

SYSTEMHOUSE

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

EUROPE – a common market?

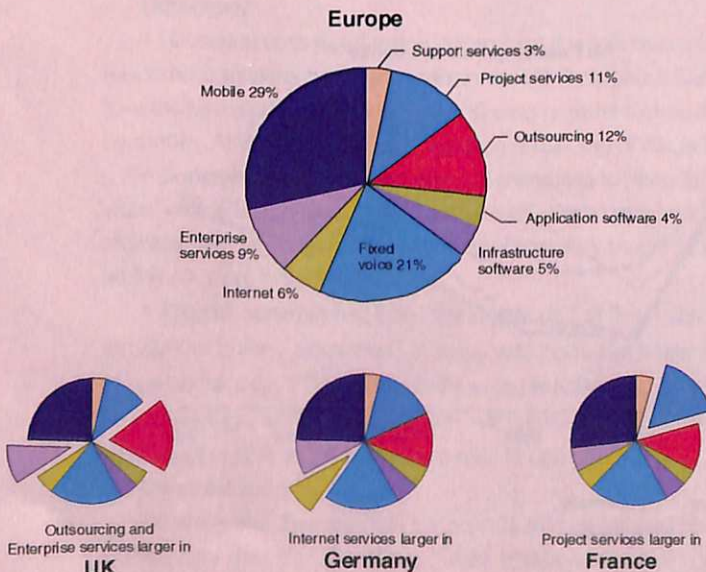
Europe is far from being 'one market'. IT services in France are different to the UK. Software that works for Germany might not work in the rest of Europe. Many multinational companies start by believing they don't need Country Managers in Europe. They quickly change that view once they realise that every sector seems to differ in every country. Understanding those local differences can mean the difference between success and failure. Understanding those differences is what Ovum's EuroView is all about.

European history and culture

Let's look at just a few of the key differences between the ICT markets in the main European markets:

- Europe has only ever produced one world beating application software product provider – SAP. Why? To create a world beater you must have a strong home market for that product – that's the reason why the US wins hands down every time for infrastructure software products. But Germany has had the strongest manufacturing sector in Europe for many decades. That created the right environment for SAP, and the thousands of SAP-related support companies, to thrive.
- Conversely, France has always had a strong bespoke development market – armies of young IT consultants sold on 'Time & Materials' rates. That's why it has proportionately the smallest software products market in Europe. But, out of that, France has created several world-sized 'project services' companies – like CGE&Y.

The Contrasting ICT Markets of Europe in 2004



Source: Ovum EuroView

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Ovum launches EuroView

In our conversations with our customers over many years, one request has cropped up time-and-time again. "When are you going to provide coverage outside the UK?"

This month we are delighted to announce the launch of **EuroView** – one of the biggest new initiatives for Ovum in a long while. EuroView takes many of the elements from the Ovum Holway service and applies them both across Europe and across other ICT sectors.

Just as Ovum Holway draws on a team of acknowledged experts on the IT services sector, so EuroView extends this drawing on the very top Ovum experts in Software, Telecommunications, Wireless and in our practice areas like Outsourcing, Public Sector etc. We have opened offices in France and Germany, staffed with local experts, to provide the local colour so essential in understanding Europe.

EuroView Daily provides a very similar service to Ovum Holway's Hotnews – but now providing that top notch opinion on European news and events as they happen. **EuroView Opinion** is similar to the opinion pieces you read on the front pages of **SYSTEMHOUSE**. Again, written by some of Ovum's most senior analysts.

To put our views and opinion into context, we have put significant investment into providing market sizing and forecasts for the countries and sectors covered. **EuroView Market Trends** is updated and presented quarterly. We also provide an annual **EuroView Corporate Analysis** of the financial performance, rankings and M&A activities of the leading European players. On top of that we have included Ovum's **EuroView CIO Survey** to tell you what the buyers are thinking too. Perhaps the most important part of the service is the **EuroView Sounding Board** which provides senior subscribers with direct access to Ovum's top analysts.

All Ovum Holway analysts, like Richard Holway and Anthony Miller, are playing a major role in the EuroView service.

The service really is unique. Just like Ovum Holway, it's designed especially for top executives. **The very top Ovum analysts in a direct relationship with the top executives in the top ICT companies operating in Europe.**

Providing the kind of opinionated comment that we know you value so highly. The service is priced to appeal to both large multi-nationals and smaller concerns.

Contact Priya Scarfiello at psh@ovum.com for more details.

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- The UK was once described as 'a nation of shopkeepers'. It's certainly still a nation of SMEs all doing their own accounting under UK conventions and paying taxes according to UK rules. It's no wonder that the UK has created more financial accounting software providers than any other nation. But, unfortunately, few of these systems could be applied outside the UK. Until, that is, Sage decided that the best approach to European domination was to buy the lead provider in each country!

- In the Thatcher era the UK became a byword for privatisation and the liberalisation of employment laws. This gave the

UK, perhaps, a 10 year lead in IT Outsourcing. The rest of Europe is now having to take the same harsh medicine.

- Where the UK trod first with ITO, it is now trail-blazing with BPO. In the telecoms area, Enterprise services – particularly outsourced managed network services – is more developed in the UK than elsewhere. Whereas the UK puts out the welcome mat for IT off-shoring, France puts up the defence barriers. But if history is any guide, where the UK leads, the rest of Europe ultimately, if somewhat reluctantly, follows.

- Conversely, Germany's highly developed Internet Services market is much to do with the aggressive stance of Deutsche Telekom on DSL. In the UK much of the current growth in IT Services is as a result of hugely increased central government spend on new IT projects.

- The UK was the first to liberalise and privatise its telecoms markets. This has led to a much more competitive landscape in the fixed telecoms market than in most of the rest of Europe.

- Fixed telecoms is still dominated by national, ex-monopoly incumbents – although we predict increasing competition in the form of new service operators with or without any infrastructure. We also believe that these incumbents will dominate Internet access in future, if not already.

- However, mobile operators are much more varied in their international coverage. Only Vodafone can claim to be a European-wide operator, with a substantial presence in most European countries. T-Mobile (Germany) and Orange (France/UK) offer partial coverage of Europe. While TIM (Italy) and Telefonica (Spain) are dominant in their home countries, but are both very active in Latin America. We could go on...understanding these little local differences, and then exploiting them, is what success in ICT is all about today.

Markets

The good news is that, in all European countries, ICT in 2004 will be better than in 2003. We have turned the corner. However, the bad news is that **the days of double-digit growth** are over – at least in our forecast horizon to 2006 and probably for ever. The European ICT market will have top line growth of around 4% pa in the years 2004 to 2006. Minus inflation, that growth roughly equates to GDP growth.

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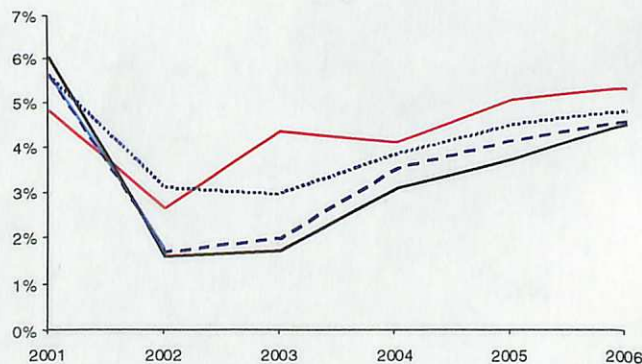
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INDICES (changes in Feb 04)

Holway S/ITS	4%	5588
Holway Internet	8.2%	5500
FTSE IT (SCS)	0.76%	548
techMARK 100	8.7%	1187
Nasdaq Comp	-1.75%	2029

ICT market growth by country



— France - - - Germany
— UK ····· Europe

Source: Ovum EuroView

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The Telecoms services and IT services market will both retain their share of GDP going forward but Software, with a 2–3% per annum growth, will show a marginal decline. (Note: this may come as a surprise to observers of the current results from US software and IT services companies. Readers should take care to strip out currency fluctuations. A US company needs to report \$ revenues from its European operations some 18% higher in Q1 2004 than in Q1 2003, just to have stood still in constant currency terms!) But that's to cover up some major growth opportunities – and some major declines!

- The **Internet services** market, albeit still relatively small, is the highest growth area in Europe and the only one forecast with consistent double-digit growth to 2006. The wide scale rollout of DSL/Broadband is the main driver here as more and more services – even voice – are delivered over the internet.

- **Mobile** has been the lifebuoy not just of the Telecomms sector, but of the whole ICT sector. Without its above average growth the whole ICT sector in Europe would have suffered at least two years of recession. Growth of 6–7% is forecast going forward, which we believe will be entirely due to growth of new data services

- Similarly, **Outsourcing** has been the lifebuoy in the IT Services sector. ITO is now 'mature' in the UK, but is the major growth opportunity in France and, in particular, Germany. In Germany, many users had setup 'standalone' IT services operations. Indeed, the Top Ten German IT Services rankings are studded with names like T-Systems, SBS, BASF IT, Deutsche Borse Systems, Lufthansa IT, is:energy (EON subsidiary) and Gedas. With pressure both to cut costs and realise assets, many of these, in our view, are likely to be sold. Indeed, Triaton was sold by ThyssenKruppto HP only this month. **Enterprise Services** (which includes outsourced network management) is another example of an above average growth area created by the move to outsourcing.

Conversely:

- Revenues from **fixed voice**, for so long the mainstay of the national telecommunications companies, are in decline throughout Europe. Voice minutes have flattened off, due to continuing gradual substitution of fixed calls by mobile. At the same time, competition is bringing down tariffs.

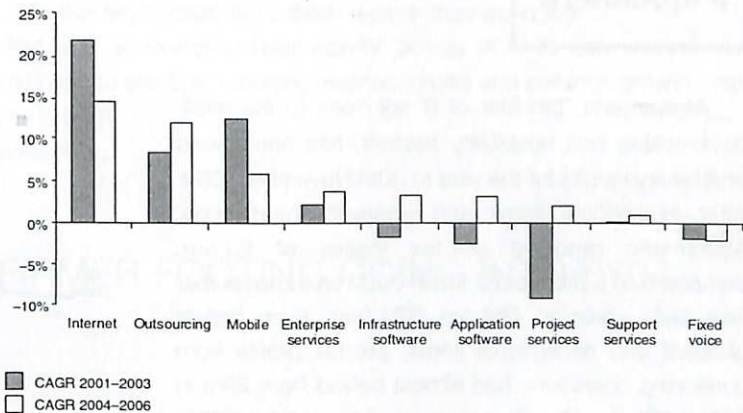
- **Support services** is also only just managing to keep its head above water with a 1% pa growth forecast to 2006. Price competition can only increase here as Dell moves to bring its commodity model to this market and as the off shore providers move in.

- **Project services** has been the largest part of the IT Services market throughout Europe since the IT industry was born. But it has suffered the worst of any sector post Y2K. Although the worst is now over, growth of 2–3% is 'below average' and margin pressure will continue. After all there will be no skill shortage this time as off shore resources fill demand.

Consolidation

If there is one theme which transcends all markets and all countries in Europe right now it's CONSOLIDATION. Mature/low growth markets always consolidate. It is eventually the only way to boost market share AND provide

European CAGR 2001–2003 & 2004–2006 by sector



Source: Ovum EuroView

economies of scale so that earnings can grow too.

Throughout Europe, and the world, this is already happening in:

- Mobile, where already many 2nd providers are owned by Vodafone, and the 3rd or lower ranked mobile provider in each territory is considered prey by the big boys

- Fixed telecoms, where small alternative networks are vulnerable

- Software, where portfolio management will favour the strongest

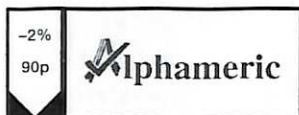
- IT Services, where you have to be big and financially secure even to afford to bid for many of the all-important outsourcing contracts currently on offer.

Conclusion

No longer can companies expect the whole European ICT market to move forward in unison. However, the ICT opportunities currently on offer in Europe are enormous as there are major structural changes occurring. But the risks of being exposed to declining markets are equally huge.

EuroView is designed to ensure that Ovum's clients take the right opportunities and succeed.

(Richard Holway/Julian Hewett)



RETAIL DISAPPOINTS AT ALPHAMERIC

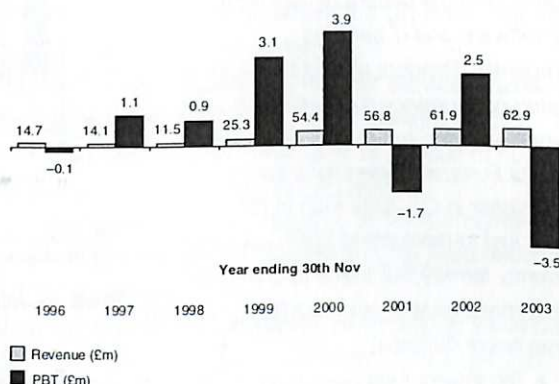
Alphameric, provider of IT solutions to the retail, bookmaking and hospitality sectors, has announced preliminary results for the year to 30th November 2003. After exceptional items and goodwill amortisation, Alphameric reported pre-tax losses of £3.5m, compared to a profit of £2.5m in 2002 on turnover that was fairly static at £62.9m (£61.9m). Even before goodwill and exceptional items, pre-tax profits from continuing operations had almost halved from £9m in 2002 to £4.6m. Despite a loss per share of 3.5p (2002: 0.0p), the Board is recommending an 8% increase in dividends to 2.6p for the full year reflecting the fact that the company has £10m of cash in the bank.

Commenting on the outlook, Rodney Hornstein, Chairman, said: *"Within the Leisure division, we continue to focus on increasing the level of recurring revenues. Provided the positive signs from the marketplace turn into buying activity, we anticipate that the Retail division will continue its return to improved and more normal trading activity in the current year."*

Comment: On the face of it, this is a disappointing set of results from Alphameric but the top line numbers disguise a mixed performance by its various divisions.

Within the Leisure division, which includes retail betting and hospitality, it was the hospitality business that stole the show with a 58% increase in turnover to £8.7m and an 83% increase in operating profits to £703K. At the retail betting business, sales dropped c8% to £26.4m while operating profits before goodwill and exceptionals fell to £2.9m from £5.0m in 2002. We're not bothered about the drop in profits here though, since they largely reflect a change in Alphameric's business model. Instead of selling its Fixed Odds Betting Terminals Alphameric has moved to renting them to bookmakers, sensibly sacrificing short-term profits for increased profitability and a recurring revenue stream in the longer term.

Alphameric plc
8 year Revenue and PBT Record from 1996



But what happened at the Retail division? Despite higher sales (£26.4m versus £25.4m in 2002) operating profits before 'the nasty bits' were down to just £1.2m from £4.2m the year before. Alphameric blames the drop in margins on a reduction in higher margin software sales as weak consumer confidence lead some retailers to defer their investment decisions. It's good to see the second half showed some improvement in order intake, but Alphameric will have to work hard to increase margins in this fiercely competitive market. *(Tola Sargeant)*



EPIC FALTERS IN H1

Epic, provider of online learning, has announced interim results for the six months to 30th Nov. 03. Turnover has fallen 19% to £3.7m, PBT has fallen 18% to £0.8m and fully diluted EPS, previously 3.6p, is now 2.2p.

