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SYSTEMHOUSE

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

WELCOME BACK, PROJECT SERVICES

Project services are back! Maybe not with a bang, but they're definitely back. As this article went to press, we were putting the finishing touches to our definitive Market Trends 2006 report, showing market growth for consulting and systems integration higher than we'd previously thought. We reckon both sectors grew around the 5% mark in 2005 and will do so again in 2006. That doesn't sound very exciting, but it's much better than the double-digit decline in 2003, and the growth of around 3.5% in 2004. Moreover, it's within two percentage points of the current outsourcing growth rate.

Several things are happening. We're seeing a veritable mini-boom in ERP and CRM implementation, benefiting big SI houses - especially those with Big Four heritages such as IBM, Accenture, Deloitte and Capgemini. We see a strong revival in SAP implementation, accompanied by growing use of business intelligence (BI) and CRM tools. Although these technologies have been implemented before, the focus this time around is different, with emphasis on cost-cutting and process standardisation giving way to a focus on understanding customers better.

There's also regulatory pressure, especially on financial services firms, which is fuelling demand for project services. European regulations such as MiFID (the Markets in Financial Instruments Directive) and UK initiatives such as the OFT's Faster Payments directive are pushing financial institutions to rethink business processes and even business models. The beneficiaries so far have been consulting players, but as the deadlines get closer, the emphasis will shift towards systems integration as the new IT systems get built to tight deadlines.

A new agenda

We also detect a change in sentiment among businesses towards IT spending. The cost-cutting agenda of the last four years is still there, but it's being supplemented - not replaced - by a new agenda. Businesses are increasingly willing to invest in technology innovation to grow their top and bottom lines. With many of the obvious savings in cost cutting already achieved, bottom-line growth will increasingly be fuelled by top-line growth. You can only cut so much before you cut muscle and bone. Meanwhile, the public sector is getting more interested in innovative ways to improve services to citizens.

IT projects are also slowly getting more manageable and less risky, because they're getting split into smaller bits that get tackled discretely. In part, this reflects a long-term change in IT architecture, with infrastructures and applications increasingly broken into components that

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INDICES
(changes in June 2006)

Ovum S/ITS Index	**-0.3%**	**4907**
FTSE IT (SCS)	**+0.8%**	**506**
techMARK 100	**-1.5%**	**1351**
Nasdaq Comp	**-0.3%**	**2173**

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can be managed separately. Big Bang infrastructure replacement is out; guerrilla-style piecemeal redevelopment is in. That's encouraging CIOs to test the water.

Just do it!

The ultimate expression of this architectural change is SOA - services-oriented architecture, often positioned as the 'next big thing'. Whether you believe this claim or not, SOA has been generating consulting revenues for a while, and it's starting to generate systems-integration work too. Expect to hear a lot more about SOA over the next year, not just from technical folk but from business people too. Capgemini is certainly betting big on SOA this year. With project cost and risk promised to come down, CxOs are attracted to the Nike philosophy: Just do it!

Componentisation of infrastructure and architecture is matched by the decomposition of IT services delivery, now parcelled out across continents, not just regions and countries. The move to offshore-based delivery has a deflationary effect on revenues (unit costs of inputs are dramatically lowered) - just look at Xansa's declining revenues in FY 2006. But there's an upside. End users are clocking up real savings from sending work offshore, and they have enough confidence in their suppliers to re-invest some of these savings in new IT projects. So rising volumes can sometimes counteract the 'offshore effect' of falling prices - that's what Xansa experienced in H2 last year, though not enough to counteract the revenue decline of H1. It's one step back, one step forward.

Clouds on the horizon

Of course, there are clouds on the horizon. Project services will re-enter the down part of the cycle at some point - maybe not for three or four years, but maybe sooner. Offshore competition will get more prevalent, Indian players will go upmarket in search of new revenues, and new entrants such as the Big Four will increase competition. Software packages are finally getting easier to implement, meaning less SI work is needed for projects (and SOA will similarly reduce the need for integration work).

Utilisation rates are already high, meaning revenue growth has to come from growth in volume, pricing or productivity. The second two will be tough. Achieving the last one, the El Dorado of project services, would be really impressive.
(Douglas Hayward)

Holway Comment

Sell in May and go away - but when do you come back?

It doesn't take an article from me to tell you that the stock markets are going through a pretty volatile period right now. The FTSE100 is already 7% off its April high of 6133 and nearly back to where it started the year.

But this is nothing compared with the mayhem in the technology sectors.

Consider this:

- Techmark is 13% off its April high and 7% down on the year
- NASDAQ is 10% off its April high and 4% down on the year.

But the worst performer has been the FTSE SCS Index, which is down a massive 15% from its February 2006 high and already 12% down on the year. The biggest faller has been iSoft - down 78% and £700m in value in the year. But any quick glance at our share price table will show a host of other double-digit fallers - both large and small. Most of the risers that there are in those tables have been because of bid activity - or the rumour thereof - rather than performance.

Window of IPOpportunity

We first introduced our 'Window of IPOpportunity' theme back in early 2004. 1999 and early 2000 had been a period when the window was wide open. A record number of technology companies jumped through it and onto the stock market. But the tech crash which started in March 2000 slammed the window shut. It

Richard Holway

opened again at the end of 2001/beginning of 2002. Many companies, previously frustrated in their IPO attempts, rushed to get their IPOs away. In the UK Detica just managed to jump through. Civica was thwarted as the window closed and had to abort. It took another two years until the window started to open again. 2003 was so bad that there was not one tech IPO in Germany in that year - and only one in France.

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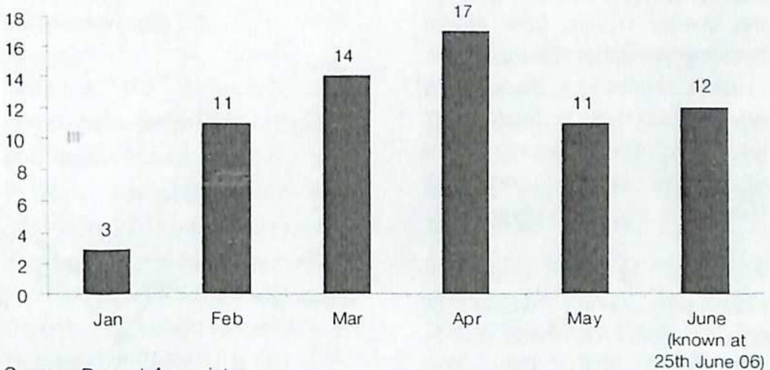
Things started to improve in early 2004 and Civica was one of the first to take the opportunity. The IPO market steadily improved after that. 2005 proved to be the best year since the dot.com peak for tech IPOs and Q4 2005 proved to be a five-year high for tech IPOs in Europe.

Since April, the stock market has gone into reverse. Although there is always seasonal variation in the number of IPOs, with a drop in the summer months, so far the number of tech IPOs has held up well. But we are starting to hear tales of that appetite for IPOs waning. In London and in the US, IPOs are starting to be pulled. 3 Italia and Italtel are two fairly high-profile IPOs put on hold in the last month.

A report in The Times (10 June 2006) warned of the effect this would have on the venture-capital sector in the US. 'Of the 59 private equity backed IPOs in the US since January 2006, 32 are now trading below their float price'. The Vonage IPO was the highest profile of these with one of the worst first-day trading performances of any IPO for many years. Even now Vonage is trading at a 30% discount to its float price. Other US 2006 tech IPOs include Traffic.com (now down a massive 67%) and Corel (the old software company) now down 30%

European Technology IPOs in 2006



Source: Regent Associates

Sell in May and go away?

Assuming you had followed this old stock market axiom at the beginning of May 2006, you might now be feeling fairly satisfied with yourself. But the other part of the axiom is 'Coming back' to the market in September/October. Many of the brokers and advisers we have spoken to agree that the IPO market is currently difficult but believe that this is, indeed, a short-term difficulty. But we detect a level of hope rather than real belief in their prediction. All those really good City bonuses of 2005 are unlikely to be repeated this year if a resurgence of interest both in stocks and IPOs does not reoccur later in the year!

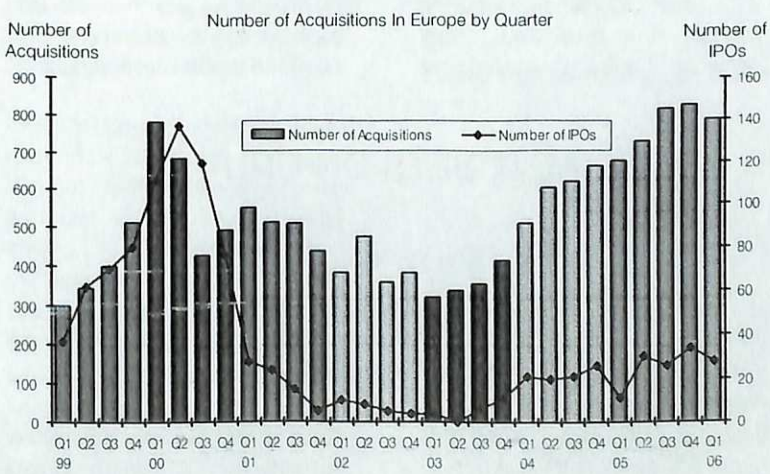
Conversely those we know that have been toying with the concept of an IPO in 2006 have put off the idea until 2007 at the earliest.

Uncertain times

There was a time, long ago, when the technology sector could buck the trends in the market as a whole. Any view of the tech share price performance versus the more general stock market over the last five or more years would disprove that theory. Indeed, nowadays technology volatility (see chart) is an amplification of the market as a whole. It rises faster in good times and falls much, much faster when things turn bad.

Judging by comments this month from Mervyn King, the Governor of the Bank of England, we are clearly not alone in our concerns about the economy - whether in the UK or the US or indeed globally. The argument in previous downturns has been that technology helps companies to cut costs and save money. There has therefore been some evidence that IT outsourcing and BPO, in particular, can act in a counter-cyclical manner. However, today the market is so competitive and global that the

European Technology Acquisitions and IPOs to end Q1 2006



Source: Regent Associates

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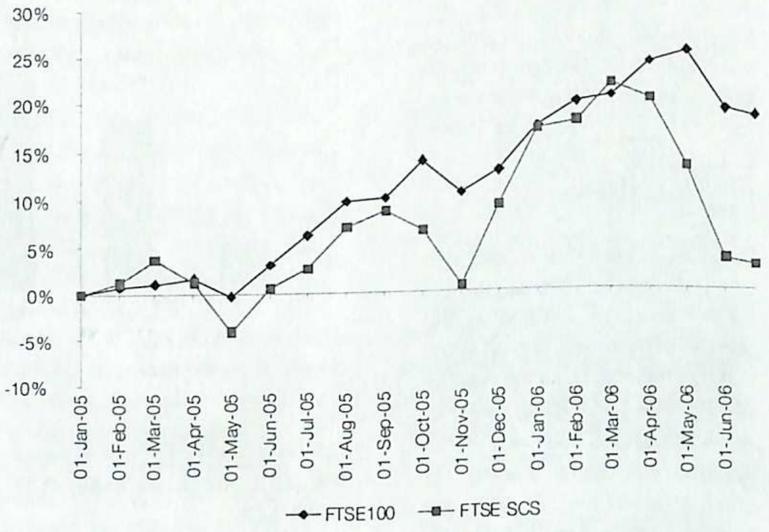
effect is unlikely to be noticed. Buyers demand that any savings the vendor makes from global sourcing are either passed on or, at best, shared with the user. In any event, we suspect that moves to global sourcing are often more likely to boost the fortunes of the Indian players.

We are already facing a prolonged period where IT growth would be measured in low single digits. Even this modest growth might now be at risk. On top of that, much of the recent improvement in earnings had been as a result of cost cuts made a year or so back. Another round of cost cutting is now likely - indeed we have seen the start of this already at companies like CSC. We suspect this round could be even more difficult and painful than the last. But not only will this take time to work through to the bottom line but, if the top line shows minimum (or even negative) revenue growth, the quantum effect on the bottom line will be limited.

M&A

A short-term downturn in IPO activity often drives increased M&A activity - at least for a couple of quarters. This is shown in the data and chart from Regent Associates above. We suspect that will be the case for the remainder of 2006. Indeed a report this month from Morgan Stanley (reported in The Times 19 June 2006) predicted 'one of the biggest years ever for M&A' as 'volatility may facilitate the closing of deals'. As valuations on the Stock Exchange reduce it can even accelerate the trend (seen at the last downturn) of public companies going private. Misys is a current example of a large S/ITS company currently exploring the MBO route as it does not believe the market currently gives full value to its shares. Although M&A activity will hold up well, valuations will be more restrained.

FTSE 100 v FTSE Software and Computing Services Index



Footnote - Hotel California syndrome

VCs might well be both flush with cash right now and a market downturn could well provide new investment opportunities. But what of all those maturing investments made in the last round of exuberance in the last 1990s? Just as they hoped that the bull market conditions would provide an exit at last, the Window of IPOpportunity closes again.

So they are often faced with the difficult choice of putting more in to keep the investment going until markets improve or walking away and writing off the investment to date. In The Times on 10 June 2006 this was described as 'Hotel California syndrome'. As the Eagles wrote in Hotel California 'You can check out anytime you like, but you can never leave'.

