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SYSTEMHOUSE

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

UK SOFTWARE MARKET: GLOOM OR GLORY?

The UK economy is looking less healthy than it did at the start of the year, so it should be no surprise that there are extremely mixed signals coming from software vendors. Are software companies 'sandbagging' to avoid a kicking from their shareholders, or is the market really in trouble?

There's no doubt that software is now a market that is driven by the economy. Growth in the software market is not necessarily exactly the same as economic growth, but we expect it to be within one or two percentage points for the foreseeable future.

Gloomy sentiment

There are plenty of worried people out there. In private conversations we've been having around the industry, we have found a good deal of gloom. And recently a report from Ernst & Young said that, in the months of July, August and September, 12 quoted companies in the software and computing services sector issued profits warnings in the period covered, up from seven in the prior quarter. E&Y says that many of these were in the software sector – however 'software sector' is used so loosely we can't be sure that E&Y means the same as we do. For the record, we mean companies that sell licensed software products, not companies that write bespoke software code.

A more positive picture

A review of the last few months' results that we have reported in *HotNews* gives a much more positive picture (see figure below). The chart shows all the results and other earnings-related releases from UK-registered software companies (typically PLCs but also any privately-owned companies that publicise their results) between 1 August and 28 October. Some

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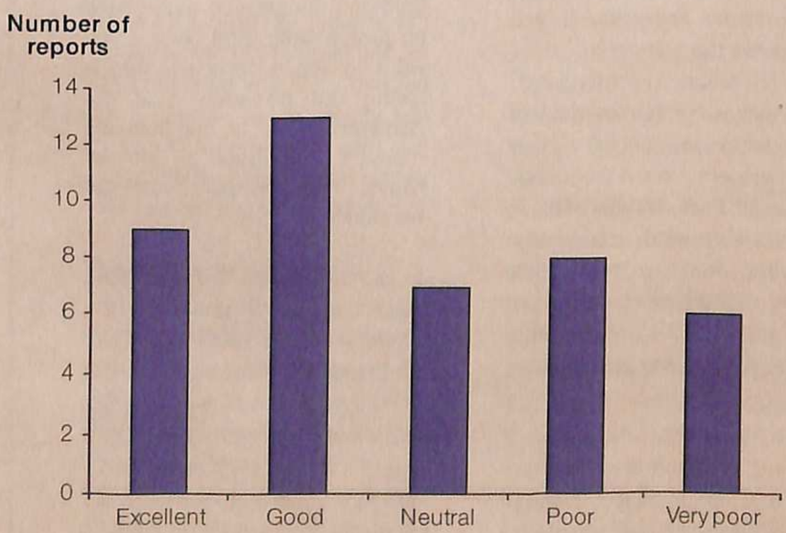

Contents

INDICES
(changes in October 2005)

Holway S/ITS	**-8.7%**	**4843**
FTSE IT (SCS)	**-5.7%**	**489**
techMARK 100	**-1.5%**	**1261**
Nasdaq Comp	**-1.5%**	**2120**

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companies have more than one entry, like Autonomy, which reported two quarters in the period, and Misys which published its results then later issued a profit warning.

We've classified the statements as follows: excellent means that the company improved its results and was making a good (10% or better) operating margin. Good means either that the company was well in the black or that it is loss making but moving steadily towards profits. Neutral means just that – neither poor nor good. Poor means either it was loss making and didn't improve or the company was profitable but the profitability and/or revenue deteriorated. Very poor means either a profits warning, a sharp deterioration in results or continued very poor performance in general.

Just in case you think we're making these figures up to try and cheer everyone up, we'll name some of the companies involved. We saw 'excellent' results from Avera, Autonomy (twice!), Bond International, Flowmetrics, Microgen, nCipher, royalblue and Statpro. Companies we saw good results from included Chelford, Invu, Financial Objects and Sage (sorry it's not 'excellent' guys, our expectations from you are very high nowadays!). In the 'Very poor' segment, we include profit warnings from DAT, Microfocus, Mysis and Raft.

Why the difference?

So why is there such a difference in the results and some of the current market sentiment? Well for a start, the reports we publish are generally retrospective, looking back on the previous quarter or six months of revenue, rather than ahead to the next quarter. Given the snail's pace that UK companies apply to reporting their results compared to our cousins over the pond, the report could have related to a financial period that closed three months before it was reported.

But secondly, there is a tendency for the market to disproportionately punish companies that undershoot their earnings. Any sensible CEO or CFO will do his or her level best to keep expectations down, especially in the current climate. When the bears are about, the sand-baggers in the salesforce are less likely to be eaten than the optimists.

How to be a winner

We can argue about how many winners and losers there may be in the toughening market, but there are definitely a bunch of winners out there. And it's important not to get carried away with all the negative feeling that there is around – you can so easily talk yourself into a negative performance, especially if you demoralise the salesforce.

What makes companies winners when times are tough? Clearly the winners are frequently leaders of their markets. This is hardly surprising, but the software market seems to reward winners more than most other markets. It's not just large companies that can lead markets too – smaller companies can be leaders by finding a niche and dominating it.

Niches can be technology-based, needs-based or a specific group of users – or some mixture of these. They can be brought into existence by change and they can disappear for the same reason.

Being a me-too

What's the alternative to dominating a market or a niche? Being a me-too. While it is true that number two and number three in the market can still make a reasonable living, a high-performing number one will always do far better. And if you're below number three, you had better have a strategy to move up or one that lets you move out into a profitable niche where you can be (hopefully) number one.

The need to dominate your chosen niche is most effectively expounded in Geoffrey Moore's book *'The Gorilla Game'*. It should be required reading for anyone managing a software company!

If you need an example of a winner that's moving to dominate its chosen niche, look no further than iSoft. And if you want to see a company that is losing out because it is not dominating any of the software markets it operates in, look at Misys. The contrast could not be starker.

In summary, we will see both gloom and glory: gloom for the unfocused 'me-toos' and glory for the 'winners'. *(David Bradshaw)*

Holway Comment

Thinking the unthinkable

I wonder how many times I have written 'It's a brave or foolish analyst who forecasts the demise of a company as mighty as...' over the last 20 years I have spent as an analyst? Looking back, I should have been braver as many of my hunches have come to pass. But where I was really foolish was in my estimated timescales for change...or corporate demise. Even in the seemingly fast moving world of IT, things take a lot longer than anyone expects.

A good case in point is the advent of web-based applications.

As many readers will remember I made a very public prediction at the 1995 Regent Conference that, by 2000, a minority of software product company revenues would come from licence sales as the world would move to what we then described as the ASP model. I used Microsoft and, more locally, Sage as my benchmarks. Peter Rowell (Regent's Chairman) publicly bet me this would not happen and, at his conference in 2001, I handed him a cheque as I'd clearly lost the bet. Peter graciously said that I hadn't actually been that wrong – I'd just got my timing wildly out.

The Microsoft world

My own desktop, like that of most readers, has been dominated by Microsoft for at least the last 15 years. Microsoft has been my 'Window on the IT world'. To use the automobile analogy that I've majored on for much of that time, I drove a Microsoft. It might have an Intel engine and a Dell body frame and drive on Epson tyres...but everything I did with that car I did via Microsoft. And every time Microsoft brought out a new model, I had to have it.

All this fuelled spectacular growth for Microsoft throughout the 1990s.

But the last couple of years have been quite, quite different for Holway. I don't drive a car anymore because I can't get to the places I want to visit by road. I pilot an aeroplane and it certainly is not a Microsoft aeroplane.

At the moment, I pilot a 'Google craft'. Everything I have ever written since the start of time, every photo, every music track is on my PC and I get at these via Google Desktop and, of course, I use Google search literally hundreds of times a day. All my many RSS newsfeeds come via Google. I launch everything via Google. Soon I'll probably replace Skype and use Google Talk for my VoIP. Whilst on the road, I use a Vodafone dashboard to connect me to 3G or whatever. Of course, my music comes via iTunes and I listen to The Archers via BBC RadioPlayer. Soon I'll be able to watch yesterday's Coronation Street via iTunes too – be it on my PC or Video iPod.

What is really interesting about this is that practically all the new things I am adopting are, in essence, web-based or 'Internet-enabled' applications. It is also interesting that none of them are from Microsoft!

Richard Holway

What next?

It's getting rare for me to use Microsoft Word anymore as all my communication is via e-mail. As an analyst most of the stuff sent to me is in PDF format. I still use Microsoft for things like the operating system, spreadsheets and PowerPoint – but I now take all that boring stuff for granted. It's a bit like the transmission system on my car. I only notice it is there when it breaks down. But on the other hand, I am still paying Microsoft a fortune for it.