Commenting on the outlook, Michael Inwards, Chairman, said, *"Current sales activity levels are encouraging, particularly in the education, health, defence and finance markets. In Oct. 03 we referred to the poor order intake at that time which would impact on our performance in the second half of this financial year and this remains the case. However, the current conditions do give indications of an improved outlook for the next financial year."*

To underline its positive outlook, Epic has doubled the dividend to 0.8p – reflecting the board's confidence in the medium and long-term prospects

for the group.

Comment: Despite the drop in turnover, Epic remains a strongly profitable and cash generative company (another reason for upping the dividend). And by keeping a close eye on costs, the company also managed to maintain pre-tax margins at c22%.

The public sector continues to be a rich source of opportunities

[continued from page four]

for Epic, which counts the education, health and defence sectors amongst its clients. Within central government, Epic works with the DWP and the Inland Revenue, and has recently been selected as an approved supplier

to The Environment Agency and the Office of the Deputy Prime Minister. This bodes well. However, Epic's revenues from financial services clients (Epic's other key vertical) have 'been weaker than expected'.

But with 'encouraging sales activity' across all of its core markets, we would hope to see Epic reporting revenue, profits and earnings growth, once again, in FY05.

(Heather Brice)



QA – ON A FIRMER FOOTING GOING INTO FY04

QA, provider of training and consultancy, has announced its results for the year to 30th Nov. 03. The headlines are:

- Turnover down 11% to £29.2m
- Operating loss reduced from £5.2m to £0.7m and loss before tax reduced from £63m to £3.3m (in 2002 the company had to write down £5.5m of investments and £52m of goodwill)
- Fully diluted loss per share has reduced from 67.7p to 4.4p
- Fundraising via a rights issue is expected to raise £5.9m net of expenses.

Keith Burgess, Executive Chairman, said: "Trading conditions have remained challenging in the fourth quarter of 2003. However, the fundraising through the successful Rights Issue and Issue for Cash, combined with the recent client wins and the continuing restructuring of the market, have given the Directors increased confidence that performance in 2004 will improve over 2003 levels."

Comment: We met with QA's management team to get behind the headline numbers. At the operating level, QA made a small profit in H2, but this was overshadowed by £0.6m operating loss in H1. In addition, £0.3m of goodwill amortisation, and £2.4m net exceptionals kept QA in the red. Keith Burgess remarked that they still have some restructuring to do (largely relating to the group's property portfolio), and this continues to receive management attention. However, QA does not expect to incur any further exceptional charges relating to property, having made provisions in the group accounts for the likely future exposure.

As for revenues, QA's 11% top line decline masks the fact that whilst its classroom training business fell by 9% in FY03, training-related consulting held steady. Technical consulting, however, suffered a c23% decline year on year. Overall, QA's training operations have pretty much performed in line with the IT training market, which we estimate contracted by c7% in 2003.

Arguably more important than the numbers themselves, is the fact that QA's business mix is now much broader, with a bigger contribution from public sector clients (such as the Scottish Parliament, MoD, and NHS), and a base of twelve outsourced training contracts. We have commented before that such deals do not guarantee a definite revenue stream, but they do ensure access to the customers' entire IT training budget. We are told that all of these twelve deals are delivering 'long-term profitable revenues', and outsourced training now represent c20% of the group's run rate.

Looking ahead, QA goes into 2004 in pretty good shape. Just ahead of the results, shareholders approved the fund raising announced in Jan. (to

raise £5.9m net of expenses). This will enable QA to finalise a long-running dispute with the vendors of GAIS (acquired in 1999) relating to deferred consideration. Crucially, the fund raising also strengthens QA's balance sheet.

QA plc FYE: 30th Nov	Turnover £m		
	2003	2002	Change
Training	23.2	25.5	-9.2%
Consulting	6.0	7.3	-18.1%
TOTAL	29.2	32.8	-11.2%

There are now far fewer players left in the IT training sector, and of those even the leading players such as QA, Parity and Learning Tree, can only claim single digit market share. With most of its 'legacy' issues behind it, QA can now set its sights on being a consolidator (perhaps through a combination of organic growth and acquisitions). The fixed costs associated with running a training business mean that every additional seat in the classroom that is occupied has a direct impact on the bottom line – so, if QA can drive the volume through its outsourcing deals, 2004 should see it back in the black. And after four consecutive years of losses that would give investors something to cheer about. (Heather Brice)



GETRONICS ESCAPES ITS 'DARK CLOUD'

Dutch IT-services firm **Getronics**, has confirmed its FY03 results for the twelve months to 31st December 2003.

The headlines were previewed a few weeks back, but for the record:

- Total revenues declined 26% to euro2,671m, and ongoing revenue declined 16% to euro2,626m
- At the pre tax level Getronics remained loss making, euro120m compared to euro390m in FY02
- However the net result was positive – euro246m compared to a net loss of euro409m – as FY03 was boosted by an euro83m exceptional gain and euro270m from divested operations
- Ongoing services revenues declined 9.5% (4% at constant rates) to euro1,909m, and product revenues dropped 29% (26%) to euro717m
- Within EMEA, ongoing revenues declined 17% (16% at constant exchange rates) to euro1,877m.

Commenting on the outlook Klaas Wagenaar, CEO and Chairman, said *"Margin improvement and continuing reduction in working capital has resulted in no meaningful net debt at the end of 2003....Management believes there is potential for a further improvement in the quality of revenue during 2004, as it continues to focus on improvements in operational performance."*

Comment: Getronics' EMEA operations (which contributes c70% of total revenues), experienced an 8% decline in services revenues, to euro1,305m, and a 32% fall in product revenues, to euro572m. At constant rates, EMEA's performance was actually poorer than Getronics' other geographies – services down 7% and products down 31%, compared to a robust performance in the US (services up 4%, products down 7%), and solid set of numbers from Rest of the World (down 1%, and up 2% respectively).

The product decline in EMEA does not surprise us, as Getronics continues to de-emphasise non-strategic product revenue (i.e. revenue not tied to the provision of solutions and services). However, the dip in services revenues must be a little disappointing (in particular the 3% dip in Managed Services revenues), as services are Getronics' focus going forward, and EMEA is clearly their largest territory. Margins in EMEA also lag behind those from the US and RoW. However, we are told that 'significant' improvements were made in the Netherlands, Italy and Switzerland. (We suspect that the UK was in a better position than most of Getronics' other European operations, as it has traditionally generated a higher proportion of revenue from services).

However the outlook is far from gloomy. With no debt, and a clear strategy going forward, Getronics has, at last, escaped the 'dark cloud'

Getronics FYE: 31st December	Ongoing turnover EURm			
	2003	2002	Change	Change at constant rates
<i>EMEA total</i>	1877.0	2264.0	-17%	-16%
Services	1305.0	1418.0	-8%	-7%
Products	572.0	846.0	-32%	-31%
<i>North America total</i>	454.0	522.0	-13%	3%
Services	413.0	471.0	-12%	4%
Products	41.0	51.0	-20%	-7%
<i>Rest of World total</i>	295.0	338.0	-13%	0%
Services	191.0	220.0	-13%	-1%
Products	104.0	118.0	-12%	2%
TOTAL	2626.0	3124.0	-16%	-11%

Getronics FYE: 31st December	Ongoing turnover EURm			
	2003	2002	Change	Change at constant rates
Managed Services	1225.0	1366.0	-10%	-3%
Infrastructure Integration	281.0	269.0	4%	6%
Business Solutions	403.0	474.0	-15%	-12%
Products	717.0	1015.0	-29%	-26%
TOTAL	2626.0	3124.0	-16%	-11%

that hung over it throughout much of 2003. Getronics' focus on Managed Services and re-useable business solutions will help to boost margins, and the recent fund raising has removed any concerns customers may have had about the company's financial stability. Indeed, with its house in order Getronics is starting to attract attention as a potential acquisition target.

Incidentally, Getronics comments that the Managed Services market continues to be characterised by 'fierce competition and ongoing price pressure'. In order to safeguard margins, they are evaluating the use of offshore service centres in Mexico and Eastern Europe, as they migrate the delivery model from onsite to remote delivery. With competition getting fiercer, the time to act is now gentlemen! (Heather Brice)



ITNET'S FOCUSED INVESTMENT PAYS OFF IN 2003

IT outsourcing and BPO player, ITNET has announced its results for the year to 31st December 2003 showing an increase in turnover of 5% to £188.5m (including a non-recurring receipt of £1.9m in connection with revised contractual agreements with the London Borough of Islington). Commercial vs. public sector performance was as follows:

- Public sector revenues up 7% to £107.3m (57% of total)
- Commercial revenues up 3% to £81.2m (43% of total).

Operating profit grew to £17.2m from £13.5m (largely due to a significant goodwill impairment charge in 2002). Nonetheless, before goodwill amortisation, impairment and exceptional items, operating profit still increased by a commendable 14% to £18.6m.

Pre-tax profits were £17.9m – up from £7.3m – and diluted EPS was 17.04p compared with 3.01p last year. The Board has recommended a 10% increase in dividend to 4.26p.

Bridget Blow, Chief Executive said: "Our strategy of investing in areas of the business, which we believed would show growth, has paid off... We expect to strengthen further our market position in Local Government, increase our market share in Central Government, and further develop our sector strengths in Transport and Services, working from the strong base provided by our forward order book."

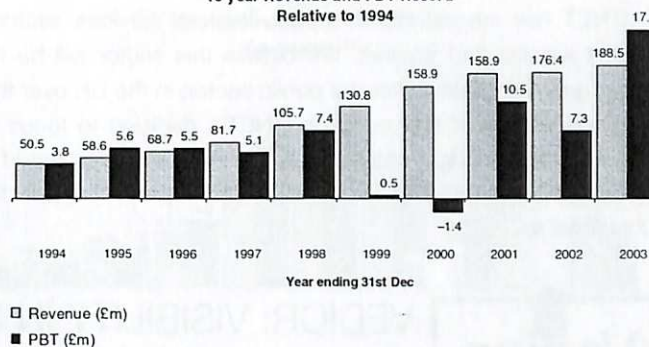
Comment: ITNET has found a home for itself in some great markets and its focused investment is indeed paying off. With a commendable balance between the public sector (57%) and commercial markets (43%) it's worth taking a closer look at the performance of both sides of the business.

Public sector

Clearly the 'jewel in the crown' is ITNET's local government business. Revenues were up 8% to £91.7m, slightly outperforming the market. The company's framework for e-government (OneGov), considered an 'industry standard' by many, is serving it well. Its SAP implementation and hosting service are also proving popular with local authorities. Both offerings are high margin.

In central government, the £83m Cabinet Office contract is the company's first major contract (it was previously a market served predominantly by its management consultancy French Thornton). As yet there are no material revenues from the contract hence the 13% fall in revenues from this sub-sector. The future for ITNET in central government will depend heavily on the outcome of this datacentre-hosting contract.

ITNET Plc
10 year Revenue and PBT Record
Relative to 1994



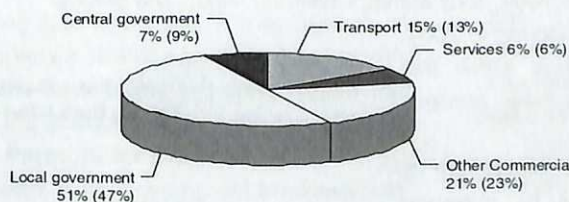
Such projects require heavy capital investment so we suspect a great deal of effort is going into making a success of it.

Elsewhere in the public sector, the French Thornton management consultancy, has picked up some business with NHS IT Procurement and NHS Purchasing and Supply Agency (PaSA) but ITNET has not benefited directly from any of the recently awarded regional LSP contracts. Speaking to Chairman, Lord Crickhowell, ITNET is keen to benefit from Richard Granger's spending spree (Ed – isn't everyone?), and believes (as we do) that there will be opportunities to support the likes of BT and other LSP winners. With no previous health sector experience, ITNET is likely to find this tough.

Commercial

In the commercial sector, the transport and services (mainly utilities) sectors continue to be the shining stars – transport revenues were up 22% and represented 16% of total turnover, while services revenues were up 14% and represented

ITNET - 2003 (2002) Business Mix by Industry Sector
Total = £188.5m (£179m)



[continued from page seven]

about 7% of total turnover.

Interestingly, ITNET has de-emphasised the financial services sector – choosing to include the turnover from the vertical into a 'general' pot. This 'general' commercial category represents some 21% or £40m of ITNET's turnover – clearly too big a chunk for us to ignore. Revenues from these 'other' commercial sectors fell 9% year on year.

ITNET has several clients in the financial services sector, including Credit Lyonnais and Equitas. We believe this sector will be the second fastest growing sector (after the public sector) in the UK over the next few years, so we did at first question ITNET's decision to focus elsewhere. However, the financial services sector is also a crowded market – companies such as IBM, EDS and Unisys (to name just three) have substantial expertise.

We therefore support ITNET's decision to concentrate instead on the transport and services sectors where it has some strong reference sites. Fortunately the company also has some strong cross-industry solutions such as SAP implementation/hosting and infrastructure/desktop services, which will continue to provide revenue opportunities across the whole of the commercial sector.

(Georgina O'Toole)

Vedior VEDIOR: VISIBILITY IN STAFFING INDUSTRY REMAINS LIMITED

Vedior, the Dutch mega-staffing company and parent company of UK ITSAs Abraxas and MVM Recruitment, revealed results for the year to 31st December 2003. The highlights for the Group include:

- Turnover fell 3% in 2003 to euro5.97bn (2002: euro6.15bn)
- Operating income before goodwill amortisation was down 2% to euro174m (excluding the effect of currency fluctuations and acquisitions as well operating income was up by 3%)
- Pre-tax losses lessened slightly to euro145m (2002: euro148m) and loss per share eased to euro1.20 (2002: euro1.26).

Globally Vedior's IT staffing businesses reported a 16% drop in revenues compared to 2002 to euro572m (-5% on a constant currency and organic basis) but 32% growth in operating profits (before goodwill amortisation) to euro25m (2002: euro19m).

By geography, the worst performing region was Vedior's home country the Netherlands where total turnover (not just IT) fell by 18% to euro486m and operating income more than halved to euro11m (2002: euro29m). By comparison, the UK businesses saw turnover fall by 6% in 2003 to euro679m (actually 4% growth excluding currency fluctuations and acquisitions) and operating income before goodwill drop 2% to euro47m.

Commenting on the outlook, Tony Martin, Chairman, said: "The gradual pattern of recovery experienced in 2003 differs from historic trends within the staffing industry and visibility remains limited."