Given my known love of using rock lyrics to illustrate my articles, I wish I'd thought of that one!

GBGROUP

GB TAKES A LOSS AS IT BETS ON URU

CRM and authentication provider GB Group announced its full-year results (to end March). The company grew revenues by 14% to £12.8m. But it registered an operating loss, before exceptional items, of £500k, compared to an operating profit of £200k in FY05. Loss before tax was £300k (FY05: profit before tax of £150k). GB is proposing an increased full-year dividend of 0.75p (FY05: 0.5p).

Comment: GB remains a player of two halves. The customer data

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capture and analytics side of the business, which runs the DataIntegrity and DataSolutions offerings, are relatively mature and finding it hard to grow. Revenues here were up just 3%, although we are glad to see that the decline in revenues in these areas shown in the company's interim results appears to have been arrested. That's significant because GB needs its core offerings to perform solidly and profitably as it focuses on the exciting and growing part of its business: the customer age and ID verification service branded URU that it is offering in conjunction with BT.

URU is the focus of the company's long-term strategy and development plan, so it has to work. The good news is that growth in FY05 was strong, with invoiced URU orders quadrupling to £2.4m and revenue tripling to £1.9m. GB needs to maintain a high level of growth. It has sunk a lot of money into URU, with sales, marketing and product development costs for the offering doubling to £1.6m in FY06.

GB's dividend announcement looks bold, given its lack of profitability. But its strong balance sheet (cash levels ended the year where they began at £6.7m) means a £600k dividend payout is easily manageable. That cash balance is also a major comfort factor and enabler for GB as it continues to build URU as its core longer-term business.

(Phil Codling)

CIVICA GROWS FROM IPR & SERVICES

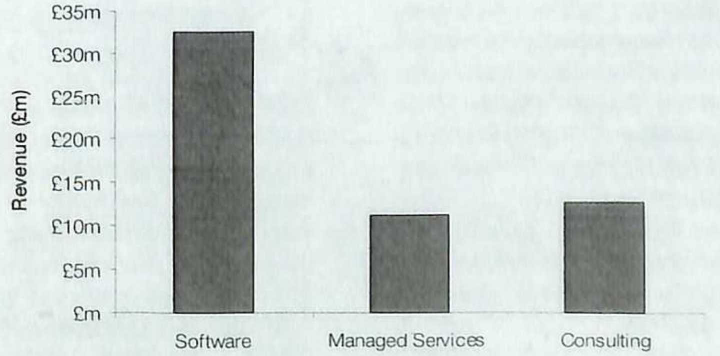
Civica has released results for the six months to 31st March 2006. Headline turnover increased by 14% to £56.5m but revenues from existing operations, excluding the impact of the Comino acquisition, were down 0.6% at £49.3m. Operating profit before goodwill amortisation (£3.4m), incentive plan charges (£1.3m) and exceptional items (£4.3m) was £7.8m, 40% up on the same period last year. At the pre-tax level, Civica moved into losses thanks to the exceptional costs associated with the Comino acquisition. Pre-tax losses were £2.1m compared to a small (£559k) profit in H105.

Civica is continuing to focus on its own applications and associated services rather than third-party software resale. This strategy seems to be paying off - excluding the third-party resale business, revenues were up 48% (or c7% on an organic basis excluding revenues from both the Comino and Flare acquisitions). Turnover from 'Owned Software' grew by 27% to £9.1m while the overall software business saw a 5% decline in turnover to £32.5m.

The other two areas of Civica's business also performed well: Managed Services saw turnover increase by 50% to £11.3m and the Consulting business grew by 64% to £12.7m turnover.

Comment: The last few months have seen Civica complete the acquisition of Comino giving the business more scale and a broader suite of local government applications. At the same time, Civica has been continuing its push into services as public sector clients look to derive value from their existing products.

Civica FYE 06 revenue by business



Source: Civica results

Now that Civica is slightly larger it has been going after (and winning) larger integrated contracts such as its recent Building Schools for the Future (BSF) contract at Sheffield, the first of three phases of which is worth c£12m to Civica over five years. It is also finding it easier to attract the attention of partners and to play more significant roles within consortia. It is, for example, working with Fujitsu in a consortium to deliver a licensing management solution for the Gambling Commission. Comino's bias towards front office applications also makes it easier

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for Civica to go after transformational contracts, which tend to involve the front office in local government. Going forward, we expect to see Civica targeting more of these larger, integrated opportunities - it is already planning to bid on two or three more BSF contracts per year.

At the same time, Civica has an opportunity to deepen it product penetration within local government by cross-selling more products and services. At the moment it supplies 89% of UK local authorities but only 23 customers take more than ten products or services from the Civica group. There is plenty of scope for Civica to persuade the 234 customers that take 1-4 of its products or services, and the 140 that take 5-9, to broaden their relationship with the company.

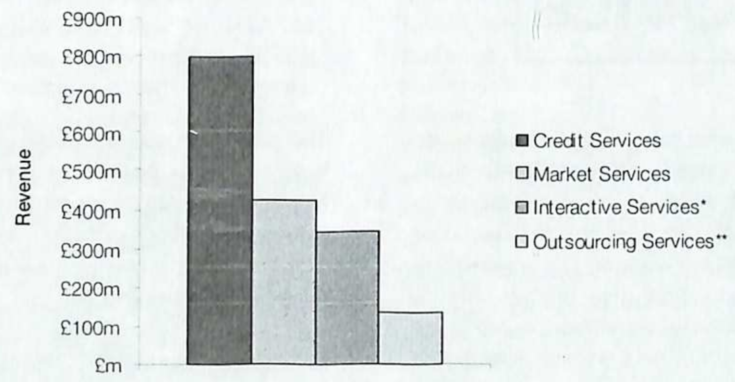
We expect to see 'more of the same' from Civica as it beds down the Comino acquisition. Having plugged most of the gaps in its product portfolio, we do not anticipate further significant acquisition activity in the near term.
(Samad Masood)

experian

EXPERIAN READY TO MAKE WAVES IN S/ITS

At the end of May, GUS plc released full results for its Experian information services subsidiary, announcing that a full de-merger of the business is planned for October 2006. For the 12 months to 31 March, Experian's revenue grew 27% to £1.7bn, with EBIT growing by 31% to £417m. EBIT margin improved by one percentage point to 24%.

Experian global revenue by business line



**'Web-based' services mainly in the US*
***Mainly in the UK and France*
Source: Experian

In June, Experian announced it had acquired Eiger Systems, a company that develops bank account validation and payment processing software. Founded in 1997, Eiger is based in Rugby and employs 80 staff. It claims to supply over one-third of the FTSE-100 with its software, including clearing banks, insurance companies, telecommunication providers, utility companies, building societies, charities, local authorities and central government departments. Named clients include Nationwide Building Society, Standard Life Assurance, The Carphone Warehouse, Scottish Power and BT Retail.

The combination of Eiger with Experian will enable clients to simultaneously validate customers' name and address details, via QAS' QuickAddress software, and customers' bank information using Eiger Systems' data validation software.

Comment: We believe that Experian will increasingly play a strong part in the UK S/ITS market and is one to keep an eye on, not least because of its focus on software sales.

Experian is best known as a credit reference agency, but this is actually a considerable under-estimation of the scope of the company. Software products are becoming its principal means of delivering its data services in an intelligible and useful way to its clients. Experian attributes roughly 30% of its £1.7bn revenue to its "solutions" (i.e. software-focused) business, compared to the 40% that comes from purely data sales. Indeed, Richard Fiddis, UK, Ireland and Northern Europe managing director, says Experian thinks of itself as a *"software and analytical tools provider as well as providing core data assets."* It is an important distinction as without the software (and the business expertise behind it) Experian would be just a 'commodity' supplier of customer data.

Because software tools are so central to its business model, we expect Experian to continue to purchase medium-sized and small software companies that

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can extend its existing offerings. Experian spent £775m on acquisitions during 2005/06, but is also ruthless with cutting out businesses that under-perform or are no longer strategic. Over the same year it discontinued NuEdge and Real Estate Solutions in North America and Call Centres in International. Since the end of the financial year Experian also announced that it would be discontinuing its MetaRewards business in the US and would start a phased withdrawal from large-scale UK credit card processing, which was worth £44m in revenue and £20m in EBIT over 2006.

Experian's business is dominated by the US and UK markets. Over the last year Experian North America grew sales by 40% to £1bn (up 36% in dollars), with acquisitions generating 23% of this growth. Experian International grew revenue by 16% to £722m - 60% of which was generated in the UK. Future growth efforts will focus on global expansion, but the UK will still be a focus for acquisitions and investments. Indeed, Experian is presently very active here. The acquisition of Eiger followed the £85m purchase of Clarity Blue, a business intelligence-based marketing solutions company in January 2006.

(Samad Masood)

ANOTHER YEAR OF REVENUE AND PROFITS GROWTH FOR DETICA

Detica, the specialist IT consultancy, has announced results for the year ended 31st March 06, revealing another year of revenue and profits growth.

The headlines are as follows: revenue is up 45% to £101.5m, with organic growth running at 38%, operating profit is up 33% to £10.7m, and PBT is up 30% to £11.4m. Diluted EPS, formerly 28.1p, is 42.7p.

Detica enjoyed particularly strong demand from UK National Security clients, with revenue up 51% to £57.5m, whilst other Public Sector revenues grew 42% to £10.9m. The company's UK Commercial business reported a 34% increase in revenues to £32.8m - within Commercial, TMT was the star performer, delivering 110% growth.

The US business has made *"significant progress"* during the year, with revenue from US National Security clients up 27% to £6.0m. Since gaining the necessary approvals to contract directly with the US Government for National Security projects, Detica has secured four contracts, and comments that the sales pipeline continues to develop well.

Looking to the future, Dr Tom Black, Chief Executive, says they are considering further acquisitions, both in the UK and the US - Detica made three acquisitions in FY06, and now regard this as an *"effective way of accelerating (our) growth"*.

Detica FYE: 31st March	Turnover £m		
	2006	2005	Change
National Security	57.5	38.1	51%
Public Sector	10.9	7.7	42%
Total Public Sector	68.5	45.8	50%
TMT	15.9	7.6	110%
Financial Services	14.5	9.8	48%
Corporate Accounts	2.5	7.1	-65%
Total commercial sector	32.8	24.5	34%
TOTAL	101.5	70.2	45%

Comment: Detica continues to succeed as a result of its clear focus on what it terms "information intelligence". Its clients have one thing in common: the need to process large amounts of data in quick time. In its traditional core business of national security (which covers all elements of intelligence and counter-terrorism operations, as well as defence), demand for Detica's specialist skills is unsurprisingly strong. But the company is also making significant headway in the commercial markets, most notably financial services and telecoms, where its clients require increasing levels of information on their customer base in order to compete effectively in their respective sectors. Importantly Detica is also finding synergies in its target markets. For example, it has identified strong demand from UK government departments for its anti-fraud solution (NetReveal) - previously a financial services sector offering.

However, most interesting is Detica's progress in growing via

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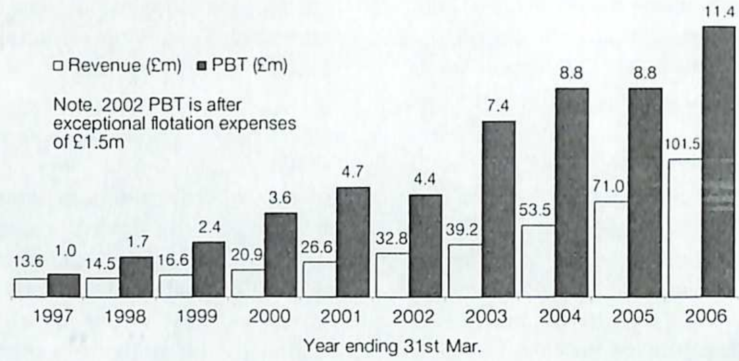
acquisition and also in growing its business outside of the non-core UK market (namely in the US). Detica has made a total of four acquisitions over the last three years - three of which were during FY06. The very first, of Rubus, was back in 2003, and became proof that Detica could successfully integrate an acquired company. Since then, despite the acquisitions becoming larger (the last being the purchase of Evolution Consulting Group for £8.8m in January), Detica has avoided venturing into the unmanageable, with all acquisitions remaining digestible. It has also selected companies to complement its existing core business.

Where Detica is taking bigger risks is in two areas: firstly its expansion into the US; and secondly its investment in Streamshield, its Internet content security business (launched in September 2004). On both counts, the signs so far are good but both are work in progress. In the US, Detica is concentrating on building a healthy business supported by high quality employees. Business has already been won but building a significant presence will take time

Detica Group Plc 10 year revenue and PBT record relative to 1997



and we don't expect the US to break even until FY08. Similarly, the feedback for Streamshield Networks is positive but this continues to be an investment story. To date Detica has invested £7.5m and expects to invest another £4m in the next financial year. In addition in order to tackle large-scale deployments on a global scale (something that Detica knows it can't do alone) it is talking to potential investors (both VCs and industry players) and hopes to raise c£10m+ in the next few months.