A web-based Microsoft Outlook 'look-a-like' seems an obvious next step for me. I access my e-mail from many different places and devices. Synchronising my contact lists, diaries and, most importantly, getting access to my e-mail archives, is a real pain in the mobile world in which I live. Simplified versions of other Microsoft Office products, like Excel, would also be appealing as web-based applications. I only know how to use less than 1% of the available features anyway!

This accessibility anytime, anywhere, anyplace or 'Martini effect', which I have talked about before, is really taking off. All our family photos and "blogs" are now web-based, allowing my kids and friends throughout the world to have access.

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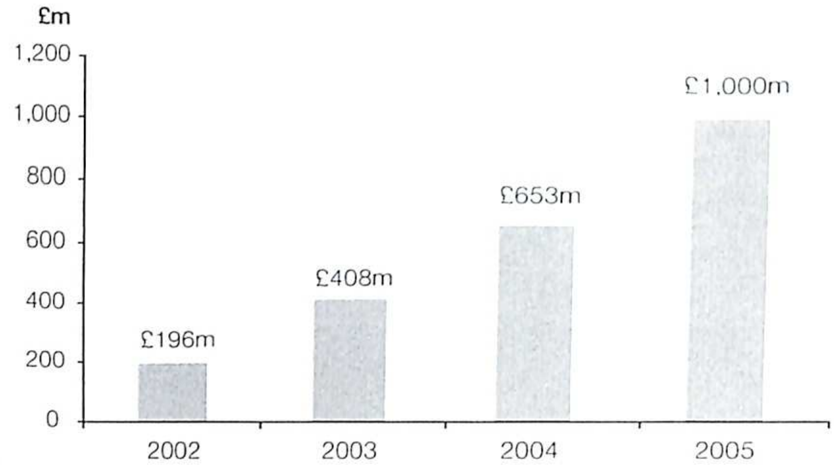
I rely on being able to do many things with my company bank account anytime, anywhere, anyplace too. So why can't I, for example, run a simple Sage payroll system in the same manner, ending up in automated transfers to staff and the Inland Revenue and thereby eliminating any need for monthly and annual returns?

Revenues from Internet advertising in the UK up over 50% in 2005



Source: Internet Advertising Bureau

A new set of metrics

In the scheme of things, companies with dominant market positions do not initiate change. One only has to look at BT's attitudes towards broadband while being led by Peter Bonfield in the 1990s as an example. Kodak was not a part of the 'digital photography revolution' until it realised that its core business was disappearing before its eyes.

Microsoft has done very well – indeed still is doing very well – out of a model where users pay licence fees, and subsequent upgrades, for a software product which runs locally on PCs.

The move to web-based applications is putting that cosy model at risk. Salesforce.com has already built an enviable position charging a monthly fee for use of its web-based CRM systems.

The Google approach goes one step further. It provides its Internet-enabled software and services 'for free'. It earns its revenues from ads – usually associated with sponsored search results.

Figures issued this month show that, in the UK, revenues from Internet advertising will grow over 50% this year to hit £1 billion for the first time. 40% of Internet advertising is search based. So the likes of Google, Yahoo! etc will earn £400 million from the UK market in 2005. To put that in context, that's already 25% of Microsoft's UK software revenues and more than the UK software revenues of IBM!

As a result, Microsoft growth is modest, whereas Google seems on an unstoppable growth path.

For free

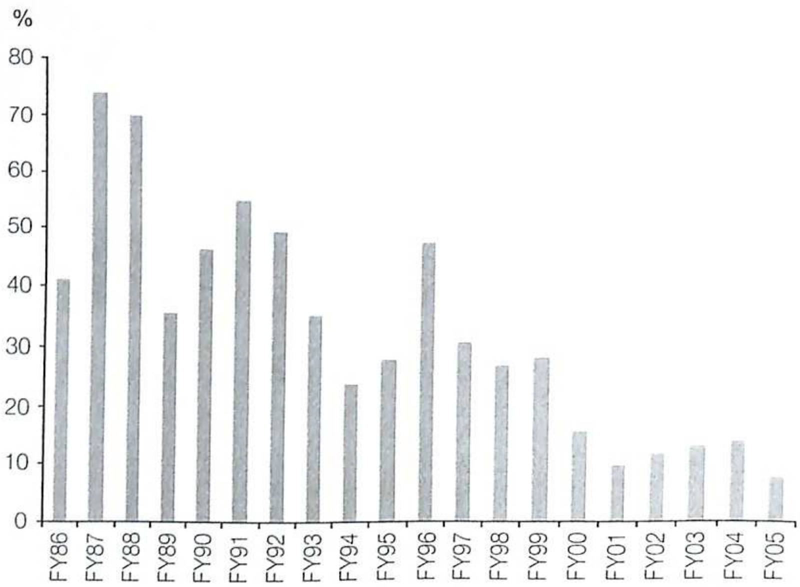
Several recent Google news items set the pundits' tongues wagging.

The very modest deal with Sun Microsystems was only around Sun promoting the Google toolbar. But could a deeper link-up pave the way for a 'free' web-based OpenOffice system to be available as part of the Google service?

Then Google was shortlisted to provide a free WiFi service in San Francisco. Given Google's activities in buying fibre-optic capacity, the prospect of free access to WiFi (or hopefully a lot faster and better service) in every major city, funded by local 'Yellow Pages'-type search advertising, came a step closer.

Then Google was rumoured to be

Microsoft revenues grow just 8% in 2005



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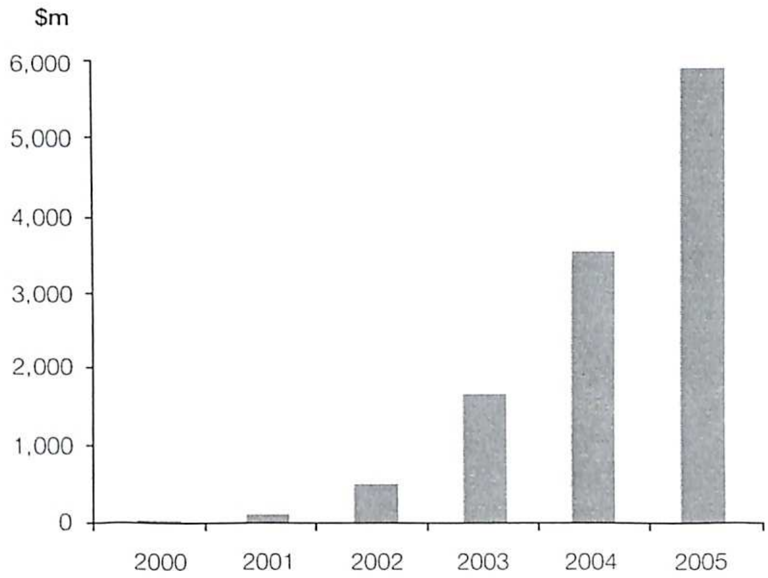
bidding for Skype – the VoIP pioneers. In the end eBay was the buyer but, again, people realised the destructive power that GoogleTalk and VoIP could unleash on the fixed line telcos. Indeed, if you add the last two points together and envisage a free mobile-based VoIP service, the mobile operators should start to shake in their shoes too.

Getting ahead of myself?

Some of this is getting very close to what I forecast back in 1995. But I got the timescales wildly wrong then and I am not about to repeat the mistake.

I have no doubt that BT, 20 years from now, will still be earning some revenues charging people by the minute for making voice calls on fixed lines. But unless BT moves to embrace the new metrics as outlined above, its positioning in the market will be greatly diminished.

Google revenues grow >80% in 2005



The same applies for Microsoft.

But we should not underestimate Microsoft's ability to change. It did this when faced with the "threat" from Netscape. It now faces a greater threat not just from Google but from a whole new and very different way of doing business. This analyst, for one, is not going to be 'brave' or 'foolish' enough to forecast the demise of Microsoft. But when it turns 50, Microsoft will be a very, very different company to that which celebrated its 30th anniversary this year.

HOW THE BIG FOUR ARE RE-ENTERING THE CONSULTING MARKET

KPMG recently became the last of the Big Four accounting firms to give its FY 2005 revenue figures. What's clear is not just that the Big Four are enjoying growth fuelled in part by the introduction of the IFRS reporting standards, but that they are also steadily increasing their presence in business consulting, and therefore in the higher end of IT consulting.

Two of the Big Four are already free to compete in the consulting market as vigorously as they want - Deloitte never spun off its consulting arm, and Ernst & Young's non-compete agreement with Capgemini expired a few months ago.

We understand that E&Y has been aggressively hiring consultants in recent months from players including IBM, Accenture, AT Kearney, Capgemini and Deloitte. It recently poached Steve Varley, a senior business-consulting partner at Accenture, to head its newly-created Advisory Services business in the UK. We expect E&Y to compete vigorously for advisory business, especially in the public sector (where it has no audit work to cause conflicts of interest) and in financial services.

KPMG and PwC are still bound by non-compete agreements, but these agreements can't prevent them from advising clients on management issues that naturally include IT advice (if not implementation). We expect them to accelerate this work before their non-compete agreements expire. For example, KPMG recently hired Alex Blues, formerly a director of outsourcing advisory company Orbys Consulting, to create a global sourcing centre of excellence.

These consulting operations will remain business-led, not IT-led. E&Y, PwC and KPMG won't

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return to the high-volume systems integration business. That market is less lucrative than when they sold their IT consulting operations, and it's becoming more closely bound to outsourcing, a market they have no real chance of entering. Becoming full-range IT services suppliers isn't an option.

Rather, we think they will exploit their boardroom-level clout to play as "trusted advisers", advising clients on aligning IT strategy to business strategy, helping clients to select and manage outsourcers and systems integrators, and keeping big projects on track. Such high-end consultancy work fits better with their brands.

The accounting firms will argue that their strong financial skills and business understanding allows them to take a more holistic view of their clients' business than IT services suppliers would, thus putting IT investment cases under more rigorous scrutiny. This Devil's Advocate role will play well to CEO and CFO audiences. And without systems-integration and outsourcing machines to feed, they will claim to offer advice that's not inherently biased towards recommending big investments.

If they attack the high-end IT consulting market as part of their business-advisory push, and they then use their systems-integration capabilities to support their consulting businesses (rather than vice versa - and that's the difference this time around), they could win a big chunk of end-user spend. That will cause headaches for the IT services players.
(Douglas Hayward)

Regent

EUROPEAN TECH M&A REACHES RECORD LEVELS

Latest research from **Regent Associates** confirms that Q3 has been a real bumper period for tech M&A in Europe. Indeed by volume it actually surpassed the previous record set in those halcyon days of Q1 2000.

Highlights for Q3 include:

- 820 tech acquisitions announced; up 32% on Q3 2004
- Value, at $71.5bn, more than double that in Q3 2004
- IPOs, however, were disappointing. Just 64 tech IPOs in Europe in the first 9 months of 2005 compared with 367 in the same period in 2000
- Valuations have held steady at a P/E of 16.5 but the PSR (Price to Sales Ratio) of 1.27 is up on the year as earnings have improved but revenues have stayed flat
- UK accounted for 28% of all purchases and maintains its lead position

Comment: Just as buyers of IT seemed to go on collective holiday in Q3, these statistics just confirm the feeling that M&A was really hot this summer. The reasons are not new - indeed we have been banging on about them for a long time.

In a low or no growth market (which IT is today) then consolidation is one of the few ways to boost scale and improve the bottom line (by cutting out the cost of duplicated activities).

M&A needs BOTH sellers and buyers. They have always been around but, since 2000, sellers' expectations have rarely been met by buyers seriously burnt by previous excesses. The gap between the two has closed. Sellers have realised that valuations might not be so good in a year's time and buyers have realised that they cannot wait for ever to get the scale which will be crucial for their own success - hence the current M&A activity.

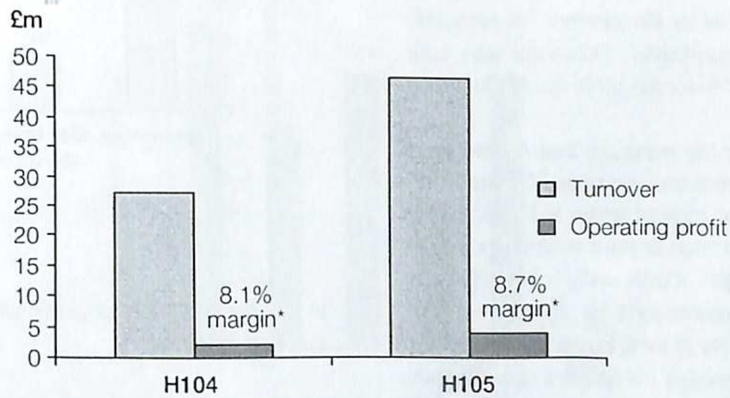
But making a success of M&A is a bit more difficult. In a research note published yesterday, George O'Connor at Shore Capital quotes research by Vantage Partners, which shows that the majority of acquisitions fail to benefit the stockholders of the acquiring companies. Indeed, 78% of deals fall apart within three years. O'Connor quotes Dicom as a pretty good recent example of this. According to O'Connor, winners seem to be those that acquire with frequency. "*The vital ingredient in successful M&A is that the buyer has the ability to manage the strategy, the acquisition and the integration.*"

All this will be familiar to followers of the Holway "Acquisition Indigestion" maxim. Sudden big meals can have painful consequences. "Little and often" is the doctor's advice. It has certainly worked for Sage and Capita. *(Richard Holway)*

2e2 BENEFITS FROM INCREASED SCALE

2e2 Group, an acquisitive provider of support, network and consultancy services, has made significant progress during the six months to end June 2005. Total revenue, which includes c£5.3m from acquisitions in both H104 and H105, increased 71% to £46.2m. The operating margin (before amortisation of goodwill and exceptional items) increased from 8.1% to 8.7%. The pre-tax margin declined from 3.3% to 2.6% due to an increase in *"net interest and other similar charges"*.

Revenue and profit progress



*margin calculation is based on total turnover and operating profit before amortisation of goodwill and exceptionals

During the period, 2e2 acquired XKO Offshore Ltd, Trisys Ltd and Dutch firm, Yul Data Security.

Comment: In a low-growth market, acquisitions have a significant role to play in boosting the top line. What we like about 2e2's operation is that it is getting more from its purchases than just crashing one acquisition on top of another in order to achieve greater scale. It has managed to convert its increased size into increased contract sizes. Take for instance Prime Business Solutions, 2e2's network services division (acquired in April 2004 for £22m). Before it was acquired, its largest contract was worth £2m. In the past four months it has won four deals worth more than £5m each. In July, for example, it inked a £6m contract with the London Borough of Barnet to improve its communications infrastructure.

2e2 is focusing a lot of its efforts on winning more managed services contracts (where it proactively manages and optimises some or all of a customer's infrastructure within an agreed SLA) of between £500k and £3m. While managed services currently account for c20% of total revenues (i.e. £9m-plus), additional services, such as the data management and storage capabilities acquired through its most recent purchases (Trisys Ltd and Yul Data Security) could help to push up this percentage. The more services 2e2 can offer, the more opportunity it will have to offer complementary services to existing managed services customers.

This year, 2e2 entered our ranking of the UK's top 15 support players. If its strategy continues at current course and speed, the company could well see itself moving upwards through the ranking. *(Kate Hanaghan)*

ACCENTURE SUSTAINS A HEADY PACE

Accenture has announced an impressive set of annual results. The company grew its net revenue by 14% to $15.5bn in the year to August. Growth in local currency was 10%, slightly ahead of expectations. Operating profits grew by 20% to $2.1bn, taking the operating margin up a notch to 14%. Earnings per share came in at $1.56, up from $1.22 in FY04.

The fourth quarter was especially strong, with 14% local currency revenue growth and EPS a couple of cents better than analysts' expectations at $0.38.

Comment: Accenture is steaming ahead while some of its key rivals tread water. While IBM, in particular, has been through a period of re-organisations and downsizings, Accenture has been hiring and growing. The company ended FY 2005 with 123,000 employees - up 19%. Staff

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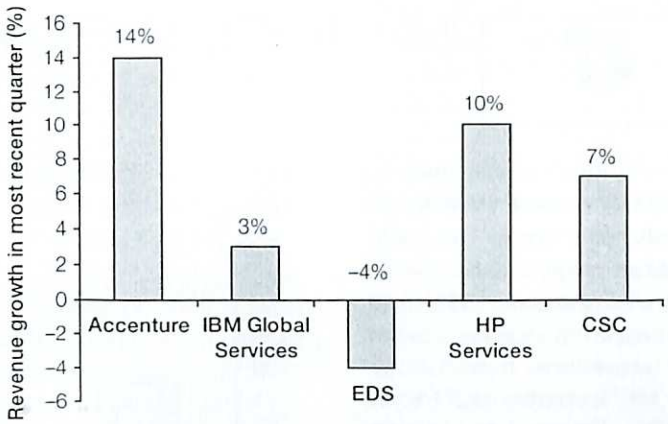
attrition was 18%, meaning Accenture hired some 42,00 people in FY05.

The Q4 performance - with over $5bn in net orders, the highest total for six quarters - is especially impressive. Utilisation was over 80% for the tenth quarter in a row.

All the signs are that Accenture is more than capable of outgrowing the market again in FY06, purely through organic means. Indeed, it has confidently set growth expectations for the year at 9 to 12% in local currency. Few major services companies can currently afford to be so bold.

So what is Accenture getting so right? As we've emphasised before, it all comes down to the smart use of consulting and outsourcing as interlocking, mutually-supportive elements on major accounts. Meanwhile, it's clear that the company is handling its heady growth with relative ease. Notably, it's managed to keep a lid on expenses as it has expanded. This time last year we expressed a concern that gross margin was being endangered by rising costs, chiefly staff costs. But despite all the hiring activity of the past year, gross margin has been held steady.

The EMEA numbers stand out - these are crucial because the region accounts for 50% of Accenture's business. For the year, EMEA was the star performer in growth terms, with a 12% increase in revenue in local currency, although the 9% growth



in Q4 confirms a mild slowdown in the second half.

As for the verticals, financial services and products proved strongest. Meanwhile, the NHS contracts put a big dent in the public sector numbers, an effect that continued into Q4. Government was the only one of Accenture's five vertical operating groups to register a significant decline in profits in the year as a whole and in Q4.

The NHS challenges should really start to iron themselves out in the current financial year. Sadly the same can't be said of Accenture's troublesome deal with Sainsbury's. Towards the end of October, the retailer confirmed that it was, as expected, cancelling the Accenture contract and taking its IT back in-house. The decision shouldn't have a *"material effect"* on the provider's FY06 performance. Accenture will now want to digest the lessons learnt - most fundamental of which is that IT infrastructure cannot compensate for deficiencies in the customer's overall business strategy and performance - and move swiftly on.

What of competitive threats? Accenture is clearly aware of the need to defend itself against Indian players in the applications services market. To this end, it is kicking off a European marketing campaign around its own offshore app-outsourcing abilities. Getting on the front foot is a smart move. If things work out, Accenture will have cracked how to use offshore resources to support profitable growth in the relatively high-cost onshore operation, not just to defend the core Western operation or manage its long-term decline.

Finally, there's another group that might offer a renewed threat. It's clear that the Big Four are ramping up their consulting capabilities. Although their focus is business consulting, we think this will inevitably lead them into some areas of the high-end IT consulting market. That, of course, is very much Accenture's patch. *(Phil Codling)*

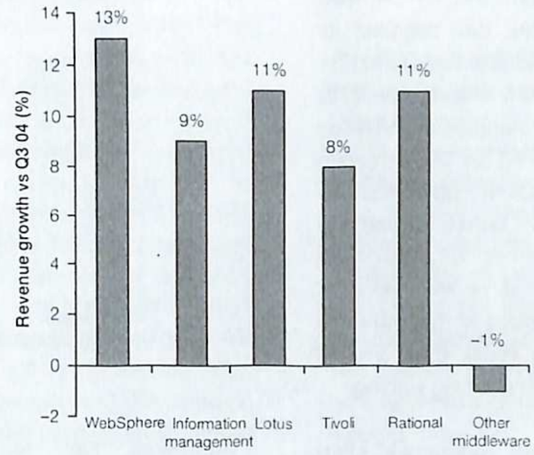
RESTRUCTURED IBM SEES PERFORMANCE IMPROVE

IBM can be pleased with its Q3 results but it's a sign of the times that 4% overall revenue growth is now considered encouraging! Growth came from the Americas and EMEA (both up 5%). Revenues in the UK, France and Spain grew while Germany and Italy once again declined. Asia-Pacific disappointed for the third quarter in a row (down 2% to $4.3bn). Excluding a one-time tax charge, IBM's Q3 operating profit was 17% up on last year.

As for the key divisions, Global Services saw 3% growth to $11.7bn, and total signed services contracts hit $11bn during the quarter, bringing the backlog to $113bn (up $3bn on a year ago). Software revenues grew 5%, hardware revenues were up 7% and IBM's global financing profit machine managed a return on equity of 30%.

Among vertical markets, revenue growth was best in distribution and public sector, at 5%. Growth in financial services, industrial and communications was more modest and the telecoms market saw a decline in revenue of 2%. The company continued its advance in the SMB market, which was up 10%.

Comment: This was a vital quarter for IBM in Europe following the restructuring of the EMEA business. Overall things have gone pretty well, with the cost savings coming through to the bottom line immediately. But whatever the organisation, problem geographies remain. These include Germany and Italy, where IBM is still at the mercy of *"a challenging economic environment"*. Results in Japan were extremely poor once again and at last we are promised some action to improve execution here.



IBM's branded software offerings all showed growth in upper single digits or better, and Rational had its best quarter since its acquisition by IBM. This was balanced by a decline in operating systems and flat sales in other middleware, which were affected by the decline in zSeries sales. It was interesting that CFO Mark Loughridge thought it necessary to tell analysts once again that IBM is happy with its position in the middleware market and will keep out of the applications software business. We are not so sure that it can sustain this position in the long term in the "on demand" world.

As 2005 has progressed, the real key to IBM's improving fortunes has been its giant services business. Global Services' returns are starting to show the impact of the company's painful restructuring, with year-on-year profits globally up 16% and the pre-tax margin up 1.1 percentage points to 9.3%. Signings in outsourcing and the BCS consulting unit were strong, and IBM reports that *"pricing trends remain stable to improving"*.

But overall revenue growth in services isn't yet showing the effect of wins such as last month's ABN Amro mega-deal. So although improving, the performance of IBM's services business continues to look a little lacklustre beside that of key rival Accenture, which recently boasted Q4 revenue growth well into double digits. One drag for IBM is the chunk of Global Services that lies outside Outsourcing and BCS - its "Integrated Technology Services" grouping (which covers development, implementation and support services) saw Q3 signings decline 8% year-on-year globally.

We also think the company has been missing a trick by not promoting and using its consulting and outsourcing capabilities in closer co-operation. That doesn't necessarily mean IBM needs to fuse the BCS and Strategic Outsourcing organisations within Global Services, and we can well understand the company's reasons for not doing so. But the name of the game in services these days is to employ outsourcing and consulting in tandem in order to get the most out of each large account. Despite its manifest successes and progress in the last two quarters, IBM could be doing even better on this score.

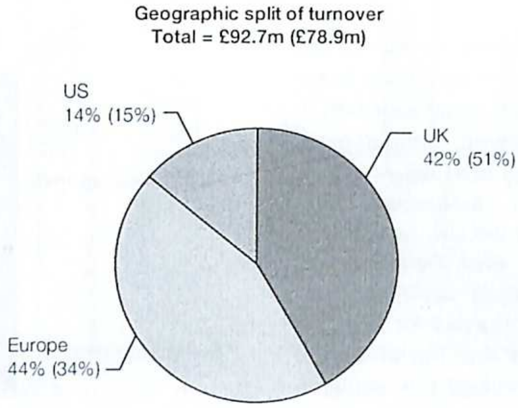
(Phil Codling)

-18%
47p

HARVEY NASH

HARVEY NASH THANKS EUROPE FOR GROWTH

Harvey Nash, the UK IT staff agency (ITSA), has released its results for the first half ended 31 July 2005, its first under the IFRS accounting standards. Revenue has grown 17% to £92.7m, with operating profit up 44% to £2.24m. Profit before tax came in 47% higher at £1.73m, and earnings per share were up 50% to 2.59p. Shares in the company have grown more than 5% to 58.5p in early morning trading.



Chairman Ian Kirkpatrick cited *"robust demand for IT professionals across all our markets"*, despite a *"competitive environment"*. Highlights include the company's European business, which grew operating profits by 502% to £700k, on revenue up 56% to £41.3m.

Comment: Harvey Nash has turned in a good all-round performance. In particular, the European side of the business increased revenues by 56% to £41.3m. Sales in the UK dipped 5% (but increased 5% if the terminated contract with AT&T is excluded from the 2004 numbers). Net fee income increased just 1% to £10.9m in the UK, but by 34% (to £6.2m) in Europe and by 19% (to £3.8m) in the US. Albert Ellis, CEO, said: *"Europe is having its own bounce back, just as the UK and the US did in the previous year."*

Within the UK business, there has been some good progress on profits (operating margin is up from 2.5% to 3.1%) due to the company's focus on *"higher margin revenues"*. In other words, it's the Executive Search business combined with Harvey Nash's offshore capability (in Vietnam) that are helping to push up profits.

Within the staffing business, IT consultant numbers are stable and permanent revenues are up 21%, but the UK overall is becoming a smaller and smaller part of the total business. In 2004 the UK accounted for 51% of sales; in 2005 it accounted for 42%, meaning that Harvey Nash now does more business outside of the UK than it does inside. We believe that Harvey Nash's determination to walk away from lower margin contracts combined with its geographic spread will help protect both revenues and profits from the difficulties that some of its competitors face. *(Kate Hanaghan)*

METHODS CONSULTING

METHODS USES ASSOCIATES TO GROW REVENUES AND MARGINS

Methods Consulting, the systems integration and IT consulting player that uses freelance associates for project delivery, has published its results for the financial year to 30 April 2005. Turnover grew 24% to reach £42m, while margins virtually doubled. Operating margin was 7.2% (versus 3.8% in 2004), while pre-tax margin was 7.4% (versus 3.8%) and net margin was 5% (double the margin in 2004). Operating cash flow was 9.7% of revenues, more than double the rate in 2004.

Earlier this year, following its year-end, Methods conducted a partial MBO. The company's four directors now all have an equal share in the business and the management team remains the same. The MBO was funded by a "very manageable" bank loan, and no VCs or third parties were involved.

Comment: Structurally, Methods resembles an ITSA. Essentially, it has a core of business-development and account managers with SI backgrounds, including some billable consultants. The rest of its people are self-employed associates,

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selected for jobs on a case-by-case basis, giving Methods the ability to scale up and down quickly and cheaply.

Most companies that use associates do so on a hybrid model and have a larger core of consultants than Methods, supplemented by associates taken on where the core team lacks bodies or key skills. For Methods, however, the associates do the vast bulk of the delivery work. Moreover, Methods doesn't have proprietary intellectual property (such as software or methodologies) that normally differentiates consultancies from ITSAs, although it does use standard methodologies in the public domain such as Prince 2 and DSDM.

So is Methods 'just' an ITSA? No, judging from the work it does, and the margins it posts. The key difference is that Methods does a big chunk of work in which it takes ownership of a client's problem. Some 25% of its turnover is now fixed-price work, for example. Whether it uses staff or associates is in a sense irrelevant - the point is that it takes responsibility for the outputs, not just the inputs. It thereby adds more value than an ITSA, which is why it can attract much better margins. Methods also argues that its long-standing relationships with associates creates a *"continuity of approach"* to clients that differentiates it from ITSAs.

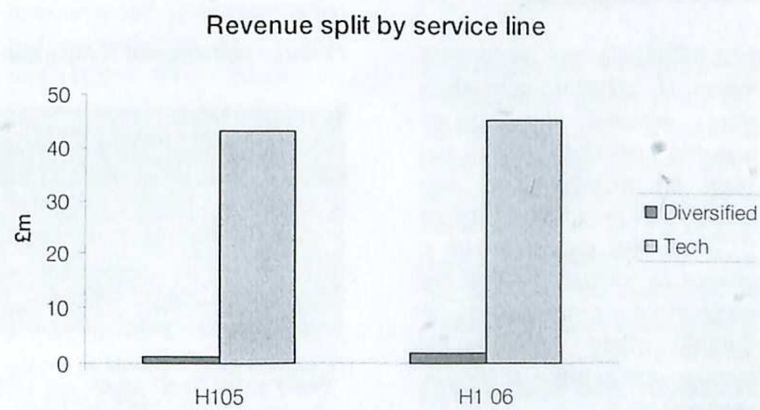
Are clients comfortable with this model? Some certainly are. Methods won a £3.8m deal with the Employment Tribunals Service and Acas earlier this year, bidding with Logsys. Should Methods differentiate itself by stressing this associate-heavy model? Probably not - we're not sure that clients see it as a source of added value. But they don't necessarily see it as a weakness, either.

(Douglas Hayward)

-24%
46p

MSB TO TRANSFORM BY SPREADING THE LOAD

MSB International, the UK IT staff agency (ITSA), has released results for the first half of the year ended 31 July 2005, the first prepared under IFRS standards. Total revenue for the period was up 6% to £47m, with operating profits down by half to £174k - taking the margin from 0.8% to 0.4%. Profits before tax were down by 54% to £163k, with diluted earnings per share down by 57% to 0.54p.



In their statements, chairman Paul Davies and chief executive Andrew Zielinski highlighted the company's transition to balance out its business between "spot" and managed services recruitment. The first half also saw a significant investment in the sales workforce, with the average number of sales consultants growing by 29% year on year, increasing sales staff costs by 20%.

Comment: MSB's technology staffing business increased 5% (to £45.2m) over the equivalent period last year. That is in marked contrast with the 35% increase it registered in FY05 over FY04. Going forward, it is most likely that a figure of around 5%, rather than 35%, will be the norm for growth more generally among staffing agencies that are focused on IT. For those that want to grow above this, diversification outside of IT, into new geographies and into value-added services will be key. Two years ago, MSB made this realisation and, at an analyst briefing last month, Andrew Zielinski reiterated this strategy: *"We have to transform our business to be much more balanced....but that's going to take time."*

So how far has MSB got along the path of transformation? Most (96%) of its revenues still come through technology, but "diversified" sales now account for 4% - up from 3% - of revenues. Zielinski is right, it does take time to create the kind of transformation he is looking for,

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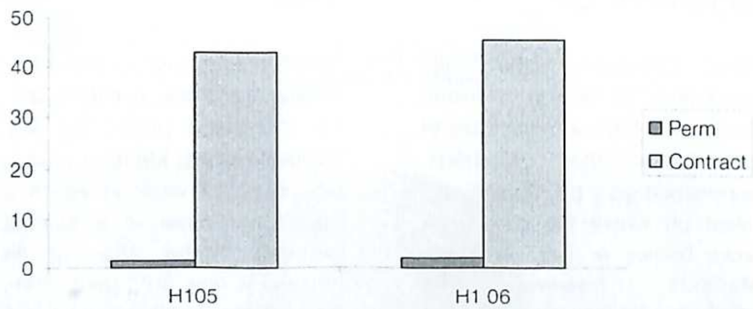
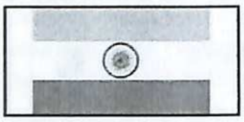
Revenue split
Permanent vs Contract (£m)



and indeed MSB must pursue. For the time being, no more new sectors will be added to the diversified business (which covers staffing in engineering, HR, secretarial). Instead, these sectors will be rolled out regionally across MSB's UK offices.

A small bolt-on acquisition could significantly help with the transformation process. We know MSB's been looking, and we know it won't be rushed into buying something that's not a good fit. It's also said it is possible that it will buy another IT-focused firm. Our advice would be to purchase something that is focused on generating profits but that has good potential for revenue growth.

The *"significant investment"* MSB made in the first half of the year to bring in new sales consultants will impact upon profits. Unfortunately, this is the price MSB has to pay in the short term for a chance to build a more evenly spread business, which has a greater chance of achieving growth beyond low single digits. *(Kate Hanaghan)*



INDIAN COMPANIES CLOSER THAN EVER IN FIRST HALF

First half results from the top four Indian IT services companies were released in October, revealing how close Infosys and Wipro are to catching up with leader Tata Consultancy Services (TCS). It has also given us a chance to compare each of the companies' performance in Europe, where the race for number one position is already neck and neck.

Financial performance comparison for first half ended 30 September 2005

Company	Interim global revenue	Global revenue growth (y-o-y)	Interim operating profit	Operating profit growth (y-o-y)	Operating margin	European revenue
TCS	$1,257m	24%	$342m	55%	27.2%	$284m
Infosys	$1,000m	40%	$279m	36%	27.9%	$238m
Wipro	$968m	28%	$203m	19%	20.9%	$238m
Satyam	$514m	41%	$98m	29%	19.1%	$94m

**Based on US GAAP results, with US$ figures as reported, except for TCS and Wipro where R1.00 = $0.0222 (26/10/05) rate has been applied*

Importantly, the past two months have seen two groundbreaking deals announced, giving a significant boost to all offshore IT players' attempts to establish themselves on a par with their western rivals. The first was ABN Amro's euro 1.8bn outsourcing deal, which saw TCS and Infosys share euro 300m in application maintenance work. Both companies also became preferred suppliers (along with India's Patni) for application development under the deal.

The second was TCS's £480m life and pensions administration deal with Pearl Group to manage 4 million policies over the next 12 years. Not only is this the largest UK L&P deal announced this year, but because TCS will retain all 950 outsourced staff in the UK, it reveals the company's commitment to becoming a truly global player, not one whose model is solely based on "labour arbitrage". Overall, both deals reveal the growing confidence that clients have in Indian service providers.

Tata Consultancy Services

Despite the boost that it can expect in coming years from the ABN Amro and Pearl Group deals, TCS has seen its lead on its Indian rivals rapidly erode over the past year. Only about $300m in global sales separates Infosys from TCS in the first half, and Infosys continues to grow

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considerably faster.

TCS has been especially outclassed by Infosys in Europe over the first half. TCS grew revenue in Europe by 25% to $284m year on year in the second quarter, compared to Infosys' 52% rise in European revenue to $238m.

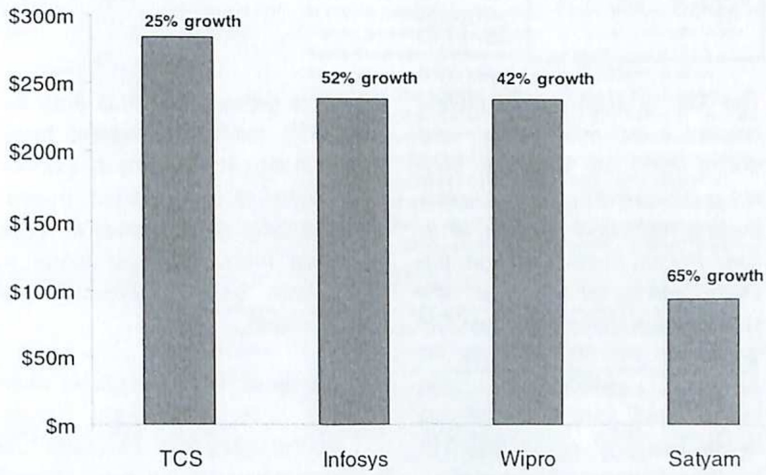
It's good to see that TCS has managed to improve its overall operating margin despite the growing cost base that all of the Indian offshore players are facing as they expand overseas. Indeed, TCS's biggest savings in the half were in reduced "overseas business expenses", a good sign considering that Infosys, for example, suffered a slight margin decline over the same period.

Infosys

Infosys has managed once again to maintain its high level of growth at both the sales and profit level - and based on past experience, we expect Infosys to remain the fastest grower of these three going forward. Europe has been a key focus for Infosys in the past year, with European sales accounting for 23.7% of Infosy's second quarter revenue, up by 3.3 percentage points on the previous year.

Although not included in these results, the ABN Amro deal will be key for Infosys's growth in future, but it will have to win some more of these big ticket deals to keep the heat on TCS's back. Of course, the UK remains the key market for Infosys, which has a number of significant relationships with some of the country's most prominent businesses. Overall, Infosys is confident about the future, forecasting revenue for the full year ended 31 March 2006 up 34.4% at $2.14bn.

European revenue and growth comparison



Wipro

As with TCS's results, Wipro's second quarter serves to highlight the amazing growth that Infosys has achieved, managing 40% revenue growth rates over the first half, compared to Wipro's 28% and TCS's 24%. Importantly Wipro has maintained strong European revenue growth of 42%. Wipro also announced that it will open a near shore centre in Eastern Europe, though it has not revealed where this will be. It will be the last of the top three Indian players to do so - TCS has a centre in Hungary and Infosys in the Czech Republic.

It is good to see Wipro holding its ground in Europe, but even here it threatens to be overshadowed if it cannot announce a deal on the scale of ABN Amro or Pearl Group soon. Hopefully, Wipro's plans in Eastern Europe herald renewed focus on its European opportunities.

Satyam

These were impressive results for the "minnow" of the top four, as they revealed the traction of Satyam's Consulting and Enterprise Business Solutions operations, which grew global revenue 13% sequentially with the help of European deals such as the 140 location ERP rollout for a European headquartered World Health Organisation.

Satyam was one of the first Indian companies to acquire in the UK, buying 75% of London based consultancy firm Citisoft, which reported revenue of $3.74m and a net loss of $100k for the second quarter. Unfortunately this does not seem to be much of an improvement given that it reported $2.05m revenue and a $140k net loss for the 49 days between 12 May and 30 June. But Citisoft's primary role is to help Satyam gain more ground in the financial services sector, and the good news is that the business has "significantly" enhanced such opportunities according to Satyam.

Overall, Satyam is proving itself as a strong contender that has the opportunity to use its lead in consulting driven sales to strengthen its longer-term prospects as a player to rival the top-tier Indian players in Europe.

(Samad Masood)

HM TREASURY

WORSENING ECONOMIC OUTLOOK IMPACTS S/ITS

The UK economy has clearly entered a less rosy period, and during 2005 the transition from not-quite-booming to not-quite-busting has been plain for all to see. Recent projections from the OECD add to the evidence. It's downgraded its forecasts for GDP growth in the UK this year to 1.7%. Meanwhile, the independent estimates collated by HM Treasury have continued to head southwards. At the start of the year they were predicting growth at 3.2% and 2.5% for 2005 and 2006 respectively. The latest forecasts released this month show these numbers have now dropped to 1.8% for 2005 and 2.2% for 2006.

Comment: As we've been saying for a while, the fortunes of the software and IT services market have become much more closely tied to those of the broader economy. Long gone are the days when IT budgets would reliably rise faster than businesses were growing and thus drive the S/ITS market to expand faster than the UK economy as a whole. These days, restricted macro-economic growth tends to mean even more restricted funds to spend on IT projects and products.

So, as we enter the period when the Holway@Ovum team reassesses its forecasts in preparation for the publication of Market Trends Preview 2006 around Christmas time, we'll be keeping a close eye on the macro-economic situation. That said, it's worth bearing in mind a couple of factors. Firstly, outsourcing - rather than projects - has become the predominant way in which the UK IT services industry serves its customers. And, fortunately, the rules are slightly different in outsourcing, making this segment rather less vulnerable to economic downturn. Secondly, the public sector market accounts for more than one quarter of all S/ITS spend in the UK, and that's one area of the economy that's still booming - both overall and in terms of its IT requirements.

These factors help to explain why outsourcing and the public sector have remained the growth lifeline for so much of our industry. Now, if we factor in some inescapable themes from our recent analysis (the huge pressure on outsourcing renewal rates and the slowing in large deals coming to market, plus the highly probable tailing off in public sector S/ITS spend in the coming years), then there really is cause for concern. If outsourcing and the public sector should start to dry up - even by just a few percentage points each in annual growth terms - then the UK's worsening macro-economic outlook means it's becoming harder and harder to find other parts of the S/ITS market that will come to the fore and pick up the slack. *(Phil Codling)*

-4%
40p
CHARTERIS

CHARTERIS: AN IMPRESSIVE FY05

IT and business consultancy Charteris announced its results for the year to end July 2005. Revenue was up 40% to £19.3m, with operating profits before goodwill amortisation doubling to £1.15m. EPS was 1.28p (FY04: 0.81p)

Comment: Charteris is one of those smaller consultancies managing to carve out a respectable living in what remains, despite the undeniable pick-up of the past two years, a tough UK consulting market. The 40% headline growth received a substantial push from the acquisition of Cedalion, but even without that, the company still managed 27% organic growth. And with that sort of momentum on the top line, it's proving possible to make significant gains on the bottom line too, despite the inevitable increases in staff costs that accompany growth at a people-based firm like Charteris. Given that Cedalion appears to be comfortably integrated, and was slightly profitable in H2, the acquisition appears to have proved as manageable as we initially said it should be.

Charteris' healthy cash flow (it generated £1.4m of cash from operating activities in the year) means it should be able to make further cash-based acquisitions in the UK in the future. Meanwhile, the improvements in the company's financial position mean there's also a little more in the pot for shareholders. Having maintained its dividend at 0.4p since FY02 (which has been no mean feat, given the fluctuations of the consulting market over that period), the company is now proposing a 0.5p dividend. That's still only a 1% dividend yield, but the intention from Charteris to raise dividends progressively as it progresses is clear. And with the top line doing so well, plus margins that leave room for further improvement (operating margin in FY05 was 6%), there should be more to come. *(Phil Codling)*

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Chelford Group	Shian	Provider of solutions and services around Microsoft and SAP applications	100%	A maximum consideration of up to £2.5m	Chelford has been growing well organically and its strategy is to acquire other organisations that have good potential for organic growth. This purchase comes hot on the heels of the Agility acquisition (supply chain management and RFID expertise), which was announced at the beginning of September. The addition of Shian is beneficial in a number of ways. There is of course the additional SAP expertise - no bad thing considering SAP's push into Chelford's heartland, the market for large rather than global companies. On other fronts, Shian's strong focus on the financial and public sectors will give Chelford exposure to new customers, into which it can cross-sell other services and solutions. And, of course, the addition of a Scottish office gives Chelford a regional presence it didn't have before.
GE Healthcare	IDX Systems	US healthcare software provider	100%	Total consideration of $1.2bn net of IDX cash and cash equivalents	It seems IDX came to the conclusion that to continue to grow and win business, particularly in international markets, it needed greater scale. Being part of GE will certainly give it that. Of course the danger is that IDX will simply be swallowed up by GE and lose the entrepreneurial drive and management focus on hospital IT systems that have enabled it to grow rapidly over the last few years.
nCipher	Abridean	One of about five pure-play identity management vendors.	100%	A maximum consideration of $17.9m	The merger is definitely good news for Abridean. However, nCipher has to juggle the advantages of having a closely integrated user provisioning capability against the need to be open to other identity management suites, particularly now that all the major IT platform vendors have their own offering. Even in nCipher's niche markets at the high end of the security spectrum its customers will be using these platforms. It will have to be able to both work with their identity management components, and be able to integrate Abridean into the wider environment - according to the customer's choice. The politics of this situation will need careful management. We believe that nCipher is capable of doing this, but the returns of this investment may be reduced below its expectations in the process.
Neteller	Netbanx Limited	A payment service provider and subsidiary of Netinvest Limited. Both companies are part of the Transact Group	100%	Total cash consideration of £12.36m	Neteller claims it has more than two million customers using its online payment service. By bringing in Netbanx' capabilities, it can now process its own credit card transactions, which is good news for margins. Furthermore, Neteller can also address Netbanx' client base, which consists of both blue chip and SME merchants, for extra revenue opportunities.
Netstore	Intercea	Reading-based provider of hosted infrastructure and applications services	100%	Maximum price payable is £12.1m, with £6.5m (£4.0m in cash, the rest in shares) up front and the remainder dependent on performance criteria	There's no stopping Netstore. The company only announced the acquisition of System Software Solutions (SSS) in August but, as promised, it's wasting no time in continuing to build by buying. We can see the value here: Intercea is a well-established player in the UK mid-market, and its emphasis on managed services and hosting means it fits nicely with Netstore's business. Importantly, Intercea has a high proportion (75%) of turnover from recurring revenues - a key theme for Netstore in recent times.
Retail Decisions	Fuelserv	A UK-based fuel card operator	100%	£21.5m in cash	This is a bold move for Retail Decisions, which has clearly decided that, for the time being, its future lies in fuel cards rather than in its original focus of card payment fraud prevention. Indeed, the evidence was laid bare in the company's first half results, when its existing Australian fuel card operations single-handedly buoyed the business, accounting for 50% of revenue and 90% of group operating profits.
Yahoo	Wheronearth	A provider of global geographic database technology	100%	n/a	Whereonearth was formed a decade ago but has found the breakthrough elusive. It has just 25 employees and revenues of <£2m. The advantages of this localised search are obvious to Yahoo! (and indeed Google, Microsoft as well) as a way of drawing in more users, increasing the revenue per search (currently 90% of all search requests generate no sponsor click through revenue) and generating local classified advertising revenues as a result - a new twist to the old Yellow Pages.

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Oct 05	Change since IPO
Celoxica Holdings	semiconductor technology	SP	AIM	31.3p	£6.1m	27-Oct-05	35.50p	13.6%

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Software Radio Technology	wireless digital product design	SP	AIM	n/a	n/a	02-Nov-05
Christie Group	property consultancy and retail software	CS	AIM	n/a	n/a	10-Nov-05
Seeing Machines Ltd	image recognition technology	SP	AIM	n/a	n/a	n/a
Zone 4 Play	multiplayer games technology	SP	AIM	n/a	n/a	n/a

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

	SCS Cat.	Share Price 31/19/2005	Capitalisation 31-Oct-05	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Oct-05	Share price move since 30-Sep-05	Share price % move in 2005	Capitalisation move since 30-Sep-05	Capitalisation move (£m) in 2005
Alphameric	SP	£0.95	£114.2m	-	1.63	435	-4%	18%	-£5.12m	£19.48m
Alterian	SP	£1.15	£45.9m	31.0	5.89	575	-16%	12%	-£8.59m	£5.79m
Anite Group	CS	£0.60	£208.4m	120.0	1.10	351	-6%	6%	-£18.84m	£8.26m
Ascribe	SP	£0.36	£38.5m	-	5.75	1895	1%	89%	£0.27m	£18.19m
Atlantic Global	SP	£0.24	£5.4m	-	2.51	797	42%	-38%	£1.60m	-£3.32m
Autonomy Corporation	SP	£3.15	£375.3m	69.7	11.24	96	-7%	87%	-£26.39m	£194.04m
Aveva Group	SP	£8.21	£179.8m	60.9	3.13	4105	-9%	25%	-£16.98m	£37.27m
Axon Group	CS	£2.24	£127.7m	21.5	2.12	1277	5%	51%	£5.57m	£50.60m
Bond International	SP	£1.02	£25.6m	13.6	3.64	1562	-4%	24%	-£1.01m	£4.93m
Brady	SP	£0.36	£9.3m	14.0	3.89	444	-8%	-60%	-£0.77m	-£15.96m
Business Systems	CS	£0.18	£14.7m	18.6	0.50	147	-9%	17%	-£1.47m	£2.10m
Capita Group	CS	£3.90	£2,543.1m	27.1	1.98	105425	4%	7%	£59.77m	£115.85m
Charteris	CS	£0.40	£17.0m	30.4	0.88	439	-4%	3%	-£0.65m	£0.43m
Chelford Group	CS	£2.51	£17.8m	26.2	1.51	43652	-13%	96%	-£2.63m	£9.37m
Civica	CS	£2.34	£118.9m	-	1.14	1334	0%	2%	-£0.51m	£15.52m
Clarity Commerce	SP	£0.77	£12.2m	31.1	0.92	612	-4%	13%	-£0.56m	£1.44m
Clinical Computing	SP	£0.10	£3.2m	-	1.79	81	-5%	-69%	-£0.16m	-£7.10m
CODASciSys	CS	£4.18	£106.0m	27.5	1.56	3236	-2%	24%	-£2.54m	£20.32m
Comino	SP	£2.55	£35.5m	29.3	1.39	1962	-6%	16%	-£2.09m	£5.02m
Compel Group	CS	£0.94	£31.6m	49.2	0.50	748	-7%	2%	-£2.36m	£1.22m
Computacenter	R	£1.97	£373.5m	15.5	0.15	293	-12%	-32%	-£53.22m	-£176.31m
Computer Software Group	SP	£0.63	£31.7m	19.2	2.25	532	3%	2%	£1.02m	£4.68m
Cornwell Management Consultants	CS	£0.86	£15.1m	10.6	0.85	614	-36%	-36%	-£8.37m	-£7.05m
Corpora	SP	£0.12	£7.4m	-	14.91	303	12%	-26%	£1.21m	£1.85m
DCS Group	CS	£0.12	£3.7m	-	0.07	200	-20%	14%	-£0.05m	£1.08m
Dealogic	SP	£1.43	£99.7m	16.7	3.22	620	-12%	6%	-£13.99m	£5.25m
Delcam	SP	£3.01	£18.3m	14.1	0.85	1156	-6%	53%	-£1.25m	£6.47m
Detica	CS	£9.18	£205.1m	28.6	2.89	2294	-7%	19%	-£17.32m	£32.41m
Dicom Group	R	£8.42	£179.1m	29.9	1.15	2581	-15%	3%	-£32.55m	£8.50m
Dimension Data	R	£0.35	£466.6m	-	0.34	62	-7%	-9%	-£36.93m	-£43.45m
DRS Data & Research	SP	£0.30	£9.8m	-	0.68	273	-19%	-27%	-£2.29m	-£4.37m
Electronic Data Processing	SP	£0.66	£5.0m	-	0.60	2021	-16%	-11%	£0.91m	-£13.17m
FDM Group	A	£1.00	£23.2m	-	0.70	1227	-4%	28%	-£1.04m	£5.12m
Ffastfill	SP	£0.05	£12.0m	-	4.51	42	-17%	-22%	-£2.39m	-£0.46m
Financial Objects	CS	£0.40	£16.2m	-	1.70	174	-9%	-22%	-£1.62m	£1.83m
Flomerics Group	SP	£0.80	£0.3m	-	0.03	3077	-3%	20%	£0.00m	-£9.41m
Focus Solutions Group	CS	£0.21	£5.8m	-	1.08	108	-5%	-47%	-£0.28m	-£5.13m
GB Group	CS	£0.33	£27.0m	-	2.41	214	-9%	32%	-£2.64m	£6.86m
Gladstone	SP	£0.17	£8.9m	17.8	1.17	431	-9%	-24%	-£0.58m	-£1.09m
Glotel	A	£0.76	£29.1m	15.4	0.32	392	-19%	-26%	-£6.94m	-£9.88m
Gresham Computing	CS	£0.74	£37.1m	-	3.00	790	-15%	-73%	-£6.30m	-£99.92m
Group NBT	CS	£1.15	£22.4m	12.9	1.98	575	-9%	11%	-£2.13m	£2.40m
Harvey Nash Group	A	£0.47	£4.5m	1.5	0.03	266	-18%	-49%	-£0.57m	-£52.20m
Highams Systems Services	A	£0.05	£1.4m	-	0.11	125	-14%	-18%	-£0.24m	-£0.32m
Horizon Technology	CS	£0.66	£49.0m	12.6	0.26	242	-15%	-15%	-£8.30m	-£3.31m
IBS OPENSystems	CS	£1.63	£65.0m	-	n/a	1066	-7%	8%	-£4.80m	£4.60m
I S Solutions	CS	£0.14	£3.5m	-	0.64	531	-2%	-2%	-£0.06m	-£0.06m
ICM Computer Group	CS	£3.28	£68.3m	21.5	0.88	1819	-2%	-20%	-£1.36m	-£16.98m
IDOX	SP	£0.11	£21.0m	35.2	2.20	14	0%	1%	£0.00m	£0.81m
INCAT International	SP	£2.20	£53.3m	-	0.82	1376	0%	43%	£0.00m	£15.90m
In Technology	CS	£0.41	£57.2m	-	0.20	1620	-7%	-47%	-£4.23m	-£48.41m
Innovation Group	SP	£0.27	£117.6m	-	2.03	117	-7%	-23%	-£7.69m	-£34.98m
Intelligent Environments	SP	£0.03	£4.3m	-	1.38	29	-24%	-56%	-£1.35m	-£4.91m
Intercede Group	SP	£0.26	£2.4m	-	1.3	425	-11%	38%	-£0.54m	-£6.89m
Invu	SP	£0.24	£24.5m	18.2	7.78	2526	2%	4%	£1.13m	£6.38m
iSOFT Group	SP	£3.99	£918.7m	35.9	3.51	3625	-8%	16%	-£63.99m	£118.68m
iTrain	SP	£0.06	£4.9m	62.5	4.50	74	-2%	-23%	-£0.10m	-£1.48m
K3 Business Technology	SP	£0.89	£15.3m	-	1.79	680	-4%	-15%	-£0.69m	£1.27m
Kewill	SP	£0.72	£57.6m	20.6	2.16	1423	-6%	26%	-£4.00m	£10.86m
Knowledge Technology Solutions	SP	£0.02	£2.6m	-	2.08	350	-46%	-68%	-£2.22m	-£5.56m
LogicaCMG	CS	£1.42	£1,627.3m	52.1	0.97	1945	-19%	-26%	£305.69m	£180.92m
Lorien	A	£0.32	£5.9m	7.3	0.05	315	-2%	-40%	-£0.09m	-£3.91m
Macro 4	SP	£2.62	£58.4m	87.2	1.76	1054	-11%	43%	-£5.14m	£24.44m
Manpower Software	SP	£0.27	£11.8m	37.9	2.29	273	-6%	-16%	-£0.78m	-£2.22m

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

	SCS Cat	Share Price 31/19/2005	Capitalisation 31-Oct-05	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Oct-05	Share price move since 30-Sep-05	Share price % move in 2005	Capitalisation move since 30-Sep-05	Capitalisation move (£m) in 2005
Maxima Holdings	CS	£1.48	£23.2m	-	1.87	1076	-11%	51%	-£2.97m	£11.72m
Mediasurface	SP	£0.11	£8.7m	-	1.61	827	-20%	50%	-£2.12m	£2.95m
Micro Focus	SP	£1.03	£205.4m	15.3	2.53	0	1%	-32%	£2.99m	-£95.64m
Microgen	CS	£0.63	£64.0m	34.7	1.51	267	-5%	11%	-£3.58m	£6.56m
Minorplanet Systems	SP	£0.01	£0.8m	-	0.02	11	-80%	-88%	-£3.37m	-£5.48m
Misys	SP	£2.05	£1,038.0m	70.7	1.17	2550	1%	-2%	£9.61m	-£131.27m
Mondas	SP	£0.17	£4.4m	-	0.96	220	0%	-11%	£0.00m	-£0.42m
Morse	R	£0.96	£144.5m	-	0.37	382	11%	-1%	£14.54m	£18.65m
MSB International	A	£0.46	£9.3m	20.5	0.10	239	-24%	-45%	-£2.87m	-£7.69m
NCC Group	CS	£2.28	£74.3m	37.4	3.96	1365	1%	18%	£0.98m	£11.57m
Ncipher	SP	£2.07	£57.7m	13.9	4.05	826	-12%	-2%	-£7.97m	£0.95m
Netcall	SP	£0.13	£8.6m	65.0	3.54	263	-17%	-32%	-£1.81m	-£3.92m
Netstore	CS	£0.39	£47.9m	26.4	2.24	257	1%	2%	£9.39m	£11.15m
Nexus Management	CS	£0.00	£1.9m	-	1.66	178	-22%	-25%	-£0.34m	£0.17m
Northgate Information Solutions	CS	£0.77	£411.5m	94.2	2.00	297	-4%	20%	-£18.64m	£90.78m
NSB Retail Systems	SP	£0.31	£112.3m	-	2.47	2674	-2%	16%	-£2.74m	£19.16m
OneclickHR	SP	£0.07	£10.0m	-	2.09	169	0%	93%	£0.00m	£4.83m
Parity	A	£0.05	£14.8m	-	0.09	854	-16%	-48%	-£2.89m	-£0.37m
Patsystems	SP	£0.13	£20.1m	-	1.70	117	-12%	2%	-£2.80m	£1.92m
Phoenix IT	CS	£2.79	£164.5m	20.5	1.86	1034	-3%	2%	-£4.56m	-£5.17m
Pilat Media Global	SP	£0.44	£22.3m	47.3	1.85	2200	-2%	19%	-£0.50m	£3.58m
Pixology	SP	£0.67	£13.3m	-	2.95	476	-17%	-65%	-£2.70m	-£25.00m
Planit Holdings	SP	£0.23	£21.1m	16.4	0.75	958	-4%	-4%	-£0.92m	-£0.92m
Portrait Software (was AIT)	CS	£0.17	£12.6m	6.4	0.88	112	-21%	-45%	-£3.34m	-£3.63m
Prologic	CS	£0.67	£6.7m	-	0.96	801	-3%	-14%	-£0.20m	-£1.10m
PSD Group	A	£2.44	£61.3m	23.5	1.40	1109	5%	-6%	£2.89m	-£3.67m
QA	CS	£0.01	£3.0m	-	0.10	5	-32%	-66%	-£1.43m	-£5.94m
Qonnectis	CS	£0.02	£3.0m	-	n/a	500	-21%	-50%	-£0.79m	-£3.34m
Quantica	A	£0.52	£33.3m	14.2	1.08	419	-16%	12%	-£6.40m	£14.36m
Raft International	SP	£0.05	£3.3m	-	0.46	79	-35%	-41%	-£1.82m	-£2.31m
Red Squared	CS	£0.07	£1.9m	-	1.15	378	0%	-24%	£0.00m	-£0.60m
Retail Decisions	SP	£0.22	£64.8m	16.4	2.04	301	-1%	-22%	-£0.73m	-£18.06m
RM	SP	£1.68	£151.3m	-	0.57	4800	0%	-3%	£0.23m	-£4.38m
Royalblