	8%	-47%	£0.30m
Ubiquity Software	SP	0.20	35.63	-	4.78	489.95	-5%	-48%	-£1.83m
Ultima Networks	R	0.02	3.32	11.6	1.74	39.63	117%	0%	£1.79m
Ultrasis Group	SP	0.02	24.04	-	15.66	36.84	16%	-10%	£3.40m
Universe Group	SP	0.11	6.68	26.9	0.15	477.78	-16%	-43%	-£1.24m
Vega Group	CS	2.33	47.33	15.2	0.76	1,905.74	-1%	14%	-£0.71m
VI group	SP	0.10	3.63	-	0.37	195.00	3%	18%	£0.09m
Xansa	CS	0.82	282.39	34.2	0.75	2,096.15	5%	-9%	£13.82m
XKO Group	SP	0.99	27.37	19.8	0.61	660.00	8%	-2%	£1.94m
Xpertise Group	CS	0.39	2.06	-	0.16	1,570.00	-9%	-52%	-£0.20m

Note: We calculate PSR as market capitalisation divided by sales in the most recently announced financial year.
 Main SYSTEMHOUSE 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			Computer Software Group plc			Highams Systems Services Group plc				
REV	Final - Dec 04	Final - Dec 05	Comparison	Final - Feb 05	Final - Feb 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison	
PBT	£1,202,324	£1,454,073	+20.9%	£25,156,000	£25,347,000	+0.7%	£13,512,000	£17,997,000	+32.2%	
EPS	-£384,745	-£693,883	Loss both	3.3p	2.8p	-15.0%	1.8p	1.0p	Loss both	
Alphameric plc			Cornwall Management Consultants plc			Horizon Technology Group plc				
REV	Interim - Mar 05	Final - Nov 05	Interim - Mar 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison		
PBT	£20,834,000	£73,493,000	£36,504,000	-18.4%	£10,000,000	£20,720,174	£11,528,000	-15.3%		
EPS	£3,292,000	£7,555,000	£2,823,000	-14.2%	£963,000	£1,579,953	£476,000	Profit to loss		
Alterian plc			Corpora plc			IDS OPEN Systems plc				
REV	Final - Mar 05	Final - Mar 06	Comparison	Final - Jun 04	Final - Jun 05	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	
PBT	£7,906,000	£10,823,000	+36.2%	£193,381	£130,301	-28.5%	£5,266,000	£15,623,000	£9,381,000	
EPS	-£494,000	£889,000	Loss to profit	-£2,543,553	-£150p	Loss both	£931,000	£3,231,000	£1,388,000	
Anite Group plc			DCS Group plc			ICM Computer Group plc				
REV	Final - Apr 05	Final - Apr 06	Comparison	Final - Dec 04	Final - Dec 05	Comparison	Final - Jun 04	Final - Jun 05	Comparison	
PBT	£89,403,000	£184,667,000	+11.1%	£42,200,000	£2,400,000	-16.8%	£77,542,000	£77,628,000	+0.1%	
EPS	£6,820,000	£10,443,000	+52.2%	£2,900,000	£2,400,000	-16.8%	£4,390,000	£4,438,000	+1.1%	
Ascribe plc			Dealogic Holdings plc			IDOX plc				
REV	Interims - Dec 04	Final - Jun 05	Interims - Dec 05	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Apr 05	Interim - Apr 06	Comparison	
PBT	£164,400	£5,347,000	£4,572,000	-17.6%	£16,715,263	£36,230,700	£20,474,736	£7,024,000	£14,955,000	
EPS	£4,000	£7,210,598	£1,771,000	Loss to profit	£5,801,578	£14,314,300	£7,584,789	£24,000	£18,706,000	
Atlantic Global plc			Delecan plc			Innovation Group plc (The)				
REV	Final - Dec 04	Final - Dec 05	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Mar 05	Final - Sep 05	Interim - Mar 06
PBT	£189,000	£2,177,000	+11.4%	£108,000	£1,208,000	£13,626,000	+11.4%	£10,789,000	£11,344,000	£4,233,000
EPS	0.5p	2.6p	Profit to loss	15.6p	32.3p	16.4p	5.1p	0.8p	0.85p	0.75p