Comment: Vedior's results are a mixed bag complicated by currency movements and acquisitions. Overall, the IT staffing businesses have, as we'd expect, suffered in revenue terms as pricing pressure and low levels of demand take their toll, but underlying profitability within the IT businesses is improving.

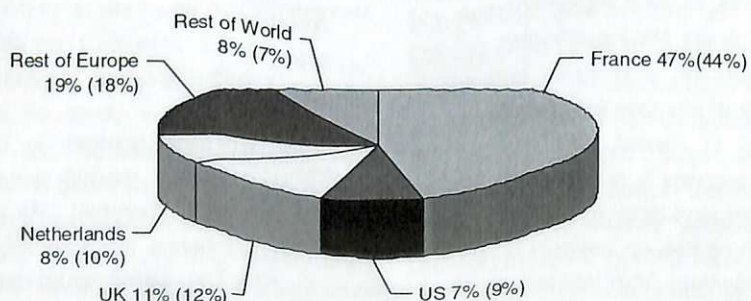
Vedior's Q4 numbers suggest that the trend in the IT staffing market is also

an improving one. Its IT staffing sales in Q4 were flat overall but positive in its largest markets: the US, Japan and UK. In the UK, Vedior reported "positive sales growth (in Q4) in both traditional and IT staffing sectors for the first time in two years."

Nevertheless, we think Vedior's management are right to have a cautious outlook – Martin notes that the latest staffing market data from France indicates a volume decline in January. But with its established geographical footprint (offices in 33 countries), and its spread of disciplines, Vedior is well placed to weather any further storms.

(Tola Sargeant)

Vedior – Business Mix FY03
Total = Eur5.97bn (2002: Eur6.15bn)





DIAGONAL ON SLOW ROAD TO RECOVERY

Farnham-based ITSA and SAP consultancy Diagonal has announced its results for the year to 28th November 2003, a difficult year for the company.

Here are the highlights:

- Total turnover fell by 11% to £56.3m (down 20% on an organic basis) in 2003, from £63.6m the year before.

- Operating losses were £1.1m compared to £2.6m in 2002.

- Profit before tax was £2.4m. Including goodwill amortisation and exceptional costs, losses deepened to £2.8m from £2.3m the year before.

- Loss per share eased to 3.4p, down from a loss of 4.6p in 2002.

Diagonal also announced the acquisition of Egility Solutions Ltd, a consultancy business specialising in the retail sector, for a maximum consideration of £2.5m.

Commenting on the outlook, Mark Samuels, Chairman, said: "Recent evidence points towards some recovery in corporate investment in IT solutions. Many of the projects which were deferred last summer are beginning to come back on track and we expect to see the benefits of these improvements, although not until the second half of the year."

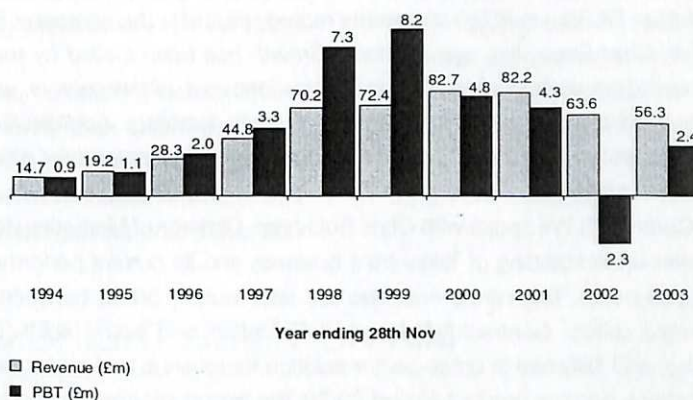
Comment: What a traumatic year 2003 was for Diagonal with both a failed MBO and a profits warning to contend with. It is, however, starting the new financial year with a new management team that is committed to getting the company back on track. Indeed, work began in Q4 with some 'vigorous corrective action', which included a certain amount of cost cutting.

CEO, Colin Burnside describes Diagonal's current status as having 'turned the corner'. Certainly there is evidence that since he took hold of the reins last July, Diagonal is getting itself into order. The acquisition of Egility Solutions is part of the company's strategy to move into growth areas – in this case, retail. Burnside says Egility will complement the work already being done through the acquisition in February 2003 of change management consultancy, **Partners for Change**.

Diagonal's also planning to go after more government business and its alliance with Hedra is a first step towards gaining exposure in this sector. It's early days, though and the company is still trying to identify a niche within which it can grow its relatively small public sector business.

Worthy of note is the company's new office in Kuala Lumpur, which it says is 'the fastest growing region for SAP implementations'. It will serve as a 'lower cost but highly skilled consulting resource' and is what Burnside describes as 'our version of offshore'. And, after turning away

Diagonal
10 year Revenue and PBT Record
Relative to 1994



business last year because it wasn't able to get the rates it wanted, Diagonal's had to accept that it's just going to have to be more 'flexible' on pricing – something the Kuala Lumpur office will certainly contribute to.

Burnside is driving some other general improvements across the company. Following the aborted MBO last year, a new management team was created.

More importantly, the team has a different outlook. It's focussed externally rather than internally with Burnside himself keen to get in front of clients.

But despite these steps forward, it's unlikely that FY04 will be the year Diagonal returns to full health. Indeed, as Burnside puts it, the company is like a 'super tanker turning around': the change of direction will happen, but at a very slow rate.

(Kate Hanaghan)



TALGENTRA IN GOOD SHAPE

Talgentra, the provider of global customer billing and revenue collection solutions, has released results for the year to 30th September 2003, revealing an increase in both revenues and profits. The reported turnover of £14.0m (up 7% from £13.1m in 2002) and operating profit of £4.87m (up 12% from £4.35m in 2002) represents record results for the company. Brian Dewis, Chief Executive, commented, "Growth has been fuelled by market de-regulation, particularly in the communications and utilities sectors, where consumers are now much more likely to change suppliers. Additionally the unprecedented high level of consumer debt is driving demand for revenue collection solutions".

Comment: We spoke with Chris Buckham, Director of Marketing, to get a better understanding of Talgentra's business and its current performance and prospects. Talgentra's revenues are split roughly 50:50 between two software suites: Gentrack (customer information and billing solution for utilities) and Tallyman (a cross-sector solution for revenue and management collection). Another product Airport 20/20, the airport information and billing system, adds about £500K.

The UK accounts for approximately 43% of revenues in 2003 (up from about a third in 2002). The EMEA region (predominantly the UK) was the only region to grow its revenues last year (by more than a 40%). A high proportion of this growth can be explained because the licence fee revenue from global deals (such as those recently announced with Courts and Hutchinson 3G) is accounted for in the UK. However, the performance was also boosted due to the excellent growth of the Tallyman business, which accounts for the lion's share of UK revenues (Gentrack is only marketed in Asia-Pac). Buckham ascribes the growth in Tallyman's revenues to the rising level of consumer debt encouraging businesses to review their revenue collection systems, and as Dewis commented, an increased tendency in the utilities sector to change suppliers.

After a year of growth, revenues from Tallyman are expected to be relatively flat in 2004. Publicly Talgentra is projecting 12-15% growth in revenues and profits for the business as a whole, driven by

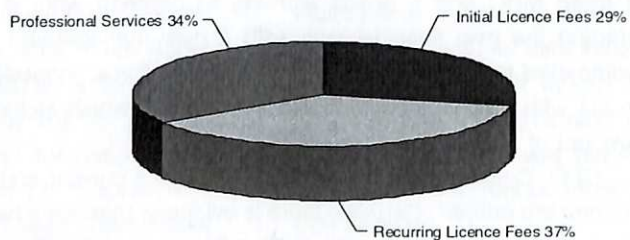
increased demand for Gentrack due to the replacement cycle for billing systems in Asia-Pacific.

Buckham claims these forecasts are cautious and take into account a possible increase in competition in the market for revenue collection solutions.

All in all, the business looks to be in good shape. The revenue profile is typical of other businesses in the Sanderson Group: 27% Initial Licence Fees (ILF), 35% recurring licence fees, and 32% professional services. With a clear niche focus, a high level of recurring revenues, 30%+ operating margins and the backing of its parent company, we see no reason to doubt Talgentra's projections for 2004.

(Georgina O'Toole)

Talgentra: FY03 Revenue Breakdown



WHY PHOENIX IT IS A FLYER

With the scent of an IPO hanging in the air, we were pleased this month to catch up with the team behind **Phoenix IT** to learn more about the company we have come to refer to as 'a nice little earner'. Phoenix, which provides managed services, was formed in 1980 and taken over by its current CEO, Nick Robinson, in 1993. In 1997 it gained financial backing from **Alchemy**, which now owns a 44.5% share in the company.

Phoenix has been consistently profitable with strong organic growth and

pre-tax profits of £5.8m on revenues of £52.7m for the year to 31st March 03. That's a highly commendable margin of 11% and many times what we have come to expect from similar companies.

Earlier this year, Robinson

[continued from page ten]

made clear his intention to float the company. While we consider the rumoured valuation of £200m to be a bit optimistic, there's no denying that CEO Nick Robinson has created a lean business using what we believe to be a unique model – at least in the UK.

It's unique because it does not sell to the end-user – it operates solely through partners. And over the last two years there has been a 'massive shift' in the company's customer base towards SIs and outsourcers (such as Syntegra, which is its biggest customer). The very nature of its business model means Phoenix incurs no bidding costs and can avoid stepping on the toes of would-be competitors by partnering with them. And it's a model that's evidently working very well.

Robinson has chosen Northampton as the company's headquarters, where people and building costs are much lower than elsewhere in the country. Where he hasn't scrimped is on buying in the right management with the right experience: "We have a very settled management team that knows what it's doing. We've always recruited people that have had

experience of much bigger jobs so we don't have to wait for them to learn as they go along."

The primary driver for the floatation, which is unlikely to happen before the second half of the year, is to fund acquisitions and provide liquidity for shareholders. However, as we've been saying for the past few months, any company that plans to float this year must beware that the current 'Window of IPO-tunity' might not stay open for too long. (Kate Hanaghan)



INVU OFF TO BRIGHT START ON AIM

Northamptonshire-based document management software provider INVU is off to a bright start after its launch on AIM on 6th Jan. 04. Since its £3m placing at 8.5p, INVU's shares have risen steadily to around 11p, valuing the company at around £10m.

Comment: INVU is chaired by Daniel Goldman, son of Sage late-founder, David. INVU Inc. was listed on NASDAQ until Dec. 03, having

joined the US market back in 1998. Another player taking advantage of the 'window of IPO-tunity' that we think we will not remain open for too many months. (Anthony Miller)



ACQUISITIONS PUSH MICROGEN DEEPER INTO LOSS IN 2003

Software and IT services mixed business, **Microgen**, reported deeper losses for the full year ending 31 December 2003, as the effect of acquisitions bit hard into profits. While total revenues grew by 4% to £26.4m, organic revenues fell by 8% to £23.2m.

Operating losses widened by 21% to £2.6m, although this masked a return to a small profit (£816K) in continuing operations after the previous year's £2.2m loss. Pre-tax losses deepened by 20% to £2.4m, loss per share improved by 24% to 3.2p. Microgen continues not to pay a dividend.

In its new structure, Managed Services (transaction processing and document management) was the only division to show a revenue increase, up 71% to £7.6m, although £2.2m of this was 'exceptional' one-off fees. Microgen's two acquisitions (MMT and Imago) happened too late in the year to contribute enough to boost revenues in Microgen's Consultancy, Software & Maintenance, and Legacy divisions.

Microgen executive chairman Martyn Ratcliffe still views market conditions as 'unpredictable' and is assuming (we are pleased to note) that 'market conditions will not improve in the near term'. He mooted further acquisitions.

Comment: Microgen's acquisition of up-market IT staff agency, MMT, was a pretty bold move as MMT was larger in turnover, and also loss-

making. But Ratcliffe has used the acquisition, and that of much smaller financial services consultancy Imago, to restructure and broaden the business.

Whether a c£20m company is big enough to support four separate business lines, is, we think, rather open to question. While Microgen appears to have integrated (almost) MMT and Imago, we hope they do not 'do an Anite' and go on a spending spree and end up in all sorts of grief with 'acquisition indigestion'. But Ratcliffe is a smart egg and we doubt he'd fall into that trap. Let's see what 2004 brings.

(Anthony Miller)



NETSTORE MOVES IN OPERATING PROFIT IN Q2

ASP **Netstore**, has announced interim results for the six months to 31st Dec 2003, achieving operating profitability in Q2 for the first time in the company's history. The headline numbers are as follows:

- Turnover up 70% compared to the same period last year, to £10.6m, and up 33% on the previous six months
- For the period as a whole operating losses were £0.4m, compared to £2.2m
- Loss before tax improved from £1.9m to £0.7m
- Fully diluted loss per share was 0.70p, compared to 1.96p.

In a separate statement, Netstore also announced that it will be separating the roles of Chairman and CEO, with Neil Lloyd, the current CFO, taking over the role of CEO at the end of March. Paul Barry-Walsh, currently Chairman and CEO, will remain with Netstore as Executive Chairman. Sugi Sugunasingha will replace Lloyd as CFO, and Robert Hokin has joined as VP of Sales.

Commenting on the outlook, Paul Barry-Walsh said, "*The high level of revenue visibility and the stability of our cost base give a great deal of confidence that short-term*

targets will be met. We have now proved that we have a profitable business model and have strengthened our team to gear up for growth. I am confident about our future prospects".

Comment: Netstore's move into operating profitability in Q2 is a milestone for the company. Barry-Walsh also reported that they were cash generative (operating cash flow was £1.4m during the period), and EMS Global (acquired December 2003), is now trading profitably.

Revenue from managed IT services under long-term contracts continues to account for the major part of Netstore's business, and whilst that proportion dipped just below 50% in H1 (as they completed the implementation phases of two very large contracts with Hackney Council and Housing Corporation) longer term (and for the full year) the contribution from managed service is expected to return to 60%.

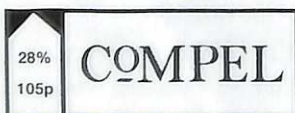
Quite rightly, Netstore is concentrating on its core ASP business, and made a series of disposals in H1. In November, it sold off a small ISP business acquired as part of NetConnect (March 03) and in December it sold its SME On Line Backup business to BT (an arrangement that sees Netstore continuing to manage the infrastructure but BT managing the customer engagement). The reduction in turnover from these disposals is c£0.4m and the effect on OP 'negligible'.

In addition, earlier this month Netstore disposed of RedRock Technologies – its loss-making mobile software subsidiary – to the management. RedRock had consistently under-performed, and no longer fitted with Netstore's strategy of selling hosted services to medium and large organisations.

So, after a few digressions, Netstore is now shaping up. The company is successfully carving out a niche in the hosted services space via a combination of organic growth and bite-size acquisitions, and in addition to selling direct, is developing partnerships with the likes of BT and NTL.

Looking ahead, income from deferred revenue and contracted renewals, plus revenue from other projects signed (but not yet completed), will total c£18m in the full year (comfortably ahead of FY03's total revenues of £12.5m). With the contribution from EMS Global kicking in, in H2, and overheads unlikely to increase materially, Netstore should be on course to deliver its maiden profit.

(Heather Brice)



COMPEL SEES HALF-WAY 'STABILITY'

Compel, a provider of a range of managed computer services has announced its results for the six months to 31st December 2003. Turnover is up 18% to £29.3m. Operating losses have improved from £406K to £208K while LBT have made an improvement to £260K. Last year's loss per share of 2.3p is now a diluted EPS of 0.8p. In December 03 it acquired Syscap Computer Rentals for a net cash consideration of £2.5m.

Neville Davis, Chief Executive, said: "*These are a respectable set of results against the backdrop of a stabilising market...We believe we can continue to grow organically and we are well placed to take advantage of appropriate acquisition opportunities, on a prudent and selective basis, as these arise.*"

Comment: It's good to hear that the 'declines of previous years ...were not repeated' during the period. And, with an on-going focus on cost and cash

control in markets that are 'generally stable', Compel might just see itself edge into profitability in the near future. But until Compel provides figures for the split between its solutions business (Compelsolve) and its rental business (Hamilton Rentals), we can't judge where it is in its journey from reseller to solutions provider.

(Kate Hanaghan)



LONDON BRIDGE ANNOUNCES 2003 RESULTS

London Bridge Software, a provider of software to the financial sector has announced its results for the year to 31st December 2003. Turnover is down 6% to £58.2m (or by just £200K in constant currency terms). Profitability at the operating level remained almost static at £329K (that's excluding a £35.9m goodwill impairment charge and other exceptional items in 2002). It's a similar story at the pre-tax level where the company moved into profits by £528K, compared with losses of £51.4m in 2002. The loss per share of 30.31p last year has now become an EPS of 0.04p.

Commenting on the results, Chairman, Gordon Crawford said: "Looking to 2004, we expect market conditions to show some signs of improvement. London Bridge is well positioned in its core markets and has a strong customer base. We have a strong balance sheet and continue to be highly cash generative."

Comment: Looking at a breakdown of the company's activities, it's the development, installation, training and consultancy business that's taken the biggest knock: sales are down 31% to £11.8m. The company says it's working on more 'value-added' consulting projects, but it's battling against a market that we don't see returning to growth until 2005.

To its credit, London Bridge has maintained its R&D investment at just over the £12m mark. This has enabled it to produce web versions of certain products and it is now supplementing its licence sales with the

London Bridge FYE: 28th November	Turnover £m		
	2003	2002	Change
Licence fees	15.0	15.2	-1.0%
Development, training, consulting	11.8	17.1	-31.0%
Maintenance income	19.3	18.2	6.0%
E-commerce service income	12.1	11.6	4.3%
TOTAL	58.2	62.1	-6.2%

provision of hosted and ASP services.

Recurring revenues from e-services and maintenance are up and now represent 54% of total sales and it's managed to keep costs at bay by reducing headcount during the year. Going into the new financial year the company expects to see some slight improvements. But with its consulting business stuck in the doldrums, 2004 looks set to be another demanding year.

(Kate Hanaghan)

BT IT SERVICES STARTS TO DELIVER TOP
LINE GROWTH

Despite BT's 8% slump in revenues from its 'traditional business' in Q3, it was a pretty good quarter for the IT Services bits **BT Global Solutions** and **BT Syntegra**. Significantly, these were constantly referred to together in the announcement. Contract wins were £1.6b (mainly through the NHS's National Programme for IT (NpflT)) at BT Syntegra and £0.7b at BT Global Solutions (subcontract to BT and Accenture at NpflT and to CGEY at Inland Revenue Aspire). Together they have won £6.3b new orders in the last six months - compared to annual revenues of £3.4b.

In Q3, Solutions reported a 14% increase in revenues to £685m and EDITDA was up 3% at £80m as customers 'continued migration of traditional voice only services to managed ICT contracts'. BT Syntegra saw revenues up 11% at £162m with EBITDA unchanged at £11m.

Overall BT reckons its IT Services revenues rose 18% in the quarter to £0.6b. You might ask "Why the discrepancy?" Remember that much of BT Global Solutions revenues is in the rebilling/pass through of other BT services. The £600m is a bit closer to the definition of S/ITS that we use here at Ovum. Regardless, this is much better than the average market growth and demonstrates what a growing force BT is in that space.

Remember this is before NpflT cuts in.

BT's IT services operations are now above the parapet. We believe they will now get greatly increased attention within BT - mainly because of their potential to deliver top line growth whilst much of the rest of BT declines. We would not be surprised to see M&A - hopefully not too mega.

We would prefer a 'series of modest meals' rather than 'one big blow out'. Regardless, the obvious 'togetherness' of BT Global Solutions and BT Syntegra is music to our ears. Long overdue. (Richard Holway)



MORSE ANNOUNCES INTERIMS AND MORE POSITIVE OUTLOOK

European 'technology integrator' Morse has announced interims for the six months ended 31st December 2003.

- Group turnover was pretty much static at £187.1m (H1 03: £185.8m), but stripping out the contribution from the German business Techsol acquired in December, turnover dipped c2%

- Comparisons with the previous six months are much more favourable, showing revenue up 13% (10% on an organic basis)

- Morse's tough (but commendable) three-year amortisation policy continues to impact profits, and kept them in the red. £10.7m of goodwill amortisation during the period meant operating losses deepened to £7.9m (H1 03: £5.4m)

- And pre tax losses, previously £4.6m, are now £6.8m
- Fully diluted loss per share is 6.2p (5.3p)
- The interim dividend is up from 1.0p to 1.05p.

Commenting on the results, Richard Laphorne, Chairman, said: "This is a better set of results produced in a period where we have seen renewed interest from customers in IT expenditure. Although we expect trading to improve overall during the current calendar year compared with last year, we anticipate that the precise outcome will remain difficult to predict in terms of phasing".

Comment: We spoke with Morse's Chief Executive, Duncan McIntyre – he was pleased to be able to report increasing levels of activity, and, in some instances, increased business.

But it's a mixed picture, with Morse's geographies delivering different performances. The situation in the UK has stabilised, with revenue up c15% on the previous six months, and signs of a pick-up in Morse's consulting business (formerly Delphis).

Indeed Morse has started to increase headcount here (and increased pay to enhance employee retention!), and reports a number of 'key wins' that underpin FY04.

Improving customer sentiment, particularly in finance (Morse's biggest vertical), led to a number of high value deals. But, these were product deals at 'low margin due to their size and rarity in the market'. Consequently, margins dipped below 20%, from c22% in the preceding period. Nevertheless, it's an encouraging sign, and as McIntyre points out, if they are on the inside track with such customers, supplying the technology, they are better placed to secure follow on integration, consultancy and support.

Morse also reported a 100% increase in public sector revenues, compared to the previous six months, and an 86% uplift on H1 03. Notably, Morse secured a £5m contract with the House of Commons Library to provide an information management system. The deal sees Morse design, build, support and maintain the system over five years, and whilst it is not big in monetary terms it will be a valuable reference site.

The contribution from Morse's continental European operations is growing, both in absolute terms, and as a proportion of total revenues. The German operation delivered a 40% increase in turnover to £29.1m compared to H1 03,

Morse plc Six months ended 31st Dec. 03	Turnover £m			Operating profit £m*		
	H1 04	H1 03	Change	H1 04	H1 03	Change
UK & Ireland	124.9	131.4	-5.0%	2.9	6.7	-56.7%
Germany	29.1	20.8	40.1%	0.1	-1.0	Loss to profit
France	21.0	25.6	-17.8%	-0.7	-0.3	Loss both
Spain	12.1	8.1	49.5%	0.7	0.6	16.7%
TOTAL	187.1	185.8	0.7%	3.0	6.0	-50.0%

* pre goodwill amortisation and exceptional items

a combination of organic growth and the impact of Techsol. More importantly, Germany returned to operating profitability. A stronger solutions mix in the period led to improved margins.

Spain also delivered a strong performance, with revenues and profits up. However, trading conditions in France 'remain volatile', and reduced spend by a major customer meant turnover was down 18% (compared to the preceding six months and H1 03). France also remains loss making. Morse is looking to the local management to broaden its customer base, develop a more 'balanced' infrastructure portfolio and 'coherent' service offering – but these things take time.

So, with the exception of France, the business looks to be enjoying much greater stability. McIntyre admits that visibility remains limited, and they will need to keep a watchful eye on the cost base if margins are not going to suffer, but today's results show that Morse's strategy – to develop a balance between its infrastructure and services businesses, and its UK and Continental European operations – is progressing well. And as you would expect of a company run by accountants, the focus remains firmly on cash generation and earnings.

(Heather Brice)



CAPITA 'BORES' THROUGH THE MAGIC BILLION

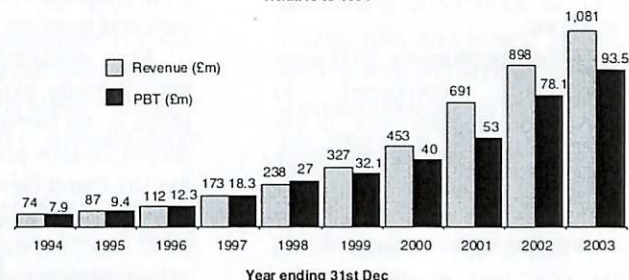
BPO player, **Capita** has announced its results for the year to 31st Dec. 03. The headline numbers are as follows:

- Turnover is up 20% to £1.1bn
- Operating profit from continuing operations is up 19% to £103m
- Profit before tax is up 20% to £93.5m
- Diluted EPS has increased 24% to 8.42p.

Rod Aldridge, the company's Executive Chairman said: "*Capita continues to deliver strong growth in turnover, profits and cash flow and is well positioned to maintain this performance....We already have significant visibility of revenues and profits for 2004 and prospects for further growth remain excellent.*"

Comment: We went along to Capita's analyst briefing to worship at the altar of the high priests of BPO, led by cardinal Aldridge. As ever, we were humbled by the mystic incantations and numerology, and all but fell to our knees in awe. And why wouldn't we? This is the 15th year of consecutive growth in revenue, profits and EPS since Capita floated which, I guess, puts them at 'boring and a half'. And with 85-90% of their 2004 revenues already secure (and no major contracts up for renewal this year either) their target 'to achieve double-digit compound growth' in revenues over the next five years while generating operating margins of '12% or above' looks supremely reasonable. Capita have very simply carved themselves a niche (a big one and growing) in 'integrated' BPO services in both the public and private sectors – a position that few (any?) can emulate without using partners. And the opportunity is to all intents and purposes, limitless. We estimate that the

Capita Group plc
10 year Revenue and PBT Record
Relative to 1994



UK BPO market was worth some £4bn in 2003, out of a potential (very theoretical maximum) opportunity of £165bn (though Capita takes, as ever, a more conservative view of £65bn). They could easily achieve their target growth from new business alone – though of course they will happily take share from other players when the opportunity arises. Are they infallible? No. Are they beyond criticism? No. Are they the best run and most successful player in their sector? Yes – and long may it last. (Anthony Miller)



PUBLIC SECTOR BUOYS METHODS CONSULTING GROWTH

Privately held 'upmarket' ITSA and consultancy, **Methods Consulting** has announced its results for the six months to 31st Oct. 03. Turnover was £15.6m, representing an almost 50% increase on the comparable period last year. Profits, at the operating and pre-tax level, have more than doubled to £1m. However, pressure on fee rates saw gross margins decline from 15.5% to 14%.

In the last six months the company, which previously went by the name of Methods Application has had some pretty positive news to report. It won a £6m/5 year contract to develop and manage the new NHS e-recruitment service (note that revenues from this are not included in this latest set of results). In Nov. 03 it expanded its range of services available through S-Cat and is now accredited across all of the 6 newly defined service groups.

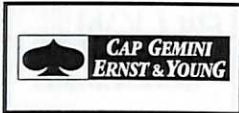
Comment: Without a doubt, Methods' strength in the public sector has served it well. We spoke with the company's joint MD, Mark Johnston who said that as well as there being increased demand from existing clients, Methods is winning new business too – as evidenced by the NHS contract.

But alongside the public sector work, Methods is 'covering its back' by doing more private sector work. Johnston is seeing what he describes as 'green shoots'

amongst clients. It's early days, but he claims there is a detectable change in attitude and a growing confidence. In the financial sector, which we forecast to be the second fastest growing sector in the UK over the next few years, customers are 'warming up' to the idea of taking action on the back of Basel II.

Johnston doesn't anticipate a slow-down in growth and estimates that within two years of the end of FY04, the company will be registering a turnover of c£40m. At current course and speed, that doesn't look too unreasonable to us.

(Kate Hanaghan)



CGE&Y PREVIEWS 2003 RESULTS

CGE&Y has announced its headline results for the year to 31st December 2003. The highlights are as follows:

- Total revenues for 2003 were euro5.75bn, compared to euro7.05bn in 2002 – a 12.5% decrease at constant exchange rates and scope or an 18.3% decrease at current exchange rates
- Activity did not stabilise during the year and revenue for the second half was down 8.3% on the first half at constant exchange rates
- Operating profit climbed 36% to euro155m (2002: euro114m) as a result of further cost cutting

The net loss was euro197m – after taking into account (amongst other things) a euro251m restructuring charge and goodwill depreciation of euro38m, compared to a loss of euro514m the year before.

Not surprisingly any growth came from outsourcing, which increased its contribution to 30% of Group revenues, up from 27% in 2002. In fact, half the 2003 order intake (euro11.7bn) relates to outsourcing, including the Inland Revenue Aspire win. But these contracts came too late in the year to impact 2003 revenues. The Project & Consulting business continued to decline and now accounts for 62% of revenues, down from 67% the year before.

Comment: It all sounds horribly familiar: reorganisation ongoing, growth unsure, and horribly margins taking too long to recover. Cap Gemini's performance in 2003 was below what its leadership was hoping for this time last year, and there are worrying signs that this year might not be so great, either.

First, although revenues met market expectations, signs of improvement still look fragile. Indeed, H2 2003 revenues show a further deterioration of 11% (8.3% in real terms) from H1, a similar rate of decline as in 2002. Bookings of euro11.7b look good, a 30% or so increase from 2002. However, excluding the UK Inland Revenue mega-contract, bookings would stand at EUR3.3b, the same level as in H2 2002. This yields a pretty similar book-to-bill ratio as in H2 2002. Adding this to the three revenue warnings in 2003, CGE&Y's goal of getting back to organic growth in 2004 looks ambitious.

Second, although the good news is that performance improved in the UK – a big money-loser in 2002, and in Central Europe and Benelux, the really depressing news is that performance in France and North America, the biggest geographies, deteriorated in 2003. This raises some serious issues for 2004.

Third, the warning that CGE&Y's main motor of growth – outsourcing – won't improve margins is not very encouraging. Will growth actually create much lower margins?

Although UK revenues (actually, UK & Ireland) fell by 17% to euro1016m 2003, the business unit returned to profit, with margins of 2.9% in H1 and 4.3% in H2. Even the revenue drop is not quite as bad as it looks. Based on average euro exchange rates in 2002 and 2003, we estimate that CGE&Y UK revenues dropped by 'just' 8-9% in 2003 to around £700-705m. But the magnificent win at Inland Revenue will make a heck of a difference in 2004 and beyond. CGE&Y expects to book £245m from the contract this calendar year, and £368m in the first full year of the deal. If they can stem the retreating tide in other parts of their UK business, that will give them a fair shot at returning to the Top Five in the UK rankings this year.

It looks like Cap Gemini believes the current industry mantra that the cost-cutting cycle of the last few years is now over, and that top-line recovery can now only be achieved by revenue growth. But we're sceptical that Cap Gemini's markets will grow appreciably, which means the company must take market share from rivals, something it may struggle to do. Will the temptation be to take on unprofitable outsourcing business just to get those revenues figures up? We hope not. (*Francois Dauriat/Anthony Miller*)



ANOTHER TUMULTUOUS MONTH FOR EDS

It's been another tumultuous month for EDS, both locally and in their corporate HQ in Plano, Texas.

Since the well-documented disappointments at the NHS earlier in the month, and at Inland Revenue in December 2003, they have:

- Announced further job cuts and their intention to move more work offshore
- Won a landmark BPO deal at UK insurance firm Liverpool Victoria
- Reported a dreadful set of results for Q4 03

- Withdrew from bidding for the UK NHS broadband link ('N3') contract
- Put its Product Lifecycle Management business up for sale
- Added another 'Feld Crony' to its executive line-up.

We have reported on all of these events extensively in HotNews so we won't repeat them here. But trying to work out what this all means for EDS is rather tricky – and still a bit 'previous'. Nonetheless, let's give it a go.

From the corporate standpoint, EDS are in all sorts of trouble. Their financial woes are causing great grief, of course. They have taken a huge hit on the deeply troubled US Navy Marine Corps Intranet (NMCI) contract which contributed to massive losses in Q4 03 and across the year. Their order book has halved, their share price has slumped, and they are selling some of the 'family jewels' (i.e. PLM) to help reduce debt. Meanwhile, EDS chairman and CEO, Mike Jordan, has added yet another executive from Feld Group, the consultancy EDS

[continued from page sixteen]

acquired mid-January, to his top team, which speaks volumes for the 'confidence' that he has in the capability and potential in the ranks of senior management within EDS.

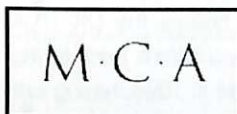
All of this will engender uncertainty among EDS' customers and investors. This will make it even more difficult for them as they bid for future megadeals, not just in their home territory but around the world. Long-term contracts require long-term confidence in the supplier. EDS realises all of this, of course, and has been taking every opportunity of late to reinforce the message that they see 2004 as a watershed year to put the past behind them so they can grow again in 2005. Indeed, EDS CFO Bob Swan told Wall Street analysts in Feb.04 that he is expecting bookings to rise by 20-25% this year, to around \$17-18bn. He feels this target is reasonable given their 'pretty stable' recurring revenue stream of some \$8-12bn (sounds rather a wide spread to us) plus a growing pipeline.

At the local level, we're still awaiting confirmation of how EDS' UK business finished up in 2003. We are expecting no better than 'flat'. The loss of Inland Revenue and the failure to win any of the NHS deals will almost certainly lead to revenue decline in 2004. But on the bright side, the £109m/13 year BPO deal at

Liverpool Victoria proves that EDS is in the right place at the right time and winning business.

It is far too early to be writing EDS' obituary. When all's said and done, EDS is still the leading outsourcing player in the UK by a country mile, and among the very top in Europe and worldwide. This is a position they are not likely to cede any time soon. But they have to show they can pick themselves up and brush themselves down, and, as the song goes, start (well, almost) all over again.

(Anthony Miller)



MCA MEMBERS OPTIMISTIC BUT DEMAND REMAINS UNSTABLE

During February the **Management Consultants Association (MCA)** released its annual figures reflecting the performance of its members over 2003. The MCA revealed its belief that the confidence of its members in the UK's economic performance had improved over the last four quarters. This has led its members to expect increasing fortunes to improve with 'future orders, average fee rates and consultants employed expected to increase'. Members also stated that they expected the sales cycle for IT consultancy to decrease in the next quarter.

For the full year, consultancy spend with its members was up 13% to £5.1bn – however this includes the effect of new members, so in reality growth was below the 10% mark. On the same basis, i.e. inclusive of new members, the average quarterly rate of growth was 4.7%.

But both these figures fail to highlight significant variations in the rate of growth over the year, as well as variations in the growth of different types of consultancy. Looking at the results in more detail:

- Growth was strongest in the first quarter of the year – up 9.3% compared to the previous quarter –

when both IT consultancy & systems development and outsourcing consultancy put in sterling performances with growth of more than 12%.

- In Q4 growth was only 1.5% compared to the previous quarter. Demand for both management consultancy services and IT consultancy and systems development were flat. Outsourcing consultancy services managed a rise of 'just' 4.8% – its worst performance of the year.

- Over the year, outsourcing consultancy experienced the strongest growth. Revenue for the year was up 27% compared to 2002, and the average quarterly growth was 10.4%. After a slow 2002, IT consultancy and systems development picked up ever so slightly with average quarterly growth of 1.9%. Strategic consultancy continued to perform poorly.

- One of the main drivers for the growth in outsourcing consultancy was an increased demand for advice on outsourcing jobs to offshore locations such as India.

Comment: It is important not to get too carried away with these figures for a number of reasons:

- Firstly MCA members represent only about 50% of the revenue of UK consultants. Most of the big guys are represented, including the likes of Accenture, Atos Origin, Deloitte, IBM consulting etc (a full list can be found on the MCA website). It is more than likely that these players performed better than the industry as a whole.

- Secondly, all of the numbers referred to above relate to the growth in revenues of MCA members including new joiners. In other words these are not organic growth rates. The only evidence we have of the impact of new joiners is a comparison of Q403 on Q402, where growth was 17% inclusive of new members but just 9.4% excluding new members – quite a difference.

What the figures do show is that demand in the consulting industry remains incredibly unstable and unpredictable. Growth in both IT consultancy/systems development and strategic consultancy remains pretty flat. The one bright spot is outsourcing consultancy – with members benefiting from the outsourcing trend and the offshore movement. Any consultancy firm that doesn't offer outsourcing advice will be in real trouble. Yet even growth in this area is nowhere near stable.

Across the industry verticals, the MCA members' predicted hot sectors are public sector and financial services, as well as primary industries such as utilities, mining and metals). They must have been reading our research! (Georgina O'Toole)



SIGNS OF LIFE IN TEMPORARY STAFFING MARKET

February has brought renewed activity and interest in the temporary staffing sector. First there were rumours in the City that US staffing giant Manpower was considering a bid for British rival Hays, and then early indications of a slight increase in demand for temporary IT staff in the UK.

Manpower's interest in Hays is only a City rumour but we can see the logic for a deal along these lines. Ex-business services group Hays has almost completed its disposal programme – it sold off its payroll, BPO and Information Management Services businesses in 2003 – and can now focus on its core business, personnel. This makes it a much more attractive acquisition proposition for a larger rival and US giant Manpower (already the proud owner of UK top 5 ITSA Elan Computing) certainly has the scale required to pull off such a deal.

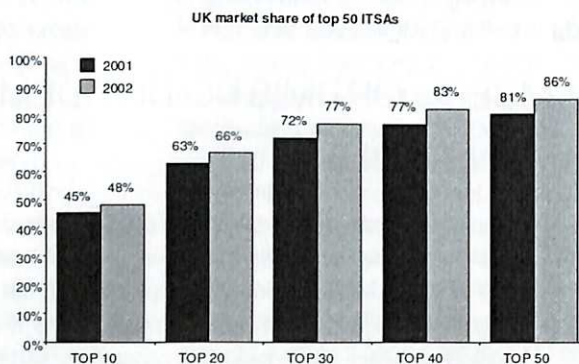
Consolidation in the temporary staffing market is nothing new – Swiss staffing conglomerate Adecco and Dutch giant Vedior, for example, are now parent companies of UK IT staff agencies (ITSAs) Computer People and Abraxas, respectively. There's also been some M&A activity between ITSAs themselves – Spring's acquisition of UK top 10 ITSA Best International, for example, propelled it to the top of our UK ITSA rankings in 2003. But if Manpower were to buy Hays we could have a new #1. A combination of Elan and Hays IT, ranked four and five in the UK ITSA market in 2003, would likely make Manpower the largest IT recruitment agency in the UK market.

Consolidation set to continue

Whatever happens with Manpower and Hays, we think consolidation in the ITSA sector is set to continue. That's because a) you need to be either very big (with a broad target market, large volumes and low margins) or very niche to make money in the IT recruitment industry today, and b) the industry is still suffering from over supply.

Why? Because IT was the darling of the recruitment industry in the boom years ahead of Y2K and the Internet 'bubble' – the UK ITSA market, for example, grew from £2.2bn in 1996 to a peak of £3.75bn in 1999. Barriers to entry were

low and hundreds of firms entered the market. Today the market looks very different. In fact we believe the UK ITSA market has shrunk back to the size it was in 1996, having lost over £1.5bn in value since 1999. Combine a shrinking market with pricing pressure and lower margins and it's hardly surprising that there is room for further rebalancing of supply and demand.



A ray of sunshine for UK ITSAs

On the demand front, however, there are some fresh signs that the worst may be over at least in the temporary IT staffing market (the permanent market is another kettle of fish). This month we've seen better than expected Q4 results from European personnel group Ranstad, and indications of a marginal upturn in fees for IT contractors from the UK trade association ATSCo (Association of Technology Staffing Companies).

The ATSCo iProfile Skills Survey for Q4 2003 found IT contractors in electronics, software development and aerospace companies enjoyed average pay increases of 9%, 6% and 5%, respectively in the second half of 2003. While the average pay increase for IT freelancers in the financial services sector in the same period was 2%, reversing a four-year decline. The survey also found unemployment among IT contractors had fallen from 26% to 17% in the last six months of last year.

We're always a little cautious of survey results but we do think demand for IT contractors is likely to grow over the next few months as the UK government's c£5bn programme for IT in the NHS gets underway. The final National Programme contract was awarded this month – the N3 broadband networking deal went to BT – and the implementation phase of the other regional (LSP) and national (NASP) contracts is now in progress.

The scale of these contracts, and the tight schedules the system integrators are working to, mean that many of the contract winners will have to recruit sizeable numbers of staff to get the job done. In fact the 'rumour mill' suggests some LSPs need to find as many as 1,000 extra bodies (without poaching staff from the NHS itself). Clearly not all of these will be contract staff – some will be subcontracted from other SIs and some will be permanent recruits – but it is nevertheless a ray of sunshine for UK ITSAs that have grown all too used to stormy weather. *(Tola Sargeant)*

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Capita	Symonds Group Holdings	Provider of consultancy, project management and design services for the property and infrastructure markets	100%	max £30.9m	Capita paid an initial cash consideration of £29.9m. A further £1m in deferred cash payments is dependent on agreed targets to 31st Dec. 06. Symonds will be merged with Capita Property Consultancy to form Capita Symonds Ltd. The new company will have c2,700 employees and proforma returns of £160m p.a. Chris Buoy OBE, Executive Chairman of Symonds, will become non-Executive Chairman of Capita Symonds. Property consultancy is one of Capita's non-S/ITS businesses, however it is increasingly playing a wider role in Capita's major sales propositions.
Electronic Business Systems (EBS)	Myratech.net's Sage reseller operations	Sage reseller	100%	£160K	EBS, a Birmingham-based Sage reseller, paid £160K comprising £40K cash and the assumption of £120K of trade creditors. The business turned over £0.5m in FY03.
hot group	Netrecruit	Provider of online recruitment websites for 18-28 year olds.	100%	£450K	AIM-listed recruitment company hot group, acquired Netrecruit for an total consideration of £450K. Netrecruit generated a turnover of just over £100K and a loss before tax of £17K for FY02.
Institutional investors	The majority of Reuters' stake in Tibco	Business intelligence software	40%	\$563m	Reuters reduced its holding in the NASDAQ-listed BI software firm to 8.8%, pocketing \$563m in the process (a net profit of \$280m). Tibco IPO'd on NASDAQ in 1999, and describes itself as "the leading independent business intelligence software company in the world". Following the reduction in its holding, Reuters will no longer have the right to a seat on the TIBCO board.
Interregnum	Cellular Design Services (CDS)	Specialist radio frequency engineering services	100%	£1.5m	Interregnum, a technology investment and advisory company, acquired CDS for a total consideration of £1.5m (in cash, shares and loan notes). CDS provides wireless network design, coverage planning and testing, site implementation, network optimisation and maintenance services
Lynxangel Holdings plc	Torex' retail business from ISOFT	IT solutions for the retail sector	100%	£66.9m	Lynxangel, a "company established for the purposes of the acquisition", paid £45m in cash on completion, £14.2m in loan notes and assumed £5.3m of ongoing liabilities. (The loan notes are redeemable at a 17% premium in the event of an IPO or subsequent trade sale). This disposal makes perfect sense for iSoft leaving it free to focus all its efforts on its healthcare business. Lynxangel is a 'BIMBO' vehicle - a buy-in and buy-out combo - led by former Torex director Rob Loosemore with backing from stockbroker Evolution Group. Later in the month, Lynxangel confirmed that it is to float the business on AIM - expected valuation c£60m.
MBO	RedRock Technologies	Netstore's mobile software subsidiary	100%	n/a	Netstore disposed of its loss-making subsidiary to the management, for a nominal consideration.
Root Capital	KnowledgePool Ltd	Training and e-learning	100%	n/a	Root Capital (a private investment vehicle) acquired KnowledgePool from the administrator. The plan is to build it into "a leading player in the organisational development, training, and e-learning market" (a position the company held back in 2001!) The new owners tell us that they will both invest in the business, developing new services, and look for bolt-on acquisitions. Crucially, KnowledgePool now has a strong balance sheet underpinning its ambitions.
Touchstone Group	Multi Global Business Solutions and Multi Global Solutions from the Multi Group	Multi Global Business Solutions is a reseller of Microsoft's Axapta software, and Multi Global Solutions is a hire-market software development business	100%	£725K	Touchstone acquired the assets and goodwill of two software subsidiaries of the Multi Group for cash. The two businesses had a combined turnover of £1.4m in the 12 months to 20th Feb. 04, according to un-audited management accounts. The Multi businesses will form a new Touchstone subsidiary, Global Business Solutions, which is not expected to achieve group level returns in the short term.
Xchanging	RebusIS	Insurance software and services	100%	n/a	Xchanging acquired RebusIS for an undisclosed sum, but according to an article in The Times the value was mooted to be £40m. RebusIS, jointly owned by Warburg Pincus and General Atlantic Partners (GAP), turned over £44.3m in 2002/3 and generated operating profits of £5.1m and PBT of £1.8m. The acquisition will push Xchanging up the UK BPO rankings from 11th spot, possibly into the Top Five, with combined revenues of c£200m. The deal also adds more credence to our view that GAP is aiming to consolidate its various investments in BPO companies (includes Liberata, Exult and Indian player Patni) ahead of an IPO.

Forthcoming IPOs

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Civica	Software and managed services	SITS	CS	AIM	175p	£79.2m	1-Mar-04

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc				Computacenter plc				Gotel plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV £3,977,000	£6,033,000	£2,850,000	+9.2% REV	£976,958,000	£1,930,055,000	£1,255,599,000	+28.5% REV	£37,991,000	£75,900,000	£4,179,000	+0.0% REV
PBT £2,833,000	£1,638,000	£1,728,000	Loss both PBT	£2,405,000	£55,081,000	£32,020,000	+31.2% PBT	£4,160,000	£1,347,000	£3,000,000	Loss to profit
EPS -8.50p	-4.190p	-5.00p	Loss both EPS	8.60p	9.80p	11.60p	+34.9% EPS	-0.90p	-2.30p	0.0p	Loss to profit
AIT Group plc				Computer Software Group				Gresham Computing plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Aug 02	Final - Feb 03	Interim - Aug 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV £1,807,000	£1,754,000	£1,031,000	+13% REV	£1,800,000	£1,584,000	£2,533,000	+40.7% REV	£5,520,000	£11,578,000	£4,870,000	+20.8% REV
PBT £3,809,000	£4,122,000	£1,030,000	Loss both PBT	-285,000	£1,399,000	£632,000	Loss both PBT	£2,874,000	£1,148,000	£1,068,000	Profit to loss
EPS £56.50p	-3.06p	3.59p	Loss both EPS	-5.00p	0.97p	-2.70p	Loss both EPS	4.87p	2.45p	-2.24p	Profit to loss
Alphameric plc				Corpora				Harrier Group plc			
Final - Nov 02	Final - Nov 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £6,192,000	£62,897,000	+16% REV	£16,203	£288,581	£6,070	+3.1% REV	£5,721,206	£9,544,299	£4,254,722	+25.6% REV	
PBT £2,486,000	£3,530,000	Profit to loss PBT	£67,842	£43,1994	-6,678,091	Loss both PBT	£1,074,854	£9,005,410	£2,812	Loss to profit	
EPS 0.00p	-3.50p	Profit to loss EPS	-23.00p	-8.50p	-0.50p	Loss both EPS	-3.38p	-5.90p	0.04p	Loss to profit	
Alterian plc				DCS Group plc				Harvey Nash Group plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jul 02	Final - Jan 03	Interim - Jul 03	Comparison
REV £4,485,000	£4,784,000	£1,825,000	+13% REV	£3,700,000	£19,800,000	£30,200,000	+20.1% REV	£8,489,000	£6,692,000	£64,317,000	+23.0% REV
PBT £4,485,000	£2,956,000	£2,449,000	Loss both PBT	£7,700,000	£4,200,000	£4,000,000	Loss both PBT	£5,675,000	£7,490,000	£4,448,000	Loss both
EPS -11.40p	-4.60p	-5.40p	Loss both EPS	-31.72p	-5.4p	-7.8p	Loss both EPS	-4.1p	-4.9p	-8.04p	Loss both
Anite Group plc				Delcam				Highams Systems Services Group plc			
Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV £1,154,1000	£2,638,000	£95,623,000	+4.3% REV	£9,518,000	£9,810,000	£9,810,000	+3.1% REV	£5,810,000	£1,096,000	£4,754,000	+5.4% REV
PBT £43,405,000	£12,480,000	£14,999,000	Loss both PBT	£5,900	£107,1000	£504,000	-2.9% PBT	£2,120,000	£95,000	£102,000	Loss both
EPS -14.00p	-34.20p	-4.40p	Loss both EPS	6.0p	0.00p	6.40p	+4.9% EPS	-1.09p	-1.00p	-0.50p	Loss both
Argonaut Games				Datical Group plc				Horizon Technology Group plc			
Final - Jul 02	Final - Jul 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £14,232,000	£5,170,000	-62.6% REV	£1,626,000	£9,980,000	£22,304,000	+26.5% REV	£19,973,584	£10,973,584	£25,205,070	+4.4% REV	
PBT £2,763,000	£10,882,000	Profit to loss PBT	£2,847,000	£7,437,000	£3,600,000	+11.0% PBT	£3,849,318	£7,842,014	£2,745,560	Loss to profit	
EPS 2.87p	-112.0p	Profit to loss EPS	9.30p	24.0p	0.00p	+7.5% EPS	-6.83p	-2.0p	0.4p	Loss to profit	
Autonomy Corporation plc				Diagonal plc				Host Europe plc			
Final - Dec 02	Final - Dec 03	Comparison	Final - Nov 02	Final - Nov 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison		
REV £3,998,600	£3,368,400	-13% REV	£63,618,000	£56,320,000	-11% REV	£6,488,000	£1,708,000	£9,162,000	+25.8% REV		
PBT £3,920,000	£2,956,000	+8.5% PBT	£4,685,000	£2,254,000	Loss both PBT	£2,690,000	£1,505,000	£4,448,000	Loss both		
EPS 0.03p	0.03p	+0.0% EPS	-4.56p	-3.42p	Loss both EPS	-0.02p	-0.01p	-0.04p	Loss both		
Aveva Group plc				Dicom Group plc				Hot Group plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison	Final - Aug 02	Final - Aug 03	Comparison	
REV £9,462,000	£36,008,000	£16,837,000	+2.3% REV	£80,338,000	£56,432,000	£77,210,000	-4.0% REV	£2,831,000	£2,626,000	-7.2% REV	
PBT £1,234,000	£5,580,000	£1,863,000	+0.5% PBT	£4,628,000	£8,810,000	£2,775,000	-4.0% PBT	£4,710,000	£6,058,000	Loss both	
EPS 4.72p	21.24p	5.9p	+0.0% EPS	3.70p	26.00p	4.00p	-70.8% EPS	-31.24p	0.01p	Loss both	
Axon Group plc				Dimension Data plc				I-Document Systems Plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	Final - Oct 02	Final - Oct 03	Comparison		
REV £2,134,000	£2,480,000	£2,036,000	+5.3% REV	£1,489,600,000	£1,580,000	-2.4% REV	£1,483,473	£1,472,305	+8.2% REV		
PBT £1,222,000	£2,480,000	£2,036,000	+6.6% PBT	£5,60p	£1,580,000	-9.8p	£1,483,473	£1,472,305	+8.2% PBT		
EPS 1.30p	2.70p	2.40p	+84.6% EPS	-5.60p	-5.60p	-0.8p	-1.1p	-0.42p	Loss both		
Baltimore Technologies plc				DRS Data & Research Services plc				ICM Computer Group plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jul 02	Final - Dec 02	Interim - Jul 03	Comparison	Final - Jun 02	Final - Jun 03	Comparison	
REV £22,065,000	£35,060,000	£9,660,000	+6.2% REV	£6,749,000	£2,782,000	£7,759,000	+6.0% REV	£68,871,000	£77,843,000	+9.0% REV	
PBT £42,968,000	£25,300,000	£9,999,000	Loss both PBT	£761,000	£1,776,000	£992,000	+7.2% PBT	£4,478,000	£3,673,000	+8.0% PBT	
EPS -85.0p	-25.20p	-8.80p	Loss both EPS	155p	3.68p	187p	+20.6% EPS	6.00p	2.30p	-8.0% EPS	
Bond International Software plc				Easyscreen plc				Innovation Group plc (The)			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	
REV £3,175,000	£6,399,629	£3,370,000	+6.1% REV	£1,234,399	£2,654,514	£1,075,001	-2.9% REV	£1,007,1000	£58,54,000	+41.5% REV	
PBT £2,086,000	£1,972,786	£65,000	Loss to Profit PBT	£2,237,521	£3,397,842	£1,561,881	Loss both PBT	£391,114,000	£24,088,000	Loss both	
EPS -0.71p	-0.64p	-0.64p	Loss to Profit EPS	-4.30p	5.60p	-2.70p	Loss both EPS	-17.87p	-0.67p	Loss both	
Business Systems Group Holdings plc				Eidos plc				InTechnology plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Final - Jun 02	Final - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
REV £14,051,000	£26,475,000	£10,457,000	+25.8% REV	£36,810,000	£6,290,000	-1.1p	£19,567,000	£6,675,000	£3,642,000	+3.6% REV	
PBT £446,000	£2,949,000	£407,000	Loss both PBT	£6,290,000	£1,110p	-1.1p	£4,683,000	£6,675,000	£3,642,000	Loss both	
EPS -0.55p	-3.44p	-0.50p	Loss both EPS	-1.10p	-1.10p	-1.10p	-3.39p	-5.10p	-2.56p	Loss both	
Capita Group plc				Electronic Data Processing plc				Intelligent Environments Group plc			
Final - Dec 02	Final - Dec 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison		
REV £897,504,000	£1,080,600,000	+20.4% REV	£8,480,000	£8,686,000	+2.4% REV	£1,426,000	£2,672,065	£1,886,000	+32.3% REV		
PBT £78,069,000	£93,500,000	+19.8% PBT	£1,394,000	£284,000	Loss to profit PBT	£1,904,000	£2,873,579	£66,000	Loss to profit		
EPS 8.61p	8.42p	+23.6% EPS	-5.03p	0.97p	Loss to profit EPS	-15.0p	-2.4p	0.8p	Loss to profit		
Charteris Plc				Empire Interactive plc				IQ-Ludorum plc			
Final - Jul 02	Final - Jul 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £19,087,000	£2,174,000	-36.2% REV	£1,259,000	£2,054,000	£5,710,000	+39.5% REV	£1,980,779	£3,910,300	£1,289,900	-34.9% REV	
PBT £1,588,000	£2,025,000	Profit to loss PBT	£1,155,000	£1,186,000	£228,000	Loss to profit PBT	£3,393,642	£4,462,000	£1,067,568	Loss both	
EPS 2.50p	-1.26p	Profit to loss EPS	-2.20p	-2.72p	0.34p	Loss to profit EPS	-4.16p	-6.23p	-1.24p	Loss both	
Chelford Group plc				Epic Group plc				ISOFT Group plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Nov 02	Final - Mar 03	Interim - Nov 03	Comparison	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
REV £3,343,000	£1,025,000	£623,000	Loss both PBT	£999,000	£1,020,000	£821,000	-7.8% REV	£6,072,000	£8,880,000	£6,651,000	+9.5% REV
PBT -0.10p	-0.06p	-0.06p	Loss both PBT	3.60p	6.60p	2.20p	-38.9% EPS	3.29p	10.80p	3.81p	+6.8% EPS
EPS -0.10p	-0.06p	-0.06p	Loss both EPS	3.60p	6.60p	2.20p	-38.9% EPS	3.29p	10.80p	3.81p	+6.8% EPS
Civica				Eurolink Managed Services plc				IS Solutions plc			
Final - Sep 02	Final - Sep 03	Comparison	Final - Mar 02	Final - Mar 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison		
REV £9,138,000	£90,304,000	-1.2% REV	£9,228,000	£9,520,000	-8.1% REV	£3,821,000	£7,426,000	£3,236,000	-0.6% REV		
PBT £6,748,000	£9,317,000	+38.1% PBT	£65,000	£204,000	+31.6% PBT	£879,000	£1,368,000	£1,190,000	Loss to profit		
EPS 9.00p	11.00p	+25.6% EPS	0.47p	1.22p	+59.6% EPS	-3.44p	-3.44p	-0.2p	Loss both		
Clarity Commerce plc				Financial Objects plc				ITNET plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Final - Dec 02	Final Dec 03	Comparison	
REV £3,399,000	£7,263,000	£4,853,000	+42.8% REV	£6,790,000	£2,841,000	£5,663,000	-6.5% REV	£1,789,200	£88,478,000	+6.3% REV	
PBT £429,000	£3,160,000	£4,000,000	Loss to Profit PBT	£1,033,000	£2,839,000	£1,075,000	Loss both PBT	£7,336,000	£7,893,000	+43.9% PBT	
EPS -3.80p	184p	1.2p	Loss to Profit EPS	-2.37p	-6.72p	-4.44p	Loss both EPS	3.0p	7.04p	+46.6% PBT	
Clinical Computing plc				Flomerics Group plc				Jasmin plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV £1,117,000	£2,391,565	£1,160,000	+3.0% REV	£5,968,000	£17,110,000	£4,881,000	-8.2% REV	£3,559,000	£5,844,000	£4,622,000	+29.9% REV
PBT £598,000	£983,004	£397,000	Loss both PBT	£10,000	£635,000	£144,000	Profit to loss PBT	£333,000	£88,000	£593,000	Profit to loss
EPS -2.40p	-3.80p	-1.60p	Loss both EPS	0.75p	3.22p	-0.98p	Profit to loss EPS	6.89p	-2.22p	-2.54p	Profit to loss
CMS Webview				Focus Solutions Group plc				K3 Business Technology Group plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV £583,000	£1,208,000	£905,000	+65.2% REV	£2,821,000	£6,583,000	£2,581,000	-8.5% REV	£3,944,000	£8,088,000	£3,483,000	-11.7% REV
PBT £345,000	£883,000	£1,160,000	Loss both PBT	£1,834,000	£3,833,000	£663,000	Loss both PBT	£49,000	£268,000	£432,000	Loss both
EPS -0.63p	-1.2p	-0.7p	Loss both EPS	7.20p	-8.40p	2.0p	Loss both EPS	-0.10p	0.70p	0.80p	Loss both
CODASys plc											

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

London Bridge Software Holdings plc				Patsystems plc				Synstar plc					
REV	Final - Dec 02	Final - Dec 03	Comparison	Final - Dec 02	Final - Dec 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	
PBT	£2,157,000	£58,220,000	-6.3%	£8,337,000	£1,673,000	-28.0%	£22,187,000	£22,978,000	+0.5%	£1,532,000	£8,700,000	+33.2%	
EPS	£5,146,000	£25,500,000	-0.40p	£9,060,000	£2,369,000	-17.0p	£5,532,000	£6,300,000	+0.50p	£2,400	£3,600	+50.0%	
Lorien plc				Pilat Media Global plc				Systems Union Group plc					
REV	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
PBT	£60,449,000	£10,588,000	£44,503,000	-26.4%	£2,470,000	£7,347,000	£2,978,000	+20.6%	REV	£37,459,000	£74,630,000	+9.2%	
EPS	£6,346,000	£5,788,000	£204,000	Loss to profit	£1,337,000	£236,000	£1,245,000	Loss both	PBT	£16,600,000	£43,600,000	+23.1%	
Macro 4 plc				Plant Holdings plc				Tadpole Technology plc					
REV	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison		
PBT	£6,465,000	£32,394,000	£6,060,000	-8.5%	REV	£10,522,000	£20,417,000	+24.0%	REV	£6,724,000	£5,380,000	-68.2%	
EPS	£3,006,000	£5,650,000	£8,100,000	Loss both	PBT	£642,000	£57,100,000	£742,000	+6.6%	PBT	£11,140,000	£9,570,000	Loss both
Manpower Software plc				PSD Group plc				Telety plc					
REV	Interim - Nov 02	Final - May 03	Interim - Nov 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
PBT	£866,166	£3,560,541	£2,463,669	+84.4%	REV	£2,845,000	£44,282,000	£9,449,000	-9.2%	REV	£2,700,000	£4,954,000	+82.0%
EPS	£1,324,620	£802,388	£259,925	Loss to profit	PBT	£155,000	£879,000	£464,000	Profit to loss	PBT	£1,930,000	£2,935,000	+53.6%
Marlborough Stirling plc				QA plc				Tikit Group plc					
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Final - Nov 02	Final - Nov 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison		
PBT	£60,655,000	£2,100,000	£55,986,000	-7.7%	REV	£32,823,000	£29,638,000	-12.2%	REV	£3,730,000	£3,880,000	+4.0%	
EPS	£2,795,000	£3,478,000	£4,985,000	Profit to loss	PBT	£63,006,000	£7,000	£3,446,000	Loss both	PBT	£8,100,000	£2,350,000	+80.0%
MERANT plc				Quantica plc				Total Systems plc					
REV	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£38,701,000	£78,592,000	£36,764,000	-5.0%	REV	£10,421,000	£1,152,700	£1,152,700	-4.1%	REV	£2,026,589	£3,927,749	+93.9%
EPS	£1,204,000	£1,798,000	£558,000	Loss to profit	PBT	£504,000	£3,443,000	£2,600	Profit to loss	PBT	£280,033	£596,643	+112.0%
Microgen plc				Raft International plc				Touchstone Group plc					
REV	Final - Dec 02	Final - Dec 03	Comparison	Final - Oct 02	Final - Oct 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison			
PBT	£25,332,000	£26,400,000	+4.3%	REV	£6,666,000	£8,562,000	+28.4%	REV	£6,900,000	£8,953,000	+29.1%		
EPS	£1,964,000	£2,356,000	£2,300	Profit to loss	PBT	£2,100,000	£999,000	£6,100,000	£1,526,000	£69,000	-74.0%		
Minorplanet Systems plc				Retail Decisions plc				Trace Group plc					
REV	Final - Aug 02	Final - Aug 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Final - May 02	Final - May 03	Comparison			
PBT	£96,800,000	£88,600,000	-8.5%	REV	£1,300,000	£28,420,000	+4.3%	REV	£20,630,000	£5,865,000	-71.3%		
EPS	£23,400,000	£52,200,000	£4,570	Loss both	PBT	£1,873,000	£9,379,000	£1,030,000	£2,045,620	£2,776,000	Profit to loss		
Misys plc				Reversus				Triad Group plc					
REV	Interim - Nov 02	Final - May 03	Interim - Nov 03	Comparison	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£520,800,000	£10,500,000	£47,100,000	-9.6%	REV	£3,528,000	£5,750,000	£1,808,000	-48.8%	REV	£4,090,000	£2,756,000	+17.6%
EPS	£24,900,000	£59,800,000	£4,100,000	-43.4%	PBT	£259,000	£7,346,000	£5,143,000	Loss both	PBT	£2,527,000	£4,980,000	+94.9%
Monda plc				RM plc				Tribal Group plc					
REV	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison		
PBT	£1,452,000	£3,703,353	£1,847,000	+27.2%	REV	£202,680,000	£2,494,000	£6,610,000	+6.6%	REV	£38,275,000	£7,680,000	+85.6%
EPS	£1,529,674	£2,224,645	£1,090,568	Loss both	PBT	£5,940,000	£2,910,000	£2,910,000	Loss to Profit	PBT	£4,000,000	£2,041,000	-49.5%
Morse plc				Royalblue Group plc				Ultima Networks plc					
REV	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison	Final - Dec 02	Final - Dec 03	Comparison	Interim - Sep 02	Final - Dec 02	Interim - Sep 03	Comparison		
PBT	£6,839,000	£35,154,000	£7,074,000	+0.7%	REV	£7,006,000	£56,006,000	-18.1%	REV	£119,000	£2,026,000	+1,607.0%	
EPS	£6,430,000	£7,450,000	£7,890,000	Loss both	PBT	£1,058,000	£9,425,000	£2,800	£112,000	£65,000	£5,000	Loss both	
MSB International plc				Sage Group plc				Universe Group plc					
REV	Interim - Jul 02	Final - Jan 03	Interim - Jul 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison		
PBT	£47,619,000	£84,062,000	£33,777,000	-29.1%	REV	£55,170,000	£56,006,000	+1.5%	REV	£7,306,000	£3,487,000	-52.3%	
EPS	0.00p	£42,100	£13,000	n/a	PBT	£29,640,000	£9,425,000	£23,400	£232,000	£88,000	£2,006,000	+112.0%	
Mvratech.net plc				SDL plc				Vega Group plc					
REV	Final - Dec 01	Final - Dec 02	Comparison	Final - Dec 02	Final - Dec 03	Comparison	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison			
PBT	£2,000,000	£1,894,000	-5.3%	REV	£58,002,000	£64,378,000	+10.9%	REV	£7,390,000	£3,589,000	-51.1%		
EPS	£2,755,000	£608,000	Loss both	PBT	£3,548,000	£804,000	Loss both	PBT	£8,739,000	£763,000	Loss to profit		
Ncipher plc				ServicePower Technologies plc				VI Group plc					
REV	Final - Dec 02	Final - Dec 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison		
PBT	£1,922,000	£1,988,000	+8.9%	REV	£986,000	£4,483,000	+9.9%	REV	£3,200,000	£7,542,000	+135.7%		
EPS	£3,770,000	£79,000	Loss both	PBT	£1,252,000	£555,000	Loss both	PBT	£357,000	£70,000	Loss both		
NetBenefit plc				Sirius Financial Systems plc				Wartdog plc					
REV	Final - Jun 02	Final - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Dec 02	Interim - Sep 03	Comparison		
PBT	£6,079,000	£6,245,000	+2.7%	REV	£10,698,000	£22,683,000	+11.0%	REV	£5,402,000	£11,470,000	+110.0%		
EPS	£1,899,000	£1,666,000	Loss both	PBT	£1,359,000	£1,893,520	+40.0%	PBT	£4,393,000	£790,705	-82.0%		
Netstore plc				Sopheon plc				Wealth Management Software plc					
REV	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
PBT	£6,224,000	£4,877,000	£10,602,000	+70.3%	REV	£6,510,000	£2,353,000	-21.3%	REV	£6,074,000	£10,997,000	+80.7%	
EPS	£1,890,000	£5,265,000	£6,700,000	Loss both	PBT	£1,961,000	£1,819,000	£5,700,000	Loss both	PBT	£1,106,000	£2,080,000	+88.7%
Northgate Information Solutions plc				Spring Group plc				Workplace Systems International PLC					
REV	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	Interim - Jun 03	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£4,153,400	£85,265,000	£50,564,000	+21.7%	REV	£148,378,000	£293,330,000	+18.1%	REV	£6,576,000	£14,240,000	+115.0%	
EPS	£29,807,000	£28,190,000	£402,000	-98.7%	PBT	£9,490,000	£8,840,000	£3,903,000	Loss both	PBT	£2,912,000	£3,555,000	+22.1%
NSB Retail Systems plc				Staffware plc				Xansa plc					
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	
PBT	£39,524,000	£73,359,000	£32,907,000	-6.7%	REV	£8,230,000	£39,030,000	+4.4%	REV	£232,500,000	£453,900,000	+95.9%	
EPS	£43,949,000	£16,232,000	£14,658,000	Loss both	PBT	£39,100	£2,608,000	£13,600,000	+23.7%	PBT	£140,700,000	£1,500,000	Loss both
OneclickHR plc				StatPro Group plc				XKO Group plc					
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£2,575,078	£4,689,010	£2,702,382	+5.3%	REV	£3,432,000	£7,229,000	+6.4%	REV	£216,400,000	£43,627,000	-79.8%	
EPS	£1,093,353	£3,473,846	£64,829	Loss to profit	PBT	£1,683,000	£2,773,000	£78,000	Loss both	PBT	£257,000	£5,000	Loss both
Parity Group plc				SurfControl plc				Xpertsise Group plc					
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
PBT	£98,958,000	£13,273,000	£80,904,000	-8.2%	REV	£2,103,000	£46,209,392	£24,967,000	+8.7%	REV	£2,200,000	£5,535,000	+151.1%
EPS	£820,000	£24,567,000	£1,807,000	Loss both	PBT	£197,600,000	£5,602,849	£4,556,000	+0.6%	PBT	£333,000	£1,100,000	+233.0%

Note: 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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 27-Feb-04	Capitalisation 27-Feb-04	Historic P/E	PSR Ratio Cap/Rev.	S/ITS Index 27-Feb-04	Share price move since 30-Jan-04	Share price % move in 2004	Capitalisation move since 30-Jan-04	Capitalisation move (£m) in 2004
AFA Systems	SP	£0.28	£13.00m	Loss	2.16	229	6.59%	1.85%	£0.80m	£2.96m
AIT Group	CS	£0.76	£38.00m	Loss	2.16	496	-6.21%	24.79%	-£2.50m	£10.34m
Alphameric	SP	£0.90	£106.00m	Loss	1.69	413	-2.17%	3.45%	-£2.00m	£4.47m
Alterian	SP	£0.90	£35.70m	Loss	7.47	450	3.45%	31.39%	£1.60m	£8.82m
Anite Group	CS	£0.59	£206.00m	Loss	0.95	347	9.21%	17.43%	£17.00m	£30.30m
Argonaut Games	SP	£0.11	£10.80m	Loss	2.03	113	42.11%	72.80%	£3.38m	£4.72m
Autonomy Corporation	SP	£2.85	£318.00m	n/a	9.47	87	0.00%	19.00%	£0.00m	£51.89m
Aveva Group	SP	£5.19	£89.30m	24.4	2.48	2595	-0.76%	8.13%	-£0.60m	£6.63m
Axon Group	CS	£1.59	£82.70m	29.9	1.92	909	10.42%	-1.85%	£7.80m	-£1.58m
Baltimore Technologies	SP	£0.35	£18.50m	Loss	0.53	354	1.47%	-12.66%	£0.20m	-£2.70m
Bond International	SP	£0.51	£7.41m	Loss	1.16	777	-8.18%	6.32%	-£0.66m	£0.44m
Business Systems	CS	£0.14	£12.00m	Loss	0.45	120	-9.49%	7.92%	-£1.30m	£0.80m
Capita Group	CS	£2.74	£1,820.00m	32.5	1.68	74068	6.61%	12.76%	£110.00m	£201.37m
Charteris	CS	£0.30	£12.60m	Loss	1.03	333	0.00%	13.21%	£0.00m	£1.50m
Chelford Group	CS	£0.03	£17.20m	Loss	2.36	435	25.00%	233.33%	£4.30m	£12.86m
Clarity Commerce	SP	£0.55	£8.41m	29.6	1.16	436	-22.14%	-22.70%	-£2.39m	-£2.47m
Clinical Computing	SP	£0.35	£10.90m	Loss	4.56	278	-2.82%	-10.39%	£0.30m	-£1.20m
CMS Webview	CS	£0.12	£9.40m	Loss	7.77	843	-11.28%	-4.07%	-£1.20m	-£0.85m
CODASciSys (was Science Systems)	CS	£3.63	£92.10m	22.4	1.39	2810	2.69%	22.88%	£2.60m	£17.20m
Comino	SP	£2.07	£28.80m	17.0	1.18	1592	-1.43%	2.73%	-£0.40m	£0.81m
Compel Group	R	£1.05	£32.60m	84.4	0.62	840	28.05%	35.48%	£7.20m	£8.60m
Computacenter	R	£4.35	£818.60m	20.1	0.42	649	-4.66%	-7.50%	-£40.40m	-£66.43m
Computer Software Group	SP	£0.46	£14.20m	Loss	3.96	387	9.64%	7.06%	£1.10m	£0.93m
Corpora	SP	£0.41	£5.74m	Loss	19.89	1079	-8.89%	36.67%	-£0.55m	£1.54m
DCS Group	CS	£0.14	£3.38m	Loss	0.05	225	-8.78%	0.00%	-£0.31m	£0.00m
Delcam	SP	£2.16	£13.10m	15.3	0.69	831	12.50%	30.12%	£1.50m	£3.10m
Detica	CS	£6.31	£141.00m	26.2	3.60	1578	-11.75%	2.60%	-£19.00m	£3.51m
Diagonal	CS	£0.59	£53.40m	Loss	0.95	851	11.43%	44.44%	£6.50m	£17.16m
Dicom Group	R	£7.30	£153.00m	17.1	0.98	2238	-3.31%	6.03%	-£5.00m	£9.71m
Dimension Data	R	£0.41	£550.30m	Loss	0.43	73	-3.53%	9.33%	-£19.70m	£47.09m
DRS Data & Research	SP	£0.67	£22.70m	16.4	1.78	605	6.40%	5.56%	£1.10m	£1.23m
Easyscreen	SP	£0.34	£23.10m	Loss	8.72	200	6.25%	61.90%	£1.30m	£9.60m
Eidos	SP	£1.28	£179.90m	13.9	1.06	6410	-9.68%	-8.39%	-£19.10m	-£16.00m
Electronic Data Processing	SP	£0.66	£16.30m	13.9	1.88	2021	-7.69%	7.32%	-£1.10m	£1.10m
Empire Interactive	SP	£0.11	£6.51m	Loss	0.26	187	-6.25%	-6.25%	-£1.63m	-£0.43m
Epic Group	CS	£0.97	£25.30m	16.3	2.89	924	-7.62%	1.04%	-£2.10m	£0.30m
Eurolink Managed Services	CS	£0.27	£2.81m	30.3	0.31	270	0.00%	-3.57%	£0.00m	-£0.10m
Financial Objects	SP	£0.37	£10.10m	Loss	0.79	159	25.86%	50.52%	£2.10m	£3.41m
Flomerics Group	SP	£0.97	£14.10m	49.4	1.20	3712	12.21%	59.50%	£1.50m	£5.23m
Focus Solutions Group	SP	£0.55	£15.60m	Loss	2.37	282	29.41%	57.14%	£3.50m	£5.67m
GB Group	SP	£0.35	£28.10m	39.0	2.50	227	4.29%	15.57%	£1.20m	£3.81m
Gladstone	SP	£0.12	£5.02m	Loss	0.58	288	-8.00%	-8.00%	-£0.43m	-£0.43m
Glotel	A	£1.29	£48.90m	Loss	0.64	670	14.16%	30.30%	£6.30m	£11.40m
Gresham Computing	CS	£4.55	£224.10m	n/a	19.35	4887	13.34%	36.28%	£19.10m	£59.84m
Harrier Group	CS	£0.31	£9.06m	Loss	0.95	241	17.87%	44.19%	£1.38m	£2.77m
Harvey Nash Group	A	£1.03	£61.50m	Loss	0.39	589	7.29%	36.42%	£4.20m	£19.14m
Highams Systems Services	A	£0.15	£2.84m	Loss	0.26	403	-2.03%	18.37%	-£0.05m	£0.44m
Horizon Technology	CS	£0.60	£42.70m	Loss	0.21	219	-0.83%	-9.16%	-£1.80m	-£2.10m
Host Europe	CS	£0.02	£26.80m	Loss	1.95	813	27.78%	53.33%	£5.90m	£8.60m
Hot Group (was RexOnline)	CS	£0.21	£32.10m	Loss	12.22	247	15.28%	13.70%	£4.30m	£7.80m
ICM Computer Group	CS	£2.90	£60.30m	21.2	0.77	1611	-2.68%	22.11%	-£1.50m	£10.90m
I-Document Systems	SP	£0.12	£18.80m	Loss	4.21	16	18.93%	13.95%	£3.00m	£2.30m
In Technology	CS	£0.96	£132.20m	Loss	0.84	3820	12.35%	57.85%	£21.20m	£48.48m
Innovation Group	SP	£0.39	£166.30m	Loss	2.84	169	6.75%	40.91%	£16.30m	£50.65m
Intelligent Environments	SP	£0.12	£17.70m	Loss	6.63	130	1.24%	40.00%	-£0.10m	£5.60m
IQ-Ludorum	SP	£0.02	£1.90m	Loss	0.48	32	4.35%	33.33%	£0.10m	£0.46m
iSOFT Group	SP	£3.35	£764.60m	22.2	8.36	3045	-3.18%	-9.64%	-£18.40m	£306.30m
IS Solutions	CS	£0.13	£3.29m	Loss	0.44	494	-1.85%	52.30%	-£0.06m	£1.13m
ITNET	CS	£3.07	£224.70m	18.0	1.19	876	-2.39%	1.83%	-£5.30m	£4.17m
Jasmin	SP	£0.45	£2.13m	Loss	0.36	300	0.00%	-10.00%	£0.00m	-£0.24m

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Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation										
	SCS	Share Price	Capitalisation	Historic	PSR Ratio	S/ITS Index	Share price move since	Share price %move	Capitalisation move since	Capitalisation move (£m)
K3 Business Technology	SP	£0.23	£11.50m	11.6	1.42	172	47.06%	87.50%	£3.73m	£5.38m
Kewill	SP	£0.73	£56.70m	Loss	2.25	1448	-7.28%	25.21%	£4.50m	£11.75m
LogicaCMG	CS	£3.06	£2,295.00m	Loss	1.26	4191	6.25%	19.41%	£135.00m	£374.03m
London Bridge Software	SP	£0.63	£107.70m	27.2	1.85	1575	-10.00%	18.87%	£12.30m	£17.15m
Lorien	A	£0.83	£15.40m	Loss	0.14	825	1.23%	-4.07%	£0.20m	£0.60m
Macro 4	SP	£1.70	£35.40m	Loss	1.09	685	3.03%	7.26%	£1.10m	£2.33m
Manpower SoftWare	SP	£0.44	£19.50m	Loss	5.48	454	58.27%	87.23%	£7.20m	£9.12m
Marlborough Stirling	SP	£0.53	£119.70m	Loss	0.99	379	9.73%	20.45%	£10.70m	£20.40m
MERANT	SP	£1.55	£162.60m	33.6	2.07	746	0.98%	17.94%	£3.60m	£24.68m
Microgen	CS	£0.56	£48.20m	Loss	1.82	237	-13.95%	1.83%	£7.90m	£1.00m
Minoplanet Systems	SP	£0.32	£26.50m	Loss	0.30	653	-1.54%	-4.48%	£0.40m	£1.20m
Misys	SP	£2.27	£1,268.00m	11.3	1.25	2824	0.44%	7.20%	£9.00m	£86.55m
Mondas	SP	£0.48	£12.50m	Loss	3.37	640	1.05%	26.32%	£0.10m	£2.57m
Morse	R	£1.61	£210.50m	Loss	0.60	644	-4.73%	12.98%	£8.50m	£25.35m
MSB International	A	£0.98	£20.10m	Loss	0.24	516	4.81%	9.50%	£0.90m	£1.67m
Myratechnet	CS	£0.04	£1.22m	Loss	0.65	32	0.00%	36.67%	£0.00m	£0.42m
Noipher	SP	£1.68	£42.70m	Loss	3.29	670	12.42%	10.20%	£5.10m	£3.95m
NetBenefit	CS	£0.53	£8.57m	43.0	1.37	263	5.00%	36.36%	£0.41m	£2.29m
Netstore	CS	£0.45	£42.20m	Loss	2.97	297	18.67%	14.84%	£6.10m	£5.46m
Northgate Information Solutions	CS	£0.66	£324.20m	22.1	3.80	252	-4.38%	13.42%	£14.80m	£158.36m
NSB Retail Systems	SP	£0.36	£116.90m	Loss	1.59	3130	26.32%	111.76%	£24.30m	£63.13m
OneclickHR	SP	£0.08	£4.37m	Loss	0.93	188	-25.00%	-9.09%	£1.45m	£0.39m
Parity	A	£0.13	£37.50m	Loss	0.20	2167	4.00%	20.93%	£1.40m	£6.43m
Patsystems	SP	£0.24	£35.40m	Loss	3.32	227	16.59%	38.57%	£5.30m	£9.90m
Pilat Media Global	SP	£0.67	£29.40m	n/a	4.00	3350	50.56%	103.03%	£9.80m	£14.86m
Plant Holdings	SP	£0.29	£26.60m	Loss	1.30	1208	5.45%	1.75%	£1.40m	£0.47m
PSD Group	A	£3.28	£82.30m	n/a	1.86	1489	-0.76%	11.02%	£0.60m	£8.20m
QA	CS	£0.07	£13.80m	Loss	0.47	33	-3.33%	70.59%	£6.64m	£9.85m
Quantica	A	£0.56	£22.70m	Loss	0.87	452	13.13%	15.46%	£2.70m	£3.10m
Raft International	SP	£0.16	£10.60m	Loss	1.24	254	4.58%	6.67%	£0.50m	£0.76m
Retail Decisions	SP	£0.24	£70.20m	Loss	2.47	328	15.48%	90.20%	£9.40m	£33.31m
Reversus (was Transeda)	SP	£0.01	£0.76m	Loss	0.13	22	-8.33%	10.00%	£0.12m	£0.06m
RM	SP	£1.38	£123.80m	17.1	0.57	3943	-4.83%	4.15%	£6.20m	£4.98m
Royalblue Group	SP	£6.15	£200.00m	26.3	3.54	3618	7.33%	21.06%	£13.00m	£32.36m
Sage Group	SP	£1.93	£2,467.00m	23.7	4.40	74135	-1.66%	9.67%	£34.00m	£219.41m
SDL	CS	£1.34	£72.70m	Loss	1.13	893	8.06%	58.58%	£5.70m	£26.93m
ServicePower	SP	£0.52	£29.30m	Loss	6.54	515	9.57%	30.38%	£2.60m	£6.90m
Sirius Financial	SP	£0.92	£15.60m	11.0	0.69	610	26.21%	22.82%	£3.30m	£2.90m
Sopheon	SP	£0.36	£36.20m	Loss	2.93	511	51.06%	121.88%	£12.70m	£20.50m
Spring Group	A	£1.44	£223.20m	Loss	0.76	1600	23.08%	24.68%	£42.20m	£44.25m
Staffware	SP	£6.08	£88.10m	25.9	2.26	2700	3.85%	4.74%	£3.20m	£3.98m
StatPro Group	SP	£0.37	£107.80m	Loss	14.91	463	13.85%	19.35%	£97.00m	£97.60m
SurfControl (was JSB)	SP	£5.78	£178.70m	34.7	3.87	2890	11.37%	-22.98%	£19.70m	£51.40m
Synstar	CS	£0.77	£124.30m	21.4	0.56	464	13.33%	16.79%	£14.30m	£17.90m
Systems Union (was Freecom)	SP	£1.23	£129.80m	16.8	1.74	942	-2.00%	20.10%	£1.20m	£23.80m
Tadpole Technology	SP	£0.18	£48.80m	Loss	9.17	422	-22.22%	40.00%	£11.90m	£16.07m
Telecity	CS	£0.15	£48.80m	Loss	1.96	19	-3.23%	5.26%	£17.70m	£19.90m
Tikit Group	CS	£1.32	£15.80m	24.3	1.92	1143	12.39%	16.37%	£1.80m	£2.10m
Total Systems	SP	£0.80	£8.36m	16.7	2.13	1509	30.08%	39.13%	£1.90m	£2.35m
Touchstone Group	SP	£1.14	£11.80m	12.4	0.83	1086	11.76%	12.87%	£1.20m	£1.30m
Trace Group	SP	£0.76	£11.50m	Loss	0.72	604	11.85%	17.05%	£1.20m	£1.70m
Triad Group	CS	£0.68	£10.20m	Loss	0.37	500	0.00%	14.41%	£0.00m	£1.26m
Tribal Group	CS	£2.19	£150.50m	10.0	1.42	1324	-30.41%	-33.99%	£66.50m	£68.16m
Ultima Networks	R	£0.02	£3.86m	n/a	1.90	49	-16.67%	0.00%	£0.72m	£0.49m
Universe Group	SP	£0.29	£17.00m	13.9	0.49	1289	-6.45%	13.73%	£1.20m	£6.18m
Vega Group	CS	£1.45	£26.80m	Loss	0.75	1189	23.93%	-17.14%	£5.90m	£5.60m
Vi group	SP	£0.13	£4.84m	Loss	0.64	260	-2.26%	-1.89%	£0.10m	£0.09m
Warthog	SP	£0.03	£1.84m	Loss	0.16	58	-3.85%	-67.74%	£0.55m	£1.96m
Wealth Management Software	SP	£0.16	£6.82m	Loss	0.62	125	-25.46%	-9.72%	£2.31m	£0.73m
Workplace Systems	SP	£0.11	£18.90m	Loss	1.33	0	-14.63%	-10.64%	£3.20m	£2.30m
Xansa (was F.I. Group)	CS	£0.95	£321.70m	Loss	0.71	2436	5.56%	11.76%	£16.70m	£33.84m
XKO Group	SP	£0.96	£26.50m	Loss	0.61	640	1.05%	13.61%	£0.20m	£3.10m
Xpertise Group	CS	£0.01	£5.22m	Loss	1.13	50	13.64%	0.00%	£0.51m	£0.52m

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ANOTHER MONTH OF SHARE PRICE INCREASES

S/ITS share prices continued their upward trajectory this month, albeit at a slower rate than in January. The Holway S/ITS index appreciated a further 4%, boosting the index by close to 20% since the start of the year. The FTSE IT SCS Index was back in positive territory (up c1%), however the techMARK100 index enjoyed a c9% increase.

There was a mixed performance by category of company, with the Internet companies (once again) making most gains (up 8.2%). However, IT staff agencies were not far behind, up 7.2%, and Software Products firms showed a 5% increase. Resellers lagged behind, with just 0.8% increase, but that masks the fact the average was skewed by **Compel** (see p12), which reported H1 04 results this month, and saw its share price rise 28%. Other resellers saw their share prices fall, with **Morse** and **Computacenter** both down 4.7%.

Making the greatest gains this month were small software companies. Following its move into profitability in its H104 results (announced late in January), **Manpower Software**, provider of human resource planning and optimisation solutions, gained 58%. Other software firms to see double-digit rises in their share prices include **Sopheon**, and **Pilat Media Global** and **K3**.

Shares in **Spring** were buoyed this month by news that the company had been awarded a managed recruitment service contract by one of the UK's leading banks (expected to generate in excess of £100m over its three year term). Ahead of its FY03 results in March, Spring's share price gained 23%. Also on the up was **Diagonal**, the Farnham-based ITSA and SAP consultancy. Reduced losses and a clearer road map for the year ahead boosted its shares by 11.4%. (*Heather Brice*)

27-Feb-04	S/ITS Index	5588.52
	FTSE IT (SCS) Index	548.78
	techMARK 100	1187.00
	FTSE 100	4492.20
	FTSE AIM	929.60
	FTSE SmallCap	2697.37

SCS Index +0200 on 15th April 1999

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/02/04 to 27/02/04)	+4.47%	+2.31%	+8.68%	+0.76%	+4.66%	+2.97%
From 15th Apr 89	+458.85%	+118.75%				
From 1st Jan 90	+507.38%	+90.19%				
From 1st Jan 91	+689.48%	+107.93%				
From 1st Jan 92	+434.86%	+80.19%				
From 1st Jan 93	+250.69%	+57.81%				+94.43%
From 1st Jan 94	+234.73%	+31.41%				+44.35%
From 1st Jan 95	+272.77%	+46.54%				+54.45%
From 1st Jan 96	+147.44%	+21.76%	+50.40%		-2.50%	+38.93%
From 1st Jan 97	+108.72%	+9.07%	+29.77%		-4.76%	+23.56%
From 1st Jan 98	+84.13%	-12.53%	+24.42%	-45.12%	-6.29%	+16.61%
From 1st Jan 99	+41.79%	-23.64%	-18.48%	-62.05%	+15.97%	+30.25%
From 1st Jan 00	-51.28%	-35.18%	-68.59%	-85.24%	-51.90%	-12.93%
From 1st Jan 01	-33.25%	-27.81%	-53.73%	-71.84%	-35.35%	-15.26%
From 1st Jan 02	+16.47%	-13.90%	-19.40%	-35.00%	+3.54%	+4.58%
From 1st Jan 03	+106.01%	+14.00%	+82.96%	+61.30%	+54.19%	+48.16%
From 1st Jan 04	+19.51%	+0.34%	+16.95%	+8.97%	+11.28%	+8.98%

End Feb 04	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 in Feb 04
System Houses	25.2%	-51.2%	-34.4%	18.2%	135.6%	22.8%	3.91%
IT Staff Agencies	-52.1%	-58.3%	-33.5%	19.9%	80.4%	18.3%	7.21%
Resellers	123.1%	7.5%	42.1%	58.2%	114.0%	11.6%	0.81%
Software Products	106.7%	-50.3%	-63.9%	16.3%	92.6%	18.7%	5.04%
Holway Internet Index	449.2%	-33.2%	-1.8%	77.6%	171.2%	31.8%	8.20%
Holway S/ITS Index	4.8%	-51.3%	-33.3%	16.4%	106.0%	19.5%	4.00%

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