Whether it is growth of its non-core UK business (organic and inorganic) or expansion into new geographies or technologies, Detica's biggest challenge is managing this rapid development of the business. The company had 937 employees at the year-end - up 39% on the previous year (including the impact of acquisitions). As Detica well knows, its people are its biggest asset. Unfortunately in FY05, the company's attrition rate was 23%, indicating that it needed to do more to keep this precious asset happy. We are pleased to report that the attrition rate in FY06 had been brought down to 14% (with the help of a new HR Director).

Going forward, Detica will continue to acquire, and it will continue to grow - and as it does, management of that growth will be crucial.

(Heather Brice/Georgina O'Toole)

ACCENTURE AND UNILEVER - HAS HRO REACHED THE "TIPPING POINT"?

Accenture recently signed a seven-year deal with Unilever to provide human resources outsourcing and learning services to 200,000 staff in 100 countries across Europe, America, Asia, Africa, and the Middle East. Although the deal value has not been announced, it is larger than Accenture's HR and learning services deals with BT, which are worth £300m over 10 years and £70m over five years respectively.

Accenture will provide services in more than 20 languages from delivery centres in Bangalore (India), Manila (Philippines), Dalian (China), Bucharest (Romania), Prague (Czech Republic) and Curitiba (Brazil). The two companies have yet to decide the number of staff to be outsourced to Accenture.

Accenture will "drive standardisation" across Unilever's global HR and ERP platforms, including taking decisions on where to integrate existing deployments of Peoplesoft, SAP and other packages on a case-by-case basis. The company will also deploy and manage HR software packages for Unilever as part of this process. This transformation is expected to take two and a half years. The contract begins on 1st July.

The HR services to be provided include recruitment, payroll

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administration, reward administration, performance management, workforce reporting, core HR administration and management of third-party suppliers. The learning services include content sourcing and development, program planning and delivery, learning system hosting, and management and administration services.

Brussels-based Arinso International has been sub-contracted by Accenture to provide payroll processing across 30 countries across all continents except the Americas. This work is worth euro90m to Arinso and covers 63,000 active and 12,000 inactive Unilever employees across 30 countries. Arinso already provides Unilever with SAP-based payroll services in the Netherlands as well as providing Peoplesoft-based HR services to Unilever in several other countries.

Comment: This is a big deal for Accenture, and not just because of its size. These sorts of end-to-end HR deals are notoriously rare, with typically only one coming to market in Europe each year. Accenture has established itself as a major contender in this lumpy market, not least because it beat both IBM and ACS in this bid. It also made its mark last year with the renewal of a similar HR and learning services deal with BT, and was short listed to provide the BBC with HR outsourced services, until the deal was won by Capita.

Despite this string of deals, we don't believe the market has reached a "tipping point" where organisations that previously held back now rush into market because their peers have endorsed it. Unilever fits the pattern of the handful of companies that have so far taken this "holistic" HRO route for their European operations. First, it is a large multi-national business. Second, its senior management has a strong mandate to restructure for improved performance. The story is similar to rival Proctor & Gamble, as well as other large HRO customers such as BT, BAE Systems, Motorola, or even the BBC. Can we now expect a rush of other similar deals?

Large organisations are bound to see the HRO model as more attractive as more of their peers sign up for such deals, and as the deals are seen to work. BT's renewal of its HR and learning services deals with Accenture last year was a crucial validation of the end-to-end HRO model, and interest in such deals is certainly on the rise as a result.

But full HRO is not for everyone, and most companies still focus on outsourcing just the payroll function - if that! We would caution against assertions that end-to-end HRO is nearing mainstream adoption based on these few large deals. If anything, HR outsourcing companies such as UK-based Northgate claim that there is more interest in "holistic" HRO at the small end of the market, from businesses with hundreds of staff or less, rather than thousands. Even this end of the market is nowhere near mainstream adoption however.

The fact is that large deals of this type are very complex and few suppliers are prepared to take them on. In particular, HR BPO contracts tend to involve a high level of technology and software implementation as well as application management / maintenance. This is unlike F&A BPO contracts that are predominantly based on labour arbitrage. The Unilever deal is no exception, with Accenture taking on the challenge of transforming Unilever's HR IT. It is no surprise then that Accenture has partnered with Arinso for payroll, enabling it to focus on the other aspects of the deal. We would not be surprised if it signs up more partners as the contract develops. *(Samad Masood)*

FUJITSU SERVICES GROWS REVENUES AND PROFITABILITY IN 2005

Fujitsu Services last month issued preliminary figures for its financial year to 31 March 2006, showing overall revenues up 16% to £2,294m. Profitability improved during the year, thanks to cost control and top-line growth. Operating margin before rationalisation costs rose 1.6 percentage points to 6.7%, while margin after rationalisation costs rose 1.2 percentage points to reach 6.1%. Pre-tax margin rose 1.4 percentage points to reach 6.7%.

Net cash and equivalents rose £24m to reach £107.4m. The order book also rose during the year, from £6bn to £6.5bn. These figures are compiled under IFRS rules, which involved some small revenue restatement for 2004/05. CEO David Courtley said that organic growth accounted for ten percentage points of growth, with six points coming from the incorporation of Fujitsu's Spanish IT services operations during the year. Courtley said revenue growth and profitability were good in the larger territories, such as the UK, Finland and Spain, but problematic in some of the smaller-scale operations, particularly France, where Fujitsu lacks scale as an infrastructure

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outsourcer. He added that Fujitsu continues to look for acquisition opportunities in Europe, 'but we're not in a desperate hurry'.

Comment: We reckon the UK business, which accounts for some 70% of global revenues, grew by 10% during last year, reaching just under £1.6bn, off the back of continued good growth in the core market of public sector outsourcing. Infrastructure outsourcing continued to be the dominant service line in 2005, but BPO will grow in importance (despite the cancellation of the Walsall deal) this year, thanks to the e-HR programme signed with the Northern Ireland Civil Service. We also expect to see Fujitsu using the Northern Ireland contract as a springboard to go after other public sector shared-service BPO deals in the future.

As an infrastructure outsourcer with a strong focus on the public sector, Fujitsu Services has prospered in recent years by hitting buttons like cost reduction, predictability and low risk. We think that the rather conservative, cost-focused agenda pursued by many buyers over the last four years or so will continue. However, it will be supplemented with a more daring agenda aiming to use innovative IT to grow corporate revenues. In theory, this will benefit suppliers with high exposure to the private sector and with strong business-consulting arms, which doesn't sound like Fujitsu Services.

Is Fujitsu therefore about to miss the next wave, as the IT services cycle approaches its next peak? Not necessarily. But it's got to strengthen its presence in commercial markets by deepening its domain expertise, its business understanding and its change management skills, so that it can present itself as a business-oriented outsourcer that understands its clients' commercial strategy and link this to their IT needs. That cannot happen solely through organic growth; we think it requires a mid-sized (up to euro1bn) acquisition of an outsourcer in continental Europe, and probably acquisitions of reasonably small consulting and software houses with expertise and intellectual property in vertical niches. It also needs to strengthen its global-sourcing story if it's to expand in the private sector - something it's already committed to doing.

Not that Fujitsu Services should abandon its own niche as a low-risk, dependable infrastructure outsourcer. The key for Fujitsu will be to present itself as a supplier of intelligent, flexible and business-aware infrastructure rather than as a purveyor of generic cost-cutting services. The latter path leads to commoditisation and plays into the hands of the Indian outsourcers, who are moving into continental Europe - and up the value chain.
(Douglas Hayward)

vertex

MOUNTING SPECULATION OVER VERTEX'S FUTURE

United Utilities has appointed Merrill Lynch to advise it after having received several bid approaches for Vertex, its business process outsourcing division.

Newspapers speculated that potential buyers could include Tata Consultancy Services or Hyder Business Services, and have placed Vertex's value at between £400m and £500m. According to the Daily Telegraph, a sale could be underway by September if UU is impressed by the offers.

Vertex reported revenue up by 2.3% to £405m, with operating profits (before amortisation and restructuring costs) down by £3m to £21m, for the year ended 31 March 2006.

Comment: The BPO market has a lot of potential and UU could achieve a nice premium for Vertex if it found the right buyer, or did a well timed IPO. But we think UU is just testing the waters at this stage. Indeed, the rumoured valuation between £400m and £500m seems a bit low to make a sale worth it right now.

In the longer run though UU will probably offload Vertex, as it could increasingly become a distraction to its core utilities focus. For one, BPO growth is expected mainly from the financial services and local government sectors, not utilities. The market is also very "lumpy", with only a handful of sizable contracts let each year. Finally, profitability is also difficult to achieve, particularly as the market is relatively young and players are investing in their foundations for longer-term growth. Indeed, Vertex itself has undergone significant restructuring and M&A activity in the past year, and currently achieves significantly lower margins than UU's other divisions.

Vertex would give any buyer a ready-made route into the UK BPO market. But for this same reason we don't give much credence to rumours that TCS would be interested. Although it has the clout to buy Vertex, the company has already earned itself a prominent position in the BPO market with its recent life &

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pensions contract with Pearl Group. Integration of that deal, not further acquisition, should be the main focus for TCS for at least the next year.

HBS, backed by owners Terra Firma Capital, could be an interesting contender. The combined business would make Vertex much stronger in local government and give HBS more diversity in the BPO market. Yet both companies are struggling with their profits, and there are concerns regarding HBS' operational capability after a major client, Bedfordshire, cancelled a deal with it last year. Any combination would have to work hard on integration and operational effectiveness.

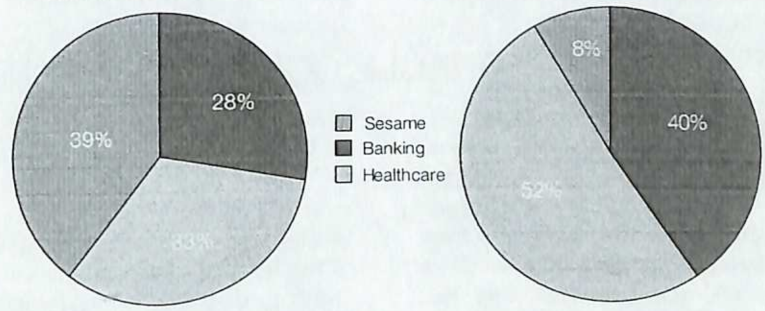
The most likely scenario could be for a complete outsider such as an IT services or support services focused player to pick up Vertex. IBM, which has a partnership with Vertex in the US market, and has long harboured interests in BPO, might be interested for instance. Overall though we think in the current climate Vertex is probably safer where it is, under the wing of a large and profitable UK-based business that can give it the space to grow.

(Samad Masood)

MISYS PROVISIONALLY GOOD IN PARTS

Recently Misys issued a trading update, giving its initial headline figures for the year to 31st May 2006. The company did not give revenues figures for the year, but it did report the percentage changes in its revenues compared to FY 05. In what follows, all the revenue numbers are our estimates. Misys will report the 'real' numbers on 27th July.

Revenue contribution **Operating profit contribution**



For the group, revenue was up 11% as reported to around £940m (this estimate is based the sum of the operating units), or 10% on a like-for like basis. Misys says that the group operating margin was around 9%, which if confirmed is slightly down on the 9.8% achieved in FY 05. The chart shows a breakdown of group revenue and operating margin contributions.

The banking division grew total revenues by 9% (7% like-for-like) to c£260m. Licence fees grew by 16% to c£84m. Maintenance delivered lower growth of 5% (3% like-for-like) to c£121m. However, operating margin declined from 16.8% to around 14%. On top of this, there is an 'exceptional' charge of £14m relating to a restructuring of the division which the company says will yield £15m in cost savings in FY 07.

These are good results for Banking, making it the best performing division in the group despite considerable management turmoil. Even the like-for-like figures show reasonable growth. We are not so worried about the small fall in operating margin - achieving some licence growth is worth that - and we'll take it on trust that the exceptional charges will deliver longer term savings.

Healthcare grew total revenue by 9% (to c£310m) or 3% like-for-like, with licence revenue growing only 1% (falling 4% on a like-for-like basis) to c£57m, though maintenance grew a healthy 14% (8% like-for-like) to c£124m. Operating margin was maintained at around 15%, slightly ahead of the 14.6% in FY 05.

The figures for the healthcare division are disappointing. Nearly all this group's revenue comes from the US and the dollar averaged 4.6% higher against the pound for the company's FY 06 compared to FY 05. This is the main reason why all the like-for-like revenues are around 5% lower than the as-reported numbers. A fall of 4% in dollar-denominated licence revenue in a growing market is not good news, especially when Misys's rivals in the US market, Cerner and IDX, are both growing strongly. However, a slight improvement in operating margin is better than nothing.

Overall, though, Misys's software businesses do not seem to be benefiting from the favourable conditions in the overall software market - any remotely well-run software group should be showing good revenue gains right now. Moreover, the

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sprinkling of 'exceptional' charges gives one a sour taste.

Sesame grew its revenue by 16% (to c£370m), or like-for-like by 18%, while maintaining its operating margin at around 2%. However, it is to take a 'one off' charge for "future estimated costs and redress payments associated with regulatory reviews and endowment complaints" of £16m which will take it into a net loss.

What can we say about Sesame that we haven't already said? It's at best a distraction and at worst a millstone around the company's neck. The table shows what effect disposing of revenue would have on the group. As it shows, growth would have been lower, but operating profit higher. Which would shareholders have liked better, presuming an offer to take Misys private emerges?

	With Sesame	Without Sesame
Turnover (£m)	940	570
Growth	10%	6%
Operating profit (£m)	90	83
Operating margin	10%	15%

The good news is that Sesame seems to have grown reasonably well. The bad news is that this growth is notional - the vast majority of Sesame's reported revenues are actually 'pass through' payments, which it keeps a proportion of for payment. Even worse, it seems that Sesame is being hit by costs related to the mis-selling of endowment policies. Could this be the real reason why Misys was unable to sell it?

(David Bradshaw)

ORACLE

ORACLE COMES IN AS PREDICTED

Oracle produced a set of figures for its Q4 06 and for its full fiscal 2006 that contained very few surprises - not least because it released a set of 'provisional' figures the week before the full announcement.

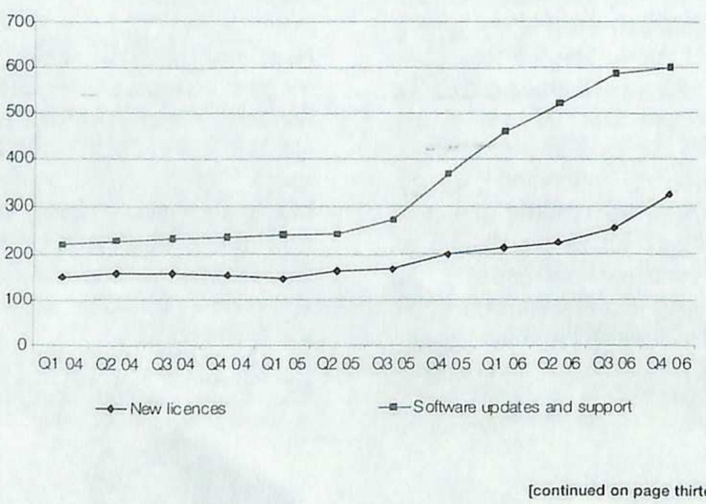
The company said that it saw organic growth in most areas, and on the analyst call CFO Safra Catz pointed in particular to 56% organic growth in applications licences. She defined 'organic' as growth excluding the two main recent acquisitions, Siebel and Retek, and though these weren't the only applications purchase in the year, they are the largest. However, we didn't hear a number for organic growth in database and middleware licences, but our suspicion is that it is perhaps 2-3 points below the headline figures above.

Looking at the figures in detail, total new licence revenues for the quarter were $2.12bn up (32% year-on-year), updates and support (i.e., maintenance) was $1.87bn (up 24%), and other services were $857m, (up 14%). This gives total revenues of $4.85bn, (up 25%).

Quarterly expenses generally rose more slowly than the revenue, indeed general and administrative expenses were actually lower than a year ago. However, sales and marketing rose 36% to $1.10bn. According to Catz, this was due to high sales of applications licences leading to 'accelerated' sales commission payments. In other words, as the sales staff went over their targets, their sales commission payments went up disproportionately. (Catz also implied that the sales commission structure would be amended next year to make it harder for the sales staff to get to this level.

Operating profit for the quarter was $1.86bn, up 32% year-on-

Applications licence and maintenance ($million)



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year, giving an operating margin of 38%, two percentage points higher than a year ago. Net profit for the quarter was $1.30bn, up 27%.

Looking at the year, Oracle had license revenues of $4.90bn (up 20%), maintenance revenues of $6.64bn (up 25%), and other services revenue of $2.84bn (up 19%), giving total revenues of $14.38bn. Operating profit was $4.74bn, up 18% though operating margin at 22% was one point lower than 2005. Operating margin is being strongly affected by all the costs associated with purchases.

Licence revenues grew most strongly in applications, with 83% growth for the quarter and 66% for the year. Database and middleware licences grew 18% in the quarter and 9% for the year. The chart shows how applications revenue has grown over the last three years, and you can see the growth as the acquistions begin to kick over time.

Geographically, revenue from the Americas rose 31% in the quarter and 32% for the year; EMEA revenue rose 16% for the quarter and 10% for the year; and Asia-Pacific rose 27% for the quarter and 18% for the year.

The best news comes from the Americas, where Oracle has put in a really solid performance. Database and infrastructure licence revenues rose 16% year-on-year, while applications licences rose 68%. SAP has been conducting an all-out war on Oracle's US applications business, and making considerable gains in revenue, and this shows Oracle is fighting back. Strong growth in the US is the most convincing rebuttal Oracle can provide.

However, it's a different story in EMEA, where 10% year-on-year growth lags all the other regions. Our figures suggest that currency effects could add another 5% to the constant currency growth for the year, so we estimate that Oracle's European revenue actually grew by about 15% in local currencies, but this still gives Europe lower growth than the other regions. The licence revenue numbers for the regions show that the weakness is in database and infrastructure, where revenues grew by only 1% year-on-year. In contrast, applications rose by a staggering 182%, higher than any other region.

In summary, these results lay some ghosts to rest - even sceptics like us have to admit that there is good organic revenue growth in Oracle's applications business. It's a different matter in the database and middleware, where Oracle's own numbers show that most of the growth is from the middleware side.

(David Bradshaw)

HIGHAMS
SYSTEMS SERVICES GROUP

HIGHAMS IN BETTER SHAPE, BUT CHALLENGES REMAIN

Highams Systems Services Group, the IT staff agency focused on the financial services sector, reported its results for the year to end March 2006. Revenue grew by 33% to £18.0m, helped by the first full-year of revenue from the RWP Recruitment Services business acquired in 2004. Highams also returned to profit, posting an operating profit (before goodwill amortisation) of £192k, compared to a loss of £207k in FY05. At the PBT level, the company still made a small loss of £13k, but that was an improvement on FY05's £511k loss. Loss per share was 0.05p (FY05: loss per share of 1.86p).

Comment: Highams made progress in FY06 and is in better shape than when we reported on its loss-making FY05 one year ago. The addition of RWP has helped to grow the business, while costs have been managed by consolidating management, sales teams and premises. In fact the company's administrative expenses were been held steady year-on-year (at £1.9m), despite the rise in business volume. That said, margins are not yet any better than thin, with an FY06 operating margin of just 1.1%.

If Highams is to improve its profitability, it needs to grow organically. Looking at revenue in the second half, which included the impact of RWP in both FY05 and FY06, organic growth for Highams as a whole works out at 2.1%, which is hardly stellar. Given the recent pick-up in financial services project work in the UK (which accounts for most of Highams' business, there's also a little in Benelux), it has the opportunity to do better than that in the current financial year. But despite its sector focus, the company will need to continue to fight hard for business in what remains a crowded UK ITSA market. The increasing openness of the banking and insurance sectors to offshore options in IT (for all their talk of keeping customer care in the UK!) is also a longer term threat. The outlook for Highams remains challenging.

(Phil Codling)

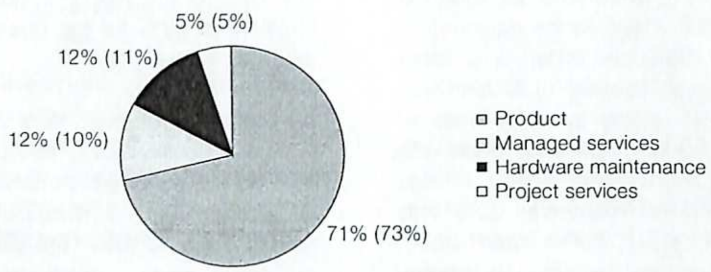
ComputerLand

COMPUTERLAND MAKES MANAGED SERVICES PROGRESS

In the year to end April 2006 UK reseller and services company, ComputerLand, turned in flat revenue of £59.3m. Operating margin (before goodwill amortisation) was 3.4%, up from 3.3%. Earnings per share increased slightly to 15.1p from 15.0p. Contracted services revenue (which includes managed services and hardware maintenance) increased 10% to £14.2m. The company continued with its good cash generation with net cash up £1.1m to £9.0m. As a result, the company is proposing a special dividend of 20.0p per share in addition to the annual dividend.

During the year, the company won "significant" new services contracts with Comet, Focus DIY, Nottinghamshire County Council and Warwickshire County Council. It also won additional managed services business with Burberry and HJ Heinz and extended existing contracts with Egg and Manchester City Council. After the close of the year, ComputerLand sealed deals with O2 and British Sugar to supply desktop and server managed services under new multi year agreements. O2 will become ComputerLand's largest managed services deal - expected to be worth £15m over five years.

ComputerLand revenue split
Total FY06 revenue = £59.3m (£59.5m)



Comment: The progress on the managed services business is really encouraging. Around 18 months ago, ComputerLand announced it was to invest in sales resource for this part of the business. This has now started to pay off, with the contract at O2 being particularly noteworthy. The contract includes managing desktops and the Intel estate. ComputerLand is going to be kept pretty busy over the next few months during the implementation phase, but we hope that after this it can continue the good momentum. O2 adds a significant chunk of revenue to ComputerLand's managed services pot - taking annual revenues from about £7m to about £10m. Furthermore, by our reckoning the current financial year should shape up pretty well as this and the other contracts noted above start to come on-stream.

About one third of the company's business will be services in the current year - indicating that the balance is continuously moving in the right direction. We had wondered whether the company would choose to boost its services business with an acquisition. It seems, however, management have found nothing suitable thus far. However, although it is returning some cash to shareholders, there still remains enough cash in the pot should the right match come along.
(Kate Hanaghan)

PA Consulting Group

PA CONSULTING GROUP SEES A GOOD H1 2006

As part of the research for our forthcoming Market Trends 2006 report, we met up with two senior executives at PA Consulting Group - Patrick Kelly, global head of IT Consulting Group, and Jon Crews, from the Systems Integration and Solutions Group. They report that PA is doing well in H1 2006, hitting or beating its targets. PA is managing to keep prices firm or rising in line with costs, despite general downward pressure on rates. Attrition is stable or even down slightly, but it's often tough to recruit the right people.

Private-sector work is seeing a "pretty uniformly high level of activity" from a mixture of drivers, with an increase in what Kelly calls "investment-related" work in which customers are looking to use IT to generate new revenues and not just to cut costs. A "wall of petro-dollars" is also attracting

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PA to the Middle East, where it has been doing work on telecoms infrastructure in Dubai.

Demand for sourcing (outsourcing and in-sourcing) advisory services remains strong. Interestingly, Kelly sees the specialist advice houses such as TPI starting to broaden their remit and handle more post-contract work such as change management, bringing them more directly into competition with management consultancies.

In the public sector, where PA gets almost two-thirds of its IT-related revenues, Kelly says business is good, but he detects some signs of what might be belt-tightening going on among clients, particularly in larger implementation projects.

Comment: We asked PA "what's exciting right now?" The response was essentially that there are no dramatic demand drivers, but that customers are now genuinely receptive to consultancies pitching innovative new ideas even when the client hasn't specifically asked for a solution. This change in sentiment chimes with what end-users and vendors tell us.

If end users do move towards expecting consultancies to deliver innovative new ideas, it will benefit the likes of PA Consulting more than the process-oriented IT consultancies that focus on efficiency. It's therefore no surprise to see companies such as Capgemini investing in refreshing their business-consulting propositions to supplement the process work.

As we've said recently, this is a relatively good time for consultancies. The market seems to be growing modestly, though nothing like the boom years of the 1990s. The main joker in the pack is an economic slowdown, which always hits discretionary spend such as advertising and consulting first.

The other joker is the possibility that we are heading for a slowdown in UK public sector consulting and/or system-integration demand. There is no sign as yet of a sudden slowdown, but politicians certainly seem to be under pressure to reduce discretionary spend on consultants. That makes it more important for consultancies to demonstrate measurable payback on their engagements.

PA argues that its focus on mid-sized, higher-value public-sector work should go some way to protect it from any clampdown on IT services. Indeed its client-side advisory work should be relatively protected, especially in areas where it's retained to save money (such as in sourcing work). But we doubt it would have immunity. Still, there's no evidence as yet of any slowdown.

For now, PA is playing well to its key strengths: independence, and a combination of business-consulting and technology skills.
(Douglas Hayward)

TRIAD GROUP STILL EMBROILED IN DISPUTE

Triad Group, the ITSA and IT consultancy, reported revenue of £43m down from £46m, for the year ended 31 March 2006. The company made an operating loss of £640k compared to last year's £126k profit, partly due to increased legal costs resulting from its dispute with its suspended CEO. Diluted losses per share were 5.33p compared to a 0.72p profit previously.

The company's balance sheet is looking healthier this year. Trade and receivables have reduced from £12m to £8m, with cash and equivalents increasing to £1.8m from £104k. Cash generated from operations increased to £2m from a negative of £2.6m last year. Triad's shares have not moved this morning, and at 24.5p its market capitalisation is only £3.7m.

Comment: Triad has spent this year slowly recovering from problems that emerged at the end of the last. Back then its auditors (PwC) criticised its accounting methods, and CEO Mira Makar brought an Employment Tribunal claim against the company, after she had been suspended in February 2005 when she launched an independent review into accounting issues. PwC have since resigned as Triad's auditors.

The disagreement with Makar is still ongoing, and seems no nearer to resolution. Triad says it is trying to reach an agreement, but failing that, Makar's claim is likely to come to a tribunal hearing at the end of the year. Nonetheless, Triad has managed to address one of the financial concerns last year by reducing its receivables. Receivables still represent 18% of total revenue though, so there is still some more improvement to come.

Meanwhile Triad's staffing business is focusing on higher margin niche markets, and it mentions "chip & pin" rollouts and support as a particular growth

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area. Future target niches include Petrochemical Exploration, Power, Pharmaceutical and Mapping. As for its systems and consultancy work, Triad says it is "concentrating" on development and expects this area to make a "significant contribution to the results in future".

This high margin focus is all good news, but to really regain its credibility Triad must put both the dispute with Makar and its balance sheet woes firmly behind it. Doing this might cost more in the short run, but at least it will give it a clear path ahead, and the ability to grow profits in the long term.
(Samad Masood)

InTechnology

INTECHNOLOGY: POSITIVES IN H2 PERFORMANCE AND DISPOSAL

Reseller and managed services provider InTechnology announced its results for the year to end March 2006. Revenue from continuing operations declined by 2.4% to £215m. Operating profit before amortisation of goodwill was £6.0m, compared to £4.0m in FY05. Losses arising from discontinued operations (of £5.3m, plus a £3.7m loss on the sale of those operations) helped to increase InTechnology's pre-tax loss to £12.1m (FY05: pre-tax loss of £2.5m). Loss per share was 8.26p (FY05: loss per share of 1.84p).

Comment: The headline numbers mask a year of significant change, and some improvement, for InTechnology. The second half of the year bears this out, with an improvement in operating profit to £4.8m, compared to £1.2m in H1.

Management has attempted to address performance in the core resale (or "Specialist Distribution") business, where market conditions clearly remain tough. The company reports good growth in security and says it's walking away from some low margin, high volume business. But total revenue from continuing operations in Specialist Distribution (the vast majority of which is in the UK) fell by 4% in the year as a whole, and operating profits were just £600k. It is to be hoped that the "strong operating profit recovery" from resale that InTechnology points to in the second half is continuing into FY07.

The focus for growth at InTechnology is the Managed Services business. Growth here was strong (at 15%, to £25.3m), although the division is still not big enough to counteract the drops in resale revenue. Importantly, profitability has improved markedly, with an operating profit of £1.8m from Managed Services, compared to a loss of £2.0m in FY05. New initiatives include a sales team focused on voice over IP and the planned launch of a Managed Exchange service.

Looking forward, a key move that should help InTechnology improve profitability in FY07 is the sale of its loss-making European business (which took place in March - the buyer was German firm Magirus). Profitability in this area of the business failed to pick up during FY06, and having previously signalled that it would "review strategic options", InTechnology came to the conclusion that a sell-off was the only real option available. Given the drag it was exerting on the overall company's performance and profitability, they made the right decision. The £19m of cash raised from the sale also helps to strengthen its balance sheet by eliminating much of its debt.
(Phil Codling)

IDOX

IDOX CEO RESIGNS FOLLOWING TOUGH H1

Information and knowledge management software vendor, IDOX, announced its results for the six months to end April 2006. The company saw revenue slip very slightly to £6.91m (2005: £7.02m). The company moved from an operating profit of £166k to a loss of £65k. At the pre-tax level, IDOX just about kept its head above water with a £1k profit, down from £214 last year. Diluted loss per share was 0.07p, from last year's EPS of 0.12p. IDOX CEO, Andrew Fraser has announced his resignation. Chairman Martin Brooks will take on Fraser's duties in the interim.

Comment: IDOX had been motoring along pretty well by leveraging its good position in the Local Government sector. Its heritage is in planning software,

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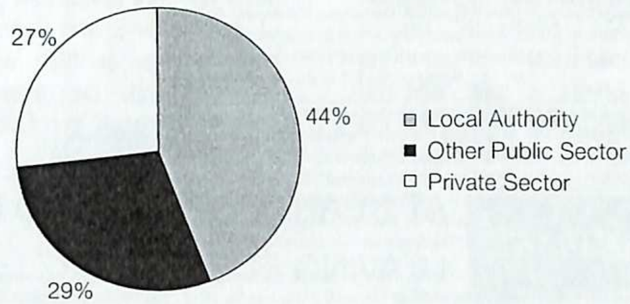
but it has managed to spread its wings into other council departments. So what has gone wrong? Along with the tough trading environment it reports, the company also lost some key sales staff. The Information Solutions division suffered particularly from staff shortages, pushing it into losses in H1. And while the company is doing well to sign up larger pieces of business, it's also feeling the strain of the longer sales cycles that come with this. The departure of CEO Andrew Fraser (after seven years with the company) signifies that now is the time for reflection on where the company goes next. As it moves further and further from its roots in planning software and planning departments and into information

IDOX vertical split of revenue
Total revenue in H1 = £6.9m



management and more generally into Local Government departments, perhaps it is time for a think about how it tackles the market from here on.

We're not expecting immediate results, indeed the company says that any actions it takes will not be felt in the current financial year. However, we do agree that the company has a "*solid platform*" from which it must address its loss-making situation and its longer-term health.
(Kate Hanaghan)

ATOS ORIGIN UK BETS ON APPLICATION MANAGEMENT

We met last month with the head of Atos Origin's UK application-management division, Richard Lever, and his business-development manager Steve Pratt. Application management (AM) is a key growth engine for Atos Origin UK - which saw its overall revenues stall in 2005 - and Lever has double-digit revenue growth targets. We reckon that Atos Orgin UK had AM revenues of about £110m in 2005, mostly concentrated (like the rest of the UK subsidiary) in the public sector.

Lever reckons the market is fairly flat at present, meaning Atos is taking market share. His customers are getting more conscious of cost and of value for money, and are creating more standalone AM and application-development contracts, meaning AM work is now less linked to infrastructure outsourcing. Customers are also splitting AM work among multiple contractors.

Atos wants to grow revenues in new markets beyond the public sector and transportation, and the company is currently hiring more sales people and delivery managers to support this drive. Global delivery is becoming more important, and Lever says his team is even writing offshore and nearshore elements into bids for the public sector, typically seen as offshore-averse.

Pratt says Atos Origin can create annualised cost savings of up to 30% for applications being outsourced for the first time (less for those that have already been outsourced). Most contracts are profitable for Atos Origin within a year or 18 months, Pratt says.

Comment: With Atos Origin UK needing to recover from a difficult 2005, the subsidiary must be expecting a lot from application management in 2006. We think success for AM this year will depend in part on the service line working closely with other parts of Atos Origin's systems integration division (in which it sits), and with the consulting and outsourcing divisions. AM work is usually seen as maintenance or minor enhancement of applications, but it can involve substantial application-(re)development work and even IT or business consulting.

The more that AM can pull the client up the value chain from simple cost-cutting to more complex issues of software-portfolio management and even business-process change, the more both Atos and its clients should benefit - in theory, at least. From Atos Origin's perspective, AM acts as the eyes and ears for the outsourcing, SI and consulting teams, spotting new

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opportunities for cross-selling services to established customers.

We think that injecting innovation into AM contracts on a continuous basis - not just in the early phase - will become increasingly important. With the impact of the initial cost savings soon wearing off, and with more applications having been outsourced for some while, end users will want to see new waves of cost-cutting and functional improvement, or they will be tempted to take their (improved) applications back in-house. AM suppliers must therefore move beyond the obvious quick-win techniques they deploy in the first two years or so of contracts, which means heading up the value chain and taking a more broad-based holistic view of the client's estate.

(Douglas Hayward)

ATKEARNEY

AT KEARNEY LOOKS TO GROW AFTER LEAVING EDS

Whatever happened to AT Kearney, the management consultancy bought and then sold by EDS? It's doing quite well according to Mark Page, a vice-president and board member at the management consultant, which regained its independence from EDS earlier this year.

AT Kearney is now employee-owned with 176 partners and 1,300 to 1,400 consultants worldwide. In the UK, it's got revenues of roughly $50m and specialises in telecom, pharmaceutical/healthcare, consumer goods, process industries and government. Page says clients are typically COOs, CFOs or senior executives with functional responsibility.

Page stressed that Kearney is not closely tied to EDS. Although it has a guaranteed revenue stream from EDS, this is only around 3% of revenues this year and set to halve next year. EDS doesn't just use AT Kearney for consulting services, and Kearney works with other IT services players: "we don't have any special status at EDS". The marketing alliance with EDS does not mandate that the two sides jointly bid for work, although it doesn't prevent this happening either, he adds.

Page reports strong demand among mobile telecoms operators for consulting around operational efficiency (such as raising pricing yields or adopting better processes from FMCG industries). In fixed telecoms, operational efficiency is a priority, but demand is also strong for consulting on launching and positioning new services such as triple play, IPTV etc. He sees telecom companies making greater use in future of customer segmentation tools: "People talked about these before, but now they are really making them work".

Kearney also wants to strengthen its position in financial services, where it's active in growth areas including payments systems, back-office process improvement and pricing/yield management.

Comment: Consulting is coming back after a long hibernation, and Page says Kearney is ahead of plan this year and hopes for growth in the high single digits or maybe 10%. He reckons that the overall market is growing more slowly, perhaps mid-single digits, and we agree.

It's a different consulting market from that of the dot com boom, when Kearney was booming under EDS's ownership before the market turned and the relationship with EDS soured. It's more about operational efficiency and less about blue-sky thinking and new business plans. True, there's renewed interest from clients in revenue-growing propositions (not just in cost-cutting ideas), but this tends to be focused on evolutionary, not revolutionary initiatives. Clients also want more knowledge transfer - they want their staff given the skills to find new ways of cutting costs and growing revenues by themselves.

This rather more "grounded" growth in demand - in contrast to the exuberance of the dot com era - should play well to AT Kearney's image as a solid mainstream consultancy with a long heritage. As we've said before, independence from EDS should benefit both AT Kearney and its former parent.

My only caveat is that Kearney would do well to emphasise that it doesn't have a strategic relationship with EDS, despite the marketing alliance and the fact that the outsourcing giant still buys some consulting services from its former subsidiary.

(Douglas Hayward)

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
WS Atkins	**Mantix Group**	PPPM - portfolio, programme and project management	100%	£8.75m in cash	This looks like a good move by both players. We reckon Atkins has business and IT consulting revenues of around £45m, with about 350 staff, and it's got ambitious plans for expansion both organically and by M&A - hence this acquisition. It operates in the South-of-McKinsey business consulting space, supplying operational and change-management consulting services, project management services and IT consulting, mostly to the public sector.
Kewill Systems	**CSF GmbH**	Freight forwarding and customs clearance solutions	100%	up to euro4.25m	CSF's offerings sit extremely well with Kewill's trade and logistics business, which is where they are going to sit. It will keep CSF's joint managing directors Wolfgang Schwabb and Frank Povolny running the (formerly) CSF business units, and add them to the management team of the trade and logistics business. Indeed, Kewill plans to retain all the other former CSF staff, so this acquisition is about expanding overall business rather than cost savings.
Flomerics	**NIKA**	Software company that sells Computational Flow Dynamics tools to engineers and designers	Network support and solutions businesses only	A deferred consideration of approximately £3.7m in shares	Cross-selling will be the main benefit of this acquisition as NIKA's product and client base are complementary to that of Flomerics. While 90% of Flomerics' clients are in the electronics and semi-conductor industry, 90% of NIKA's are not, and it brings new client relationships with companies such as DAF, Electrolux, Honda, Lufthansa, Miele, Olympus, Pirelli, Tyco and Volkswagen. NIKA should also benefit from Flomerics' larger sales infrastructure in the US, UK and Europe.
RM	**CAZ Software**	Australian provider of education management software	100%	Approximately £1.2m	To date, RM has been primarily a UK-focused organisation, deriving just 1% of revenues from overseas markets. The future, however, may be a little different. RM has identified a number of specific opportunities for its products and services in new territories. Whilst we think RM is sensible to look for opportunities in new markets, thereby reducing its dependence on the UK education sector, it must be cautious in its approach. The US in particular has proved a notoriously difficult market for many S/ITS players to crack. In our view, the right approach is to lead with software products, rather than services, as the latter require significant investment in feet-on-the-street. Similarly, selling via partnerships with established 'local' suppliers keeps cost of sales to a minimum. The acquisition of CAZ brings it both software and established local relationships with a significantly larger number of schools, and for these reasons it seems a good purchase.
Sage	**Bäurer GmbH**	German vendor of business management software	100%	Around $16m in cash	So what does Sage get for its £16m? Not much really - just access to one of the largest and potentially most lucrative markets in Europe. Bäurer serves Germany's mid-market companies with business management systems, and it has industry-specific software for manufacturing. These mid market companies - known as the Mittelstandt in German - are a huge potential market for Sage. They, not the well-known international companies like BMW or Siemens, are the bedrock of the German economy. And lots of them are in manufacturing. Bäurer is too small to give Sage a substantial position in Germany. Yet Germany has to be a long-term priority for Sage. The country is Europe's largest economy by far, and though it is still having a tough time economically, this should depress the prices that potential sellers will ask for their software companies. We don't think Sage would have picked up Bäurer for just 1x revenue if the German economy had been booming. So we expect this to be only the first of many future visits to Germany for Sage.

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Jun 06	Change since IPO
GEONG International	content management software for China	SP	AIM	30p	£8m	23-Jun-06	26p	-13.3%
Norkom Group	financial crime prevention software	SP	AIM	85p	£69m	26-Jun-06	89p	4.7%
Dillistone Group Plc	Recruitment software	SP	AIM	125p	£7m	15-Jun-06	137p	9.2%
Financial Payment Systems	electronic payment systems for China public sector	CS	AIM	12p	£11m	16-Jun-06	11p	-8.3%
Proactis Holdings Plc	Procurement software	SP	AIM	43p	£13m	01-Jun-06	49p	12.8%

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
FIS Software	life & pensions administration software	SP	AIM	n/a	n/a	05-Jul-06
Citel	VoIP software	SP	AIM	n/a	n/a	n/a

UK software and IT services share prices and market capitalisation - June 2006									
	SCS Cat.	Share Price 30-Jun-06	Capitalisation 30-Jun-06	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Jun-06	Share price move since 31-May-06	Share price % move in 2006	Capitalisation move since 31-May-06
@UK plc	SP	0.62	23.13			938.93	-3%	-6%	
Alphameric	SP	0.73	87.45	10.7	1.49	334.86	-12%	-18%	-£17.51m
Alterian	SP	0.88	34.51	27.3	4.72	440.00	-9%	-34%	-£5.96m
Anite Group	CS	0.65	226.56	18.7	1.31	380.12	-2%	-4%	-£4.41m
Ascribe	SP	0.31	34.36	30.6	6.30	1,631.58	9%	-11%	£3.88m
Atlantic Global	SP	0.17	3.98		2.20	576.27	-7%	-21%	-£0.46m
Autonomy Corporation	SP	4.12	757.62	76.6	14.69	125.76	0%	5%	£30.08m
Aveva Group	SP	10.80	238.00	29.9	3.90	5,400.00	-9%	16%	-£21.33m
Axon Group	CS	3.36	191.83	32.0	2.06	1,920.00	4%	23%	£4.21m
Bond International	SP	1.18	29.76	15.1	2.15	1,815.38	7%	19%	-£1.43m
Brady	SP	0.27	7.01		2.55	333.33	2%	-14%	-£0.09m
Business Systems	CS	0.12	9.68	12.7	0.31	100.84	4%	-29%	£0.59m
Capita Group	CS	4.63	3029.29	25.8	2.14	125,158.27	2%	11%	£57.02m
Centrom	CS	0.02	0.57		0.78	333.33	-33%	-56%	-£3.81m
Charteris	CS	0.16	6.67	7.9	0.58	177.78	-36%	-56%	-£4.30m
Chelford Group	CS	2.32	15.36	12.9	1.76	40,347.75	-8%	-4%	-£2.16m
Civica	CS	2.35	119.69	19.9	1.45	1,342.50	-1%	-6%	-£28.59m
Clarity Commerce	SP	0.60	9.57	15.6	0.95	480.00	12%	-21%	£1.04m
Clinical Computing	SP	0.07	2.35		1.17	56.45	-6%	-30%	£0.14m
CODASciSys	CS	5.52	140.25	16.5	1.87	4,279.07	12%	33%	£14.73m
Compel Group	CS	0.85	28.39	13.1	0.44	680.00	10%	-5%	£1.76m
Computacenter	R	2.39	454.20	22.0	0.22	356.72	9%	-6%	£36.50m
Computer Software Group	SP	1.00	55.03	12.8	3.37	851.06	18%	50%	£7.91m
Cornwell Management Consultants	CS	0.55	9.15	8.7	0.94	394.97	-7%	-26%	-£1.68m
Corpora	SP	0.09	3.25		17.95	236.84	17%	-27%	-£4.54m
DCS Group	CS	0.30	9.20		0.11	500.00	-1%	179%	-£0.15m
Dealogic	SP	1.43	101.78	12.2	3.76	621.74	-2%	-3%	-£2.64m
Delcam	SP	3.25	20.07	10.1	0.81	1,250.00	7%	-2%	£1.82m
Detica	CS	13.00	290.59	30.0	4.11	3,250.00	4%	8%	£10.73m
Dicom Group	R	2.19	188.30	21.5	1.09	671.37	0%	5%	-£0.35m
Dimension Data	R	0.36	480.21	74.6	0.85	63.94	-13%	-10%	-£86.38m
DRS Data & Research	SP	0.32	10.49		1.01	290.91	0%	-15%	-£1.10m
Electronic Data Processing	SP	0.55	13.42	47.3	1.95	1,684.02	-5%	-17%	-£1.24m
FDM Group	A	0.71	16.49	13.5	0.59	871.17	-3%	-15%	-£0.81m
Ffastfill	SP	0.05	4.61		3.43	41.67	-2%	29%	-£7.21m
Financial Objects	CS	0.40	16.26	14.0	1.42	173.91	-16%	1%	-£5.30m
Flomerics Group	SP	0.94	13.96	13.4	0.02	3,615.38	-2%	8%	-£0.37m
Focus Solutions Group	CS	0.15	4.29	11.2	0.94	76.92	0%	-29%	-£0.07m
GB Group	CS	0.36	29.66		2.40	232.20	6%	6%	£2.44m
Gladstone	SP	0.22	19.64	12.2	2.88	550.00	2%	-6%	£8.39m
Glotel	A	0.81	30.71	12.7	0.37	420.78	1%	-2%	-£0.68m
Gresham Computing	CS	0.99	49.89		3.92	1,064.52	-19%	22%	-£11.11m
Group NBT	CS	1.43	27.88	14.1	2.40	715.00	14%	25%	£3.19m
Harvey Nash Group	A	0.60	37.74	11.9	0.02	342.86	0%	35%	-£1.03m
Highams Systems Services	A	0.03	1.04		0.06	83.33	20%	-4%	-£9.45m
Horizon Technology	CS	0.64	49.91	9.3	0.30	233.53	-3%	-24%	-£1.18m
IBS OPENSystems	CS	1.69	67.60	13.3	4.54	1,108.20	-2%	6%	-£2.00m
I S Solutions	CS	0.14	3.40	38.8	0.65	521.71	11%	4%	£0.11m
ICM Computer Group	CS	2.45	51.98	13.4	0.84	1,361.11	-8%	-27%	-£4.05m
IDOX	SP	0.08	14.32	9.0	1.58	10.27	-6%	-44%	-£1.55m
In Technology	CS	0.37	70.67		0.20	1,480.00	-5%	16%	£16.05m
InterQuest Group	A	0.62	18.01	9.2	0.59	1,069.57	28%	43%	£5.22m
Innovation Group	SP	0.30	131.89		3.52	131.00	-6%	0%	-£11.33m
Intelligent Environments	SP	0.06	8.57		1.92	63.83	48%	85%	£1.55m
Intercede Group	SP	0.28	9.85		1.03	466.67	-10%	-18%	-£0.17m
Invu	SP	0.26	23.97	20.7	12.35	2,736.82	15%	24%	-£0.18m
iSOFT Group	SP	0.81	184.32	3.8	1.04	736.36	-8%	-79%	-£17.10m
iTrain	SP	0.04	2.73	15.8	3.42	47.06	-4%	-26%	-£0.62m
K3 Business Technology	SP	1.00	13.32		0.76	764.06	6%	22%	-£3.09m
Kewill	SP	0.69	54.21	17.9	2.36	1,363.64	1%	-4%	-£0.18m
Knowledge Technology Solutions	SP	0.01	1.11		2.08	200.00	-20%	-43%	-£0.73m
LogicaCMG	CS	1.74	1994.68	23.5	1.12	2,382.90	1%	-2%	£14.20m
Lorien	A	0.38	6.98		0.06	380.00	-10%	-4%	-£1.64m
Macro 4	SP	2.10	45.62	5.4	1.66	846.77	-7%	-20%	-£5.32m
Manpower Software	SP	0.18	7.78	24.3	2.03	185.57	-20%	-37%	£2.18m
Maxima Holdings	CS	1.49	17.79		2.13	1,083.64	-12%	-4%	-£8.04m

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

	SCS Cat.	Share Price 30-Jun-06	Capitalisation 30-Jun-06	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Jun-06	Share price move since 31-May-06	Share price % move in 2006	Capitalisation move since 31-May-06
Mediasurface	SP	0.15	11.20		2.00	1,066.18	5%	23%	£0.97m
Micro Focus	SP	0.95	206.32	11.8	2.13	0.00	5%	-19%	£25.41m
Microgen	CS	0.58	59.29	14.1	1.47	247.86	2%	-21%	-£0.14m
Minorplanet Systems	SP	0.37	6.90		0.68	755.57	-11%	-16%	-£5.07m
Misys	SP	2.14	1199.37	15.2	1.17	2,662.41	19%	-10%	£294.24m
Mondas	SP	0.17	4.55		1.33	226.67	-4%	31%	-£1.75m
Morse	R	0.79	119.34	30.1	0.40	316.00	6%	-17%	£6.84m
MSB International	A	0.55	11.17	9083.3	0.11	289.47	6%	53%	£0.92m
NCC Group	CS	2.52	82.16	25.2	4.62	1,508.98	-1%	9%	£0.16m
Ncipher	SP	2.07	58.70	19.0	3.76	828.00	-1%	0%	-£0.03m
Netcall	SP	0.14	8.95	56.3	4.24	282.83	-3%	8%	-£0.61m
Netstore	CS	0.34	34.63	16.8	2.31	226.67	-6%	-12%	-£10.64m
Nexus Management	CS	0.01	2.39	33.3	2.79	363.64	5%	82%	-£1.09m
Northgate Information Solutions	CS	0.78	413.91	11.7	2.02	300.00	7%	-9%	£25.24m
NSB Retail Systems	SP	0.29	106.27	7.1	2.57	2,521.74	0%	-11%	£0.88m
OneclickHR	SP	0.04	5.20		0.97	87.50	23%	-20%	£0.74m
OPD Group (was PSD Group)	A	3.17	83.26	23.3	1.82	1,440.91	15%	27%	£0.30m
Parity	A	0.49	18.96		0.00	8,166.64	-8%	444%	-£1.08m
Patsystems	SP	0.17	26.89	176.3	1.56	158.88	13%	26%	£2.93m
Phoenix IT	CS	2.89	169.18	18.8	2.09	1,070.37	1%	7%	£0.74m
Pilat Media Global	SP	0.56	28.22	17.0	2.12	2,800.00	-3%	26%	-£1.09m
Pixology	SP	0.28	11.71		1.93	200.61	-24%	-49%	£4.11m
Planit Holdings	SP	0.24	22.12	8.7	0.77	1,000.00	3%	-6%	£1.51m
Portrait Software (was AIT)	CS	0.19	17.48		0.89	124.75	1%	-28%	£1.94m
Prologic	CS	0.85	8.50	17.1	1.23	1,024.10	16%	38%	£0.80m
QA	CS	0.02	4.44		0.12	6.73	0%	100%	£0.07m
QinetiQ Group	CS	1.77	1149.87	20.7		806.38	4%	-19%	
Qonnectis	CS	0.02	2.56		55.74	432.00	-14%	-24%	-£0.49m
Quantica	A	0.65	43.10	16.0	1.18	524.19	-2%	11%	-£1.38m
Red Squared	CS	0.05	0.96		0.62	260.99	-14%	-28%	-£0.10m
Retail Decisions	SP	1.36	105.64	15.3	1.94	1,837.00	-6%	2%	-£6.83m
RM	SP	1.63	147.89	18.4	0.69	4,657.14	-8%	3%	-£13.24m
Royalblue Group	SP	7.65	250.31	24.7	3.97	4,500.00	8%	7%	£18.94m
Sage Group	SP	2.31	2969.99	22.6	4.16	88,846.15	0%	-10%	-£18.73m
Sanderson Group	SP	0.44	18.40		1.25	880.00	-2%	-16%	£0.42m
SDL	CS	1.75	107.54	37.4	1.58	1,166.67	-7%	-19%	-£7.58m
ServicePower	SP	0.22	15.92		3.16	220.00	-12%	-29%	-£3.01m
Sirius Financial	SP	1.27	22.21	14.5	1.08	846.67	-10%	-13%	-£2.04m
SiRViS IT plc	CS	0.03	3.71		1.28	26.09	9%	0%	£0.43m
smartFOCUS plc	SP	0.15	10.76	48.7	2.20	1,621.62	6%	0%	-£2.08m
Sopheon	SP	0.19	25.46		6.28	273.38	0%	-3%	-£2.13m
Spring Group	A	0.39	63.07		0.15	433.33	-3%	-37%	-£0.99m
StatPro Group	SP	0.82	28.85	18.2	2.67	1,025.00	2%	24%	-£2.98m
SThree Group plc	A	2.95	406.67	18.7	1.86	1,432.04	0%	37%	-£1.72m
Stilo International	SP	0.02	8.13		0.92	40.00	14%	-24%	£6.33m
Strategic Thought	CS	1.77	46.03	24.5		1,302.58	-21%	30%	
SurfControl (was JSB)	SP	4.87	151.59	39.0	0.41	2,435.00	4%	-7%	£18.15m
Systems Union	SP	2.15	235.46	17.6	2.06	1,653.85	3%	63%	£4.37m
Tadpole Technology	SP	0.02	44.64		1.96	48.28	-6%	-45%	£36.19m
Tikit Group	CS	1.87	23.36	15.0	1.26	1,626.09	-2%	7%	-£0.57m
Torex Retail	SP	0.69	256.69	10.3	2.04	1,725.00	-20%	-36%	-£53.29m
Total Systems	SP	0.47	4.94	13.2	1.17	886.79	35%	18%	£4.94m
Touchstone Group	SP	1.63	18.95	20.5	1.18	1,552.38	11%	20%	£1.87m
Trace Group	SP	0.98	14.81	17.4	1.03	784.00	2%	3%	£0.39m
Triad Group	CS	0.23	3.50		0.11	170.37	-1%	-55%	-£0.21m
Ubiquity Software	SP	0.25	43.85		8.01	628.14	-7%	-33%	-£7.31m
Ultima Networks	R	0.01	2.57		1.21	24.39	15%	-38%	£0.78m
Ultrasis Group	SP	0.01	20.47		18.13	28.37	-23%	-31%	-£6.57m
Universe Group	SP	0.14	8.50	7.7	0.26	622.22	-7%	-26%	-£1.13m
Vega Group	CS	2.04	41.53	18.7	0.84	1,672.13	-2%	0%	-£0.30m
VI group	SP	0.11	3.99	14.9	0.37	220.00	10%	33%	-£0.11m
Xansa	CS	0.74	254.66	18.3	0.85	1,897.44	-4%	-18%	-£11.33m
XKO Group	SP	1.03	28.42		0.87	686.67	1%	2%	£0.77m
Xpertise Group	CS	0.47	2.57	10.5	0.21	1,880.00	-11%	-43%	-£0.29m

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

@UK plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£1,202,924	£1,454,073	+20.9%
PBT	-£384,745	-£1,683,883	Loss both
EPS	-2.20p	-8.50p	Loss both

Alphameric plc

	Final - Nov 04	Final - Nov 05	Comparison
REV	£69,973,000	£73,493,000	+5.0%
PBT	-£59,487,000	£7,555,000	Loss to profit
EPS	-50.90p	5.10p	Loss to profit

Alterian plc

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

Anite Group plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£96,472,000	£189,403,000	£83,566,000	-13.4%
PBT	£9,539,000	£6,820,000	£10,066,000	+5.5%
EPS	1.90p	0.50p	2.60p	+36.8%

Ascribe plc

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

Atlantic Global plc

	Final -Dec 04	Final - Dec 05	Comparison
REV	£2,146,000	£2,137,000	-0.4%
PBT	£188,000	-£631,000	Profit to loss
EPS	0.50p	-2.69p	Profit to loss

Autonomy Corporation plc

	Final - Dec 04	Final- Dec 05	Comparison
REV	£35,379,067	£54,834,272	+55.0%
PBT	£4,682,488	£7,210,588	+54.0%
EPS	0.03p	0.04p	+33.3%

Aveva Group plc

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

Axon Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£60,273,000	£91,799,000	+52.3%
PBT	£6,600,000	£8,128,000	+23.2%
EPS	8.50p	10.50p	+23.5%

Bond International Software plc

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

Brady plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£4,832,440	£2,431,609	-49.7%
PBT	£1,914,789	-£1,035,046	Profit to loss
EPS	5.80p	-2.70p	Profit to loss

Business Systems Group Holdings plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£12,624,000	£29,485,000	£18,800,000	+48.9%
PBT	£196,000	£576,000	£499,000	+154.6%
EPS	0.45p	0.90p	0.60p	+33.3%

Capita Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£1,285,100,000	£1,435,500,000	+11.7%
PBT	£117,000,000	£153,100,000	+30.9%
EPS	11.21p	16.05p	+43.2%

Charteris plc

	Interim - Jan 05	Final - Jul 05	Interim - Jan 06	Comparison
REV	£8,866,000	£19,290,000	£10,662,000	+20.3%
PBT	£438,000	£891,000	£407,000	-7.1%
EPS	0.63p	1.28p	0.56p	-11.1%

Chelford Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£11,852,000	£14,494,000	+22.3%
PBT	£282,000	£1,367,000	+384.8%
EPS	3.72p	n/a	n/a

Civica plc

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

Clarity Commerce plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£8,236,000	£16,310,000	£8,415,000	+2.2%
PBT	£306,000	£513,000	£323,000	+5.6%
EPS	2.49p	2.36p	1.47p	-41.0%

Clinical Computing plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£1,757,997	£1,655,806	-5.8%
PBT	-£1,087,741	-£1,538,499	Loss both
EPS	-2.40p	-4.40p	Loss both

CODASciSys plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£67,830,000	£72,771,000	+7.3%
PBT	£3,914,000	£7,666,000	+95.9%
EPS	8.90p	22.60p	+153.9%

Comino Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£12,229,000	£25,533,000	£13,061,000	+6.8%
PBT	£849,000	£2,297,000	£1,401,000	+65.0%
EPS	4.00p	11.10p	6.60p	+65.0%

Compel Group plc

	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison
REV	£41,512,000	£79,103,000	£41,032,000	-1.2%
PBT	£1,204,000	£1,346,000	£931,000	-22.7%
EPS	3.60p	3.40p	2.10p	-41.7%

Computacenter plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£2,410,590,000	£2,285,209,000	-5.2%
PBT	£67,928,000	£34,012,000	-49.9%
EPS	[illegible]	10.90p	-53.6%

Computer Software Group plc

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

Cornwell Management Consultants plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£17,738,285	£20,720,174	+16.8%
PBT	£1,257,282	£1,579,959	+25.7%
EPS	7.70p	6.40p	-16.9%

Corpora plc

	Final - Jun 04	Final Jun 05	Comparison
REV	£499,381	£1,930,101	+286.5%
PBT	-£2,649,553	-£4,844,338	Loss both
EPS	-16.10p	-11.50p	Loss both

DCS Group plc

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

Dealogic Holdings plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£33,446,080	£36,280,700	+8.5%
PBT	£10,538,040	£14,314,300	+35.8%
EPS	5.53p	10.78p	+94.9%

Delcam plc

	Final - Dec 04	Final- Dec 05	Comparison
REV	£21,503,000	£24,011,000	+11.7%
PBT	£1,364,000	£2,337,000	+71.3%
EPS	21.60p	32.30p	+49.5%

Detica Group plc

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

Dicom Group plc

	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison
REV	£86,908,000	£179,795,000	£102,877,000	+18.4%
PBT	£7,450,000	£10,479,000	£4,640,000	-37.7%
EPS	5.90p	27.30p	3.40p	-42.4%

Dimension Data Holdings plc

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

DRS Data & Research Services plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£14,408,000	£12,452,000	-13.6%
PBT	£452,000	£17,000	-96.2%
EPS	1.35p	-0.02p	Profit to loss

Electronic Data Processing plc

	Final - Sep 04	Final - Sep 05	Comparison
REV	£8,319,000	£6,971,000	-16.2%
PBT	£1,032,000	£431,000	-58.2%
EPS	2.61p	1.01p	-61.3%

FDM Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£32,971,000	£35,068,000	+6.4%
PBT	£1,805,000	£1,565,000	-13.3%
EPS	5.00p	4.10p	-18.0%

Ffastfill Plc

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

Financial Objects plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£9,509,000	£13,916,000	+46.3%
PBT	-£45,000	-£183,000	Loss both
EPS	-0.16p	-0.52p	Loss both

Flomerics Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£10,241,000	£11,424,000	+11.6%
PBT	£671,000	£966,000	+44.0%
EPS	3.85p	6.01p	+56.1%

Focus Solutions Group plc

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

GB Group plc

	Final - Mar 05	Final - Mar 06	Comparison
REV	£11,231,000	£2,835,000	-74.8%
PBT	£146,000	-£268,000	Profit to loss
EPS	0.30p	-0.30p	Profit to loss

Gladstone Plc

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

Glotel plc

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

Gresham Computing plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£12,398,000	£13,982,000	+12.8%
PBT	-£1,067,000	-£1,246,000	Loss both
EPS	-1.54p	-2.20p	Loss both

Group NBT plc

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

Harvey Nash Group plc

	Final - Jan 05	Final - Jan 06	Comparison
REV	£163,374,000	£202,294,000	+23.8%
PBT	£3,169,000	£4,003,000	+26.3%
EPS	3.62p	5.05p	+39.5%

Highams Systems Services Group plc

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

Horizon Technology Group plc

	Final Dec 04	Final - Dec 05	Comparison
REV	£190,777,237	£205,876,300	+7.9%
PBT	£4,872,000	£4,647,300	-4.6%
EPS	5.41p	5.11p	-5.5%

IBS OPENSystems plc

	Final - Dec 04	Final -Dec 05	Comparison
REV	£17,099,000	£15,623,000	-8.6%
PBT	£4,904,000	£3,331,000	-32.1%
EPS	n/a	6.00p	n/a

ICM Computer Group plc

	Final - Jun 04	Final - Jun 05	Comparison
REV	£77,542,000	£77,628,000	+0.1%
PBT	£4,380,000	£4,438,000	+1.3%
EPS	14.00p	14.90p	+6.4%

IDOX plc

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

Innovation Group plc (The)

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

InTechnology plc

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

Intelligent Environments Group plc

	Final - Dec 03	Final - Dec 04	Comparison
REV	£3,485,000	£3,074,928	-11.8%
PBT	-£209,928	-£452,796	Loss both
EPS	-0.02p	-0.23p	Loss both

Intercede Group plc

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

InterQuest Group plc

	Final - Dec 04	Final- Dec 05	Comparison
REV	£24,389,937	£27,598,849	+13.2%
PBT	£926,876	£1,370,527	+47.9%
EPS	4.80p	6.60p	+37.5%

iomart Group plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£6,428,000	£16,603,000	£10,952,000	+70.4%
PBT	£107,000	£1,724,000	£1,417,000	Loss to Profit
EPS	0.24p	4.26p	1.79p	N/a

INVU plc

	Final - Jan 05	Final - Jan 06	Comparison
REV	£3,149,000	£4,775,000	+51.6%
PBT	£608,000	£1,248,000	+105.3%
EPS	0.64p	1.23p	+92.2%

iSOFT Group plc

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

I S Solutions plc

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

iTrain plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£436,885	£1,094,097	£947,655	+116.9%
PBT	-£29,634	£70,076	£33,494	Loss to Profit
EPS	n/a	0.10p	n/a	N/a

K3 Business Technology Group plc

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

Kewill Systems plc

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

Knowledge Technology Solutions Plc

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

LogicaCMG plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£1,669,800,000	£1,834,100,000	+9.8%
PBT	£42,400,000	£105,600,000	+149.1%
EPS	1.90p	7.40p	+289.5%

Lorien plc

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

Macro 4 plc

	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison
REV	£16,596,000	£33,103,000	£14,940,000	-10.0%
PBT	£1,767,000	£2,779,000	£1,482,000	-16.1%
EPS	5.50p	11.80p	4.70p	-14.5%

Manpower SoftWare plc

	Final - May 04	Final - May 05	Comparison
REV	£5,146,663	£5,909,466	+14.8%
PBT	£388,906	£336,139	Profit to loss
EPS	1.00p	0.70p	Loss to profit

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Matrix Communications Group plc

	Final - Oct 04	Final - Oct 05	Comparison
REV	£10,603,000	£54,408,000	+413.1%
PBT	£890,000	-£1,836,000	Profit to loss
EPS	3.00p	-7.30p	Profit to loss

Maxima Holdings plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£6,194,000	£8,076,167	£8,093,000	+30.7%
PBT	£800,000	£1,038,016	£389,000	-51.4%
EPS	4.34p	8.30p	1.44p	-66.8%

Mediasurface plc

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

Micro Focus International plc

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

Microgen plc

	Final - Dec 04	Finals - Dec 05	Comparison
REV	£42,444,000	£40,782,000	-3.9%
PBT	£1,118,000	£5,530,000	+394.6%
EPS	0.20p	4.10p	+1950.0%

Minorplanet Systems Plc

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

Misys plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£437,000,000	£888,400,000	£480,500,000	+10.0%
PBT	£40,200,000	£77,100,000	£34,400,000	-14.4%
EPS	6.80p	12.30p	5.60p	-17.6%

Mondas plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£1,816,653	£4,592,675	£1,538,960	-15.3%
PBT	-£1,454,358	-£1,384,081	-£1,159,743	Loss both
EPS	-5.50p	-5.30p	-4.40p	Loss both

Morse plc

	Interims - Dec 04	Final - Jun 05	Interims - Dec 05	Comparison
REV	£216,592,000	£429,531,000	£187,496,000	-13.4%
PBT	£2,598,000	£18,332,000	£6,112,000	+135.3%
EPS	0.60p	-14.10p	1.10p	+83.3%

MSB International plc

	Final - Jan 05	Final - Jan 06	Comparison
REV	£92,321,000	£95,660,000	+3.6%
PBT	£825,000	-£558,000	Profit to loss
EPS	3.34p	-2.89p	Profit to loss

NCC Group plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£8,513,000	£18,786,000	£9,807,000	+15.2%
PBT	£2,312,000	£5,417,000	£2,606,000	+12.7%
EPS	3.30p	10.00p	5.30p	+60.6%

Ncipher Plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£14,244,000	£17,380,000	+22.0%
PBT	£2,061,000	£3,833,000	+86.0%
EPS	7.80p	10.89p	Loss to profit

Netcall plc

	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison
REV	£1,432,000	£2,822,086	£1,592,700	+11.2%
PBT	£50,600	£158,059	£149,100	+194.7%
EPS	0.10p	0.20p	0.20p	+100.0%

Netstore plc

	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison
REV	£10,111,000	£21,397,000	£16,140,000	+59.6%
PBT	£321,000	£653,000	-£1,659,000	Profit to loss
EPS	0.56p	1.43p	1.13p	Profit to loss

Networkers International plc

	Final - May 04	Final - May 05	Comparison
REV	£11,558,192	£21,812,542	+88.7%
PBT	£1,312,243	£2,558,331	+95.0%
EPS	n/a	n/a	n/a

Nexus Management plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£1,231,134	£2,468,862	£1,233,412	+0.2%
PBT	-£18,143	-£186,945	£48,187	Loss to profit
EPS	0.00p	0.00p	0.00p	Loss to profit

Northgate Information Solutions plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£96,816,000	£205,692,000	£162,664,000	+68.0%
PBT	£3,881,000	£3,889,000	£10,003,000	+157.7%
EPS	2.40p	0.79p	1.18p	-50.8%

NSB Retail Systems plc

	Final - Dec 04	Finals - Dec 05	Comparison
REV	£45,399,000	£48,387,000	+6.6%
PBT	-£8,680,000	£9,969,000	Loss to profit
EPS	-2.14p	4.00p	Loss to profit

OneclickHR plc

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

OPD Group plc

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

Parity Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£169,860,000	£138,523,000	-18.4%
PBT	-£6,914,000	-£8,425,000	Loss both
EPS	-2.24p	-3.23p	Loss both

	Final - Dec 04	Final - Dec 05	Comparison
REV	£11,775,000	£15,457,000	+31.3%
PBT	-£2,929,000	-£777,000	Loss both
EPS	-1.40p	-0.50p	Loss both

Phoenix IT Group plc

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

Pilat Media Global plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£12,052,232	£13,004,880	+7.9%
PBT	£1,834,969	£2,465,999	+34.4%
EPS	2.49p	3.28p	+31.7%

Pixology plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,888,623	£4,514,729	£1,805,948	-4.4%
PBT	-£835,547	-£2,163,393	-£725,742	Loss both
EPS	-3.16p	-9.79p	-3.12p	Loss both

Planit Holdings plc

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

Portrait Software plc

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

Prologic plc

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

QA plc

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

Qonnectis plc

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

Quantica plc

	Final - Nov 04	Final - Nov 05	Comparison
REV	£30,848,000	£38,922,000	+26.2%
PBT	£1,957,000	£2,560,000	+30.8%
EPS	3.32p	3.86p	+16.3%

Qinetiq Group plc

	Final - Mar 05	Final - Mar 06	Comparison
REV	£858,900,000	£1,053,100,000	+22.6%
PBT	£109,600,000	£72,500,000	-33.9%
EPS	n/a	9.80p	n/a

Raft International plc

	Final - Oct 04	Final - Oct 05	Comparison
REV	£7,261,000	£8,126,000	+11.9%
PBT	-£991,000	-£1,410,000	Loss both
EPS	-1.45p	-2.14p	Loss both

Red Squared plc

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

Retail Decisions plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£31,737,000	£54,672,000	+72.3%
PBT	£6,144,000	£8,020,000	+30.5%
EPS	6.95p	8.84p	+27.2%

RM plc

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

royalblue group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£59,768,000	£74,234,000	+24.2%
PBT	£9,802,000	£11,336,000	+15.6%
EPS	23.40p	31.00p	+32.5%

Sage Group plc

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

Sanderson Group plc

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

SDL plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£62,690,000	£78,479,000	+25.2%
PBT	£4,432,000	£5,217,000	+17.7%
EPS	5.19p	4.68p	-9.8%

ServicePower Technologies plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£4,114,000	£7,937,000	+92.9%
PBT	-£3,743,000	-£1,611,000	Loss both
EPS	-5.34p	-2.14p	Loss both

Sirius Financial Solutions plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£21,704,052	£21,780,968	+0.4%
PBT	£385,444	£340,229	-11.7%
EPS	1.40p	0.50p	-64.3%

Sirvis IT plc

	Interim - Nov 04	Final - May 05	Interims - Nov 05	Comparison
REV	£3,948,000	£8,083,000	£4,028,000	+2.0%
PBT	£345,000	-£2,432,000	£202,000	-41.4%
EPS	0.16p	-2.45p	0.09p	-43.8%

smartFOCUS Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£2,850,101	£6,041,106	+112.0%
PBT	-£324,052	£33,424	Loss to profit
EPS	-0.30p	0.12p	Loss to profit

Sopheon plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£4,323,000	£4,664,000	+7.9%
PBT	-£2,394,000	-£1,236,000	Loss both
EPS	-2.00p	-0.90p	Loss both

Spring Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£474,534,000	£454,725,000	-4.2%
PBT	£963,000	-£7,485,000	Profit to loss
EPS	4.91p	-4.89p	Profit to loss

StatPro Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£9,072,000	£10,786,000	+18.9%
PBT	£162,000	£1,639,000	+911.7%
EPS	5.30p	4.50p	-15.1%

Sthree plc

	Final - Nov 04	Final - Nov 05	Comparison
REV	£242,413,000	£315,087,000	+30.0%
PBT	-£17,121,000	£12,152,000	Loss to profit
EPS	n/a	15.70p	n/a

Strategic Thought Group plc

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

Stilo International Plc

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

SurfControl plc

	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison
REV	£25,440,000	£52,601,075	£27,072,000	+6.4%
PBT	£1,690,000	£4,097,312	-£337,000	Profit to loss
EPS	4.60p	20.80p	-0.88p	Profit to loss

Synchronica plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,028,000	£2,424,000	-£1,784,000	-273.5%
PBT	-£1,370,000	-£2,376,000	-£952,000	Loss both
EPS	-9.60p	-14.70p	-5.10p	Loss both

System C Healthcare plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£8,843,000	£18,228,185	£8,581,000	-3.0%
PBT	£1,710,000	£2,531,575	£400,000	-76.6%
EPS	2.31p	4.30p	3.08p	+33.3%

Systems Union Group plc

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

Tadpole Technology plc

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

Tikit Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£11,903,000	£20,162,000	+69.4%
PBT	£859,000	£632,000	-26.4%
EPS	4.50p	1.70p	-62.2%

Torex Retail plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£67,935,000	£167,366,000	+146.4%
PBT	£7,711,000	-£10,620,000	Profit to loss
EPS	2.90p	-5.40p	Profit to loss

Total Systems plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£1,696,642	£3,451,633	£1,419,101	-16.4%
PBT	£136,878	£496,098	-£61,309	Loss to profit
EPS	1.03p	3.56p	-0.44p	Loss to profit

Touchstone Group plc

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

Trace Group plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£7,314,000	£16,110,706	£7,210,000	-1.4%
PBT	£235,000	£1,223,406	£415,000	+76.6%
EPS	0.93p	5.92p	2.00p	+115.1%

Ubiquity Software Corporation plc

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

Ultima Networks plc

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

Ultrasis plc

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

Universe Group plc

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

Vega Group plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£24,519,000	£52,602,000	£30,637,000	+25.0%
PBT	£1,638,000	£2,907,000	£1,963,000	+19.8%
EPS	5.83p	8.61p	6.24p	+7.0%

VI Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£9,698,000	£10,192,000	+5.1%
PBT	-£259,000	£77,000	Loss to profit
EPS	-0.84p	-0.41p	Loss both

Xansa plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£189,500,000	£376,400,000	£175,900,000	-7.2%
PBT	£4,900,000	£10,800,000	£7,800,000	+59.2%
EPS	1.15p	2.58p	1.90p	+65.2%

XKO Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£21,585,000	£44,853,000	£11,624,000	-46.1%
PBT	-£1,225,000	£10,013,000	£615,000	Loss to profit
EPS	-4.80p	34.60p	1.20p	Loss to profit

Xpertise Group plc

	Final - Dec 04	Final - Dec 05	Comparison
REV	£13,170,000	£15,274,000	+16.0%
PBT	-£668,000	-£245,000	Loss both
EPS	0.16p	-0.06p	Loss both

THE SUN DOESN'T SHINE HERE ANYMORE

The IT markets haven't recovered from the sudden falls experienced in May. The Holway S/ITS index is still more than 3% below its position at the start of the year and the techMARK 100 has fallen a further 1.5%. Meanwhile the FTSE IT SCS index improved ever so slightly (0.79%!). It is, however, still 11% lower then when it started 2006.

We may well have reached the bottom of the decline - at least that is one conclusion that can be drawn from the fact that the reseller and IT staff agency sectors (both perennial under-performers) have started to bounce back. As a group, shares in resellers grew 3% and by 4% for ITSAs over May. This is after resellers fell by more than 17% and ITSAs by 6.6% last month. Perhaps these two sectors have contracted as far as they can go?

30-Jun-06	S/ITS Index					4906.90
	FTSE IT (SCS) Index					506.31
	techMARK 100					1351.41
	FTSE 100					5833.42
	FTSE AIM					1080.37
SCSI Index =1000 on 15th April 1989	FTSE SmallCap					3393.42
Changes in Indices	**S/ITS Index**	**FTSE 100**	**techMARK 100**	**FTSE IT SCS Index**	**FTSE AIM Index**	**FTSE Small Cap**
Month (01/05/06 to 31/05/06)	-0.28%	+1.92%	-1.46%	+0.79%	-3.68%	-0.88%
From 15th Apr 89	+390.69%	+184.06%				
From 1st Jan 90	+433.30%	+146.97%				
From 1st Jan 91	+593.19%	+170.02%				
From 1st Jan 92	+369.62%	+133.98%				
From 1st Jan 93	+207.92%	+104.93%				+144.60%
From 1st Jan 94	+193.90%	+70.65%				+81.59%
From 1st Jan 95	+227.31%	+90.29%				+94.31%
From 1st Jan 96	+117.26%	+58.12%	+71.23%		+13.32%	+74.78%
From 1st Jan 97	+83.27%	+41.64%	+47.75%		+10.68%	+55.44%
From 1st Jan 98	+61.68%	+13.59%	+41.65%	-49.37%	+8.91%	+46.69%
From 1st Jan 99	+24.49%	-0.84%	-7.18%	-64.99%	+34.78%	+63.86%
From 1st Jan 00	-57.22%	-15.83%	-64.24%	-86.38%	-44.10%	+9.54%
From 1st Jan 01	-41.39%	-6.25%	-47.32%	-74.02%	-24.86%	+6.60%
From 1st Jan 02	+2.27%	+11.81%	-8.24%	-40.03%	+20.34%	+31.57%
From 1st Jan 03	+80.88%	+48.04%	+108.30%	+48.82%	+79.20%	+86.39%
From 1st Jan 04	+4.93%	+30.30%	+33.14%	+0.54%	+29.32%	+37.10%
From 1st Jan 05	-0.38%	+21.17%	+12.96%	+4.23%	+7.41%	+23.03%
From 1st Jan 06	-3.38%	+3.82%	-5.61%	-10.95%	+3.28%	+2.66%

End June 06	Move since 1/1/99	Move since 1/1/00	Move since 1/1/01	Move since 1/1/02	Move since 1/1/03	Move since 1/1/04	Move since 1/1/05	Move since 1/1/06	Move in June 06
IT Services (CS)	16.5%	-54.6%	-38.9%	10.0%	119.2%	14.3%	4.1%	-1.1%	-2.7%
IT Staff Agencies	-73.0%	-76.5%	-62.6%	-32.5%	1.6%	-33.4%	-15.7%	2.5%	3.8%
Resellers	66.0%	-20.0%	5.8%	17.8%	59.2%	-16.9%	-8.5%	-12.0%	3.4%
Software Products	68.8%	-59.4%	-70.5%	-5.0%	57.3%	-3.0%	-0.4%	-4.6%	0.3%
Holway S/ITS Index	24.5%	-57.2%	-41.4%	2.3%	80.9%	4.9%	-0.4%	-3.4%	-0.3%

On closer inspection we can see that performance in the ITSA group has been relatively flat - the median growth for the group is actually 0%. But the group has been brought up by growth from players such as Interquest, which is up by 28% to 62p, Highams, which is up 20% to 3p, and OPD Group (previously PSD), which is up 15% to £3.17.

The reseller sub-segment tells a different story, and one that is a complete reversal of occurrences last month. Here we have all the players (except Dimension Data) growing - Ultima Networks up by 15% to 1p, Computacenter up by 9% to £2.39, Morse up by 6% to 79p and finally Dicom which grew 0.5% to £2.19. Dimension Data was not able to reverse its downward trend however - its shares fell 13% to 36p over the month.

Yet overall it has still been a pretty dire month, despite the positive performance of these two sub-segments. The software sector only managed a meagre 0.3% rise, while computer services companies fell 3% as a group. The worst performer here was consultancy Charteris, whose shares took a hammering (down 36% to 16p) after a profits warning.

As we concluded last month, volatility in the markets is probably going to stay a little longer. This month has proven that the markets are not ready to return IT stocks back to growth just yet. *(Samad Masood)*