Autonomy Corporation plc			Deica Group plc			Intechnology plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison
PBT	£20,834,000	£54,834,272	£63,348,936	+204.1%	£7,102,000	£10,504,000	+42.9%	£283,522,000	£284,729,000	+0.4%
EPS	£3,509,300	£7,210,598	£11,573,366	+33.3%	£8,781,000	£14,419,000	+64.5%	£2,465,000	£12,112,000	Loss both
Aveva Group plc			Dimension Data Holdings plc			Intercade Group plc				
REV	Final - Mar 05	Final - Mar 06	Comparison	Final - Jun 05	Final - Jun 06	Comparison	Final - Dec 04	Final - Dec 05	Comparison	
PBT	£57,163,000	£65,930,000	+15.3%	£179,795,000	£209,219,000	+16.4%	£3,074,928	£3,120,506	+1.5%	
EPS	£9,124,000	£11,055,000	+22.3%	£10,473,000	£12,055,000	+15.0%	-£452,736	-£212,657	Loss both	
Axon Group plc			DRS Data & Research Services plc			ImmerQuest Group plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison	Final - Mar 05	Final - Mar 06
PBT	£40,293,000	£91,739,000	£92,437,000	+57.9%	£62,317,540	£171,781,404	£209,913,000	+25.3%	£1,806,000	£2,142,000
EPS	£3,546,000	£8,128,000	£5,593,000	-57.7%	£12,077,110	£28,800,244	£16,556,262	+37.1%	-£428,000	-£382,000
Bond International Software plc			Electronic Data Processing plc			INWU plc				
REV	Final - Dec 04	Final - Dec 05	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06
PBT	£9,570,000	£10,324,000	+7.8%	£6,325,000	£12,452,000	£8,385,000	+42.1%	£12,555,555	£27,538,849	£22,536,300
EPS	£1,881,000	£2,668,000	+41.8%	-£277,000	£17,000	£338,000	Loss to profit	£543,133	£1,370,927	£806,375
Brady plc			FDM Group plc			IS Solutions plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison	Interim - Jul 05	Final - Jul 06
PBT	£1530,585	£2,431,609	£1,718,788	-12.3%	£3,472,000	£6,971,000	£3,274,000	-5.7%	£1,680,000	£4,775,000
EPS	-£293,830	-£1,035,046	-£192,443	Loss both	£26,000	£431,000	£28,000	+0.9%	£60,000	£1,240,000
Business Systems Group Holdings plc			Frastill Plc			ISOFT Group plc				
REV	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison	Final - Apr 05	Final - Apr 06
PBT	£12,624,000	£29,485,000	£18,800,000	+48.3%	£16,438,000	£35,068,000	£21,199,000	-28.5%	£261,932,000	£201,695,000
EPS	£196,000	£578,000	£499,000	+54.6%	£408,000	£1,555,000	£1,258,000	+208.3%	£44,524,000	£34,750,000
Capita Group plc			Financial Objects plc			K3 Business Technology Group plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Sep 04	Final - Mar 05	Interim - Sep 04	Comparison	Final - Dec 04	Final - Dec 05
PBT	£687,200,000	£1,435,500,000	£945,000,000	+22.9%	£1,593,000	£4,327,000	£2,277,000	-85.6%	£5,514,000	£5,095,000
EPS	£74,500,000	£153,100,000	£92,400,000	-24.0%	£1,594,000	-£2,879,000	£1,566,000	Loss both	-£328,000	£10,800
Charteris plc			Fluorics Group plc			Kevall Systems plc				
REV	Interim - Jan 05	Final - Jul 05	Interim - Jan 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Dec 04	Final - Dec 05
PBT	£9,865,000	£19,230,000	£10,862,000	+20.3%	£5,925,000	£10,316,000	£10,452,000	+47.0%	£1,094,097	£1,823,645
EPS	£438,000	£891,000	£407,000	-7.1%	-£114,000	-£82,000	£54,000	Loss to profit	£270,076	£202,255
Chefford Group plc			Focus Solutions Group plc			Knowledge Technology Solutions Plc				
REV	Final - Dec 04	Final - Dec 05	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Dec 04	Final - Dec 05	Comparison
PBT	£1,852,000	£4,494,000	+24.3%	£5,255,000	£11,424,000	£5,677,000	+8.0%	£9,529,000	£22,029,000	+158.3%
EPS	£438,000	£1,367,000	+31.6%	£295,000	£986,000	£91,000	-63.2%	£1,860,000	£279,000	Loss both
Civica plc			GB Group plc			LogicCMG plc				
REV	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison	Final - Mar 05	Interim - Mar 06	Comparison
PBT	£49,576,000	£106,028,000	£56,499,000	+14.0%	£5,431,000	£6,589,000	+21.2%	£26,880,000	£31,643,000	+18.6%
EPS	£599,000	£2,501,000	£2,145,000	Profit to loss	£26,000	£128,000	+392.3%	£2,443,000	£1,601,000	-34.5%
Clarity Commerce plc			Gladstone Plc			Macro 4 plc				
REV	Final - Mar 05	Final - Mar 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison	Final - Jun 04	Final - Jun 05	Comparison	
PBT	£16,310,000	£10,884,000	-18.8%	£11,231,000	£2,835,000	-74.8%	£770,185	£1,250,474	+62.4%	
EPS	£513,000	£952,000	+85.8%	£146,000	-£268,000	Loss both	£304,161	-£966,536	Loss both	
Clinical Computing plc			Glotel plc			Manpower Software plc				
REV	Final - Dec 04	Final - Dec 05	Comparison	Interim - Feb 05	Final - Aug 05	Interim - Feb 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06
PBT	£1,757,997	£1,657,006	-5.8%	£3,912,757	£9,418,642	£4,314,130	+40.3%	£931,700,000	£1,834,000,000	£1,243,000,000
EPS	-£1,097,741	-£1,538,433	Loss both	£130,925	£95,919	£316,534	-19.1%	£37,700,000	£105,800,000	£29,500,000
CODASciSys plc			Group HBT plc			Lorien plc				
REV	Final - Dec 04	Final - Dec 05	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Nov 04	Final - Nov 05	Comparison
PBT	£87,830,000	£72,771,000	-7.3%	£19,498,000	£13,475,000	-30.2%	£12,744,000	£129,101,000	£129,101,000	
EPS	£3,914,000	£7,665,000	+95.3%	£2,571,000	£4,020,000	+56.4%	£192,000	£94,000	-91.0%	
Compel Group plc			Harvey Nash Group plc			Manpower Software plc				
REV	Final - Jun 05	Final - Jun 06	Comparison	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison	Final - Mar 04	Final - Mar 05	Comparison
PBT	£79,103,000	£32,647,000	-17.1%	£6,634,000	£13,382,000	£6,967,000	+13.9%	£5,146,663	£5,909,466	+14.8%
EPS	£1346,000	£2,256,000	+67.8%	-£742,000	-£1,426,000	-£423,000	+10.0%	£398,306	£336,139	Loss to profit

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Maxima Holdings plc				Pillar Media Global plc				StatPro Group plc				
REV	Final - Mar 05	Final - Mar 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	
PBT	\$3,610,867	\$3,322,000	+16.8%	\$4,634,450	\$1,004,590	\$9,390,704	+17.7%	\$5,017,000	\$1,705,000	\$3,000,000	+28.2%	
EPS	\$0.23	\$0.20	+15.2%	\$0.30	\$0.07	\$0.59	+19.4%	\$0.33	\$0.10	\$0.20	+20.0%	
Mediasurface plc				Pixology plc				Sthree plc				
REV	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison	Interim - Mar 05	Final - Nov 05	Interim - Mar 06	Comparison
PBT	\$1,287,747	\$1,639,343	\$4,438,840	+212%	\$1,888,823	\$4,514,724	\$1,805,948	+4.4%	\$1,545,000	\$1,773,300	\$1,773,300	+24.0%
EPS	\$0.20	\$0.26	\$0.74	+270%	\$0.28	\$1.25	\$0.28	+0.0%	\$0.25	\$0.28	\$0.28	+12.0%
Micro Focus International plc				Planet Holdings plc				Strategic Thought Group plc				
REV	Final - Apr 04	Final - Apr 05	Comparison	Final - Apr 04	Final - Apr 05	Final - Mar 05	Comparison	Final - Mar 05	Final - Mar 05	Final - Mar 06	Comparison	
PBT	\$73,857,000	\$81,950,000	+9.3%	\$26,928,000	\$26,928,000	\$26,928,000	+4.4%	\$26,928,000	\$26,928,000	\$26,928,000	+23.3%	
EPS	\$1.27	\$1.36	+7.1%	\$0.45	\$0.45	\$0.45	+0.0%	\$0.45	\$0.45	\$0.45	+23.3%	
Microgen plc				Portrait Software plc				Stilo International Plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison	Final - Dec 04	Final - Dec 05	Final - Dec 05	Comparison	
PBT	\$2,127,000	\$40,782,000	\$19,608,000	-7.6%	\$14,288,000	\$15,720,000	+10.0%	\$2,076,000	\$2,076,000	\$2,076,000	+1.0%	
EPS	\$0.25	\$4.86	\$2.45	-19.8%	\$1.73	\$1.94	+12.1%	\$0.25	\$0.25	\$0.25	+0.0%	
Mincoplane Systems Plc				Prologix plc				SurfControl plc				
REV	Interim - Feb 05	Final - Aug 05	Interim - Feb 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison	Final - Jun 05	Final - Jun 06	Final - Jun 06	Comparison	
PBT	\$14,400,000	\$22,000,000	\$10,900,000	+4.4%	\$6,928,000	\$9,557,000	+39.4%	\$2,601,075	\$5,233,328	\$5,233,328	+88.2%	
EPS	\$2.44	\$3.67	\$1.80	+7.4%	\$1.15	\$1.32	+15.7%	\$0.43	\$0.87	\$0.87	+20.0%	
Mitsys plc				QA plc				Systems Union Group plc				
REV	Final - Mar 05	Final - Mar 06	Comparison	Final - Nov 04	Final - Nov 05	Comparison	Final - Dec 04	Final - Dec 05	Final - Dec 05	Comparison		
PBT	\$988,400,000	\$993,300,000	+0.5%	\$90,153,000	\$118,000,000	+31.4%	\$104,220,000	\$104,220,000	\$104,220,000	+0.0%		
EPS	\$2.30	\$2.31	+0.4%	\$2.25	\$2.90	+29.3%	\$2.56	\$2.56	\$2.56	+0.0%		
Mondas plc				Oonectis plc				Tadpole Technology plc				
REV	Final - Apr 05	Final - Dec 05	Comparison	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison	Final - Sep 04	Final - Sep 05	Final - Sep 05	Comparison	
PBT	\$4,532,775	\$2,051,566	-54.9%	\$2,051,566	\$1,650,000	\$1,650,000	-18.0%	\$4,820,000	\$4,820,000	\$4,820,000	+0.0%	
EPS	\$0.30	\$0.15	-48.3%	\$0.15	\$0.12	\$0.12	-16.7%	\$0.38	\$0.38	\$0.38	+0.0%	
Morse plc				Ouantica plc				Tikit Group plc				
REV	Final - Jun 05	Final - Jun 06	Comparison	Interim - Mar 05	Final - Jun 05	Interim - Mar 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	
PBT	\$429,510,000	\$367,120,000	-14.5%	\$17,019,000	\$38,922,000	\$22,736,000	+34.0%	\$2,666,000	\$2,666,000	\$1,411,000	+88.2%	
EPS	\$0.80	\$0.60	-25.0%	\$0.34	\$0.86	\$0.51	+50.0%	\$0.42	\$0.42	\$0.23	+82.6%	
MSD International plc				Ometiq Group plc				Torex Retail plc				
REV	Final - Jun 05	Final - Jun 06	Comparison	Final - Mar 05	Final - Mar 06	Comparison	Interim - Jun 05	Interim - Jun 06	Interim - Jun 06	Comparison		
PBT	\$92,321,000	\$95,660,000	+3.6%	\$95,900,000	\$1,053,100,000	\$1,053,100,000	+22.6%	\$52,466,000	\$167,366,000	\$131,906,000	+61.4%	
EPS	\$3.34	\$3.56	+6.6%	\$3.56	\$11.50	\$11.50	+22.6%	\$1.87	\$5.84	\$4.66	+25.0%	
NCC Group plc				Red Squared plc				Total Systems plc				
REV	Final - Mar 05	Final - Mar 06	Comparison	Interim - Mar 05	Final - Mar 06	Interim - Mar 06	Comparison	Final - Mar 05	Final - Mar 06	Final - Mar 06	Comparison	
PBT	\$18,786,000	\$20,747,000	+10.4%	\$10,404,122	\$2,455,315	\$795,454	-24.5%	\$4,951,633	\$4,951,633	\$4,951,633	+0.0%	
EPS	\$0.70	\$0.77	+10.0%	\$0.42	\$0.62	\$0.24	-42.3%	\$1.98	\$1.98	\$1.98	+0.0%	
Nepher Plc				Retail Decisions plc				Touchstone Group plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Jun 05	Final - Dec 05	Comparison	Final - Mar 05	Final - Mar 06	Final - Mar 06	Comparison	
PBT	\$7,967,000	\$17,380,000	\$10,439,000	+31.0%	\$14,705,000	\$54,872,000	+270.0%	\$17,289,000	\$17,289,000	\$17,289,000	+0.0%	
EPS	\$0.47	\$1.02	\$0.65	+37.7%	\$0.91	\$1.94	+113.2%	\$1.01	\$1.01	\$1.01	+0.0%	
Netcall plc				Rtlplc				Trace Group plc				
REV	Final - Jun 05	Final - Jun 06	Comparison	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison	Final - Mar 05	Final - Mar 06	Final - Mar 06	Comparison	
PBT	\$2,822,096	\$3,131,500	+11.3%	\$1,032,210	\$2,707,000	\$1,957,000	+85.0%	\$1,223,406	\$1,223,406	\$1,223,406	+0.0%	
EPS	\$0.20	\$0.23	+15.0%	\$0.74	\$0.80	\$0.74	+0.8%	\$0.90	\$0.90	\$0.90	+0.0%	
Netstore plc				royalblue group plc				Triad Group plc				
REV	Final - Jun 05	Final - Jun 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Mar 04	Final - Mar 05	Final - Mar 05	Comparison	
PBT	\$21,397,000	\$36,043,000	+68.4%	\$34,082,000	\$74,234,000	\$44,397,000	+30.3%	\$36,534,000	\$48,200,000	\$48,200,000	+25.5%	
EPS	\$0.80	\$1.30	+62.5%	\$1.30	\$2.80	\$1.60	+23.1%	\$1.40	\$1.80	\$1.80	+28.6%	
Nexus Management plc				Sage Group plc				Ubiquity Software Corporation plc				
REV	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison	Interim - Mar 05	Final - Sep 05	Interim - Mar 06	Comparison	Final - Dec 04	Final - Dec 05	Final - Dec 05	Comparison
PBT	\$12,131,034	\$2,469,962	\$1,233,412	-0.2%	\$372,900,000	\$776,621,000	\$455,900,000	+22.3%	\$7,514,776	\$7,514,776	\$7,514,776	+0.0%
EPS	\$0.00	\$0.00	\$0.00	-0.0%	\$9.00	\$19.00	\$11.00	+22.2%	\$0.29	\$0.29	\$0.29	+0.0%
Northgate Information Solutions plc				Sanderion Group plc				Ultima Networks plc				
REV	Final - Apr 05	Final - Apr 06	Comparison	Final - Sep 04	Final - Sep 05	Comparison	Final - Dec 04	Final - Dec 05	Final - Dec 05	Comparison		
PBT	\$205,632,000	\$332,738,000	+61.8%	\$11,880,000	\$15,480,000	+30.3%	\$1,659,000	\$1,659,000	\$1,659,000	+0.0%		
EPS	\$0.70	\$1.10	+57.1%	\$0.40	\$0.50	+25.0%	\$0.50	\$0.50	\$0.50	+0.0%		
NSB Retail Systems plc				SDL plc				Ultrasis plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Jul 04	Final - Jul 05	Final - Jul 05	Comparison
PBT	\$22,229,411	\$49,297,000	\$23,347,282	+5.0%	\$34,080,000	\$78,479,000	\$45,656,000	+33.7%	\$1,535,000	\$1,535,000	\$1,535,000	+0.0%
EPS	\$0.80	\$1.94	\$1.36	+70.0%	\$1.36	\$2.50	\$1.60	+18.4%	\$0.60	\$0.60	\$0.60	+0.0%
OneClickHR plc				ServicePower Technologies plc				Universe Group plc				
REV	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison	Final - Dec 04	Final - Dec 05	Comparison	Final - Dec 04	Final - Dec 05	Final - Dec 05	Comparison	
PBT	\$2,231,231	\$4,784,973	\$2,785,928	+21.6%	\$4,114,000	\$9,937,000	+142.0%	\$4,992,000	\$4,992,000	\$4,992,000	+0.0%	
EPS	\$0.69	\$1.40	\$0.81	+17.5%	\$1.27	\$2.96	+133.1%	\$1.49	\$1.49	\$1.49	+0.0%	
OPD Group plc				Sirius Financial Solutions plc				Vega Group plc				
REV	Final - Dec 04	Final - Dec 05	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Apr 05	Final - Apr 06	Final - Apr 06	Comparison	
PBT	\$43,714,000	\$56,021,000	+28.1%	\$10,506,000	\$21,700,959	\$11,468,000	+9.3%	\$52,002,000	\$52,002,000	\$52,002,000	+0.0%	
EPS	\$2.20	\$2.90	+31.8%	\$0.50	\$1.00	\$0.50	+0.0%	\$2.60	\$2.60	\$2.60	+0.0%	
Parity Group plc				Sirvis II plc				VI Group plc				
REV	Final - Dec 04	Final - Dec 05	Comparison	Final - Mar 05	Final - Mar 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison		
PBT	\$19,860,000	\$18,523,000	-6.7%	\$9,083,779	\$9,990,000	\$9,990,000	+0.0%	\$5,006,000	\$10,192,000	\$5,309,000	+6.0%	
EPS	\$0.90	\$0.85	-5.6%	\$0.45	\$0.45	\$0.45	+0.0%	\$0.25	\$0.40	\$0.25	+0.0%	
Patsystems plc				smartFOCUS Group plc				Xansa plc				
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Apr 05	Final - Apr 06	Comparison	
PBT	\$7,700,000	\$15,457,000	\$7,125,000	-7.6%	\$2,183,779	\$6,041,106	\$3,789,339	+73.5%	\$376,400,000	\$376,400,000	\$376,400,000	+0.0%
EPS	\$0.20	\$0.40	\$0.18	-11.1%	\$0.07	\$0.24	\$0.15	+21.4%	\$9.00	\$9.00	\$9.00	+0.0%
Phoenix IT Group plc				Sophon plc				XKO Group plc				
REV	Final - Mar 05	Final - Mar 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison	
PBT	\$98,331,000	\$109,919,000	+12.3%	\$1,909,000	\$4,664,000	\$2,954,000	+54.7%	\$2,158,000	\$44,883,000	\$11,624,000	+46.1%	
EPS	\$1.04	\$1.17	+12.5%	\$0.20	\$0.50	\$0.30	+50.0%	\$0.23	\$0.48	\$0.10	+33.3%	
Spring Group plc				Xpertise Group plc								
REV	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	Final - Dec 05	Interim - Jun 06	Comparison	Interim - Jun 05	Final - Dec 05	Interim - Jun 06	Comparison	
PBT	\$218,594,000	\$454,725,000	\$207,894,000	-4.9%	\$4,627,000	\$7,495,000	\$2,017,000	+4.9%	\$7,658,000	\$15,274,000	\$17,845,000	+24.0%
EPS	\$2.18	\$4.55	\$2.08	-9.6%	\$0.46	\$0.75	\$0.20	+4.3%	\$0.76	\$1.53	\$1.78	+24.0%

THREE IS THE MAGIC NUMBER

Average share price growth in September was even at around 3% across all of the technology indices that we track. Not only this, but share price growth across our staffing, services, and software sub-segments, all came within 0.3% of the magic "3". The resellers were the only segment to buck this trend, posting average growth of 23%, due solely to the 117% leap in share price experienced by the small cap reseller Ultima Networks, which reported a welcome return to profits. Excluding Ultima, average share prices within the reseller segment would have fallen by 1%.

It seems apt, given the recurrence of the number "3", to detail three of the big company stories that we've seen this month.

First comes Misys, which having spent most of the summer courting buyers, saw the process fall apart at the end of September as bidders stepped away from the table. Misys terminated the offer process on the last day of trading in September, and the following Monday (2 October) Kevin Lomax resigned as CEO and as a director. Shares in the company fell 8% to £2.27 over September, but have fallen by more than 15% during trading on 2 October.

Secondly we have Retail Decisions, the acquisitive card payments and fraud protection technology company that has also spent most of this year up for offer. ReD's story is the complete opposite of Misys'. Having de-risked its poorly performing legacy business through acquisitions in new high growth areas, ReD not only boosted financial performance (shares were up 19% in September on the back of strong interim results) but has now attracted the interest of private equity firm Palamon, which on 2 October announced it will pay £168m for the business ñ a 7.7% premium on its closing capitalisation at the end of September.

Our final example is Torex Retail, which shares similarities with both the companies above. Like ReD, Torex Retail has focused the last 12 months on an aggressive acquisition strategy aimed at broadening and deepening its business in the retail sector. However, like Misys the board has decided it is time for a change at the top. On the 20 September long-serving CEO Chris Moore handed over the reins to Neil Mitchell, a specialist in post-M&A business transformation. Mitchell's background makes him a logical choice as Torex Retail needs a leader that can drive through the integration of its multiple acquisitions and create a platform for sustained, efficient organic growth.

(Samad Masood)

29-Sep-06		S/ITS Index					5169.88
		FTSE IT (SCS) Index					528.69
		techMARK 100					1418.14
		FTSE 100					5960.80
		FTSE AIM					1016.40
		FTSE SmallCap					3541.90
<small>SCS Index = 100 on 15th April 1999</small>							
Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap	
Month (01/09/06 to 29/09/06)	+3.66%	+0.93%	+2.80%	+3.23%	-2.87%	+2.74%	
From 15th Apr 89	+416.99%	+190.26%					
From 1st Jan 90	+461.88%	+152.36%					
From 1st Jan 91	+630.34%	+175.91%					
From 1st Jan 92	+394.79%	+139.09%					
From 1st Jan 93	+224.42%	+109.41%					+155.30%
From 1st Jan 94	+209.65%	+74.37%					+89.54%
From 1st Jan 95	+244.85%	+94.45%					+102.81%
From 1st Jan 96	+128.91%	+61.57%	+79.68%		+6.61%		+82.43%
From 1st Jan 97	+93.09%	+44.73%	+55.04%		+4.13%		+62.24%
From 1st Jan 98	+70.34%	+16.07%	+48.65%	-47.13%	+2.46%		+53.11%
From 1st Jan 99	+31.17%	+1.33%	-2.60%	-63.44%	+26.80%		+71.03%
From 1st Jan 00	-54.93%	-13.99%	-62.48%	-85.78%	-47.41%		+14.34%
From 1st Jan 01	-38.25%	-4.21%	-44.72%	-72.87%	-29.31%		+11.27%
From 1st Jan 02	+7.75%	+14.25%	-3.70%	-37.38%	+13.21%		+37.33%
From 1st Jan 03	+90.57%	+51.27%	+118.59%	+55.40%	+68.59%		+94.55%
From 1st Jan 04	+10.55%	+33.15%	+39.72%	+4.98%	+21.67%		+43.10%
From 1st Jan 05	+4.96%	+23.81%	+18.53%	+8.84%	+1.05%		+28.41%
From 1st Jan 06	+1.80%	+6.09%	-0.95%	-7.02%	-2.84%		+7.15%

End September 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 September 06
IT Services (CS)	22.2%	-52.4%	-36.0%	15.4%	129.9%	19.9%	9.2%	3.8%	3.2%
IT Staff Agencies	-68.4%	-72.5%	-56.2%	-20.9%	19.0%	-22.0%	-1.3%	20.0%	3.0%
Resellers	110.6%	1.5%	34.2%	49.4%	102.0%	5.4%	16.1%	11.6%	22.8%
Software Products	72.3%	-58.6%	-69.9%	-3.0%	60.6%	-1.0%	1.7%	-2.6%	2.7%
Holway S/ITS Index	31.2%	-54.9%	-38.3%	7.7%	90.6%	10.5%	5.0%	1.8%	3.7%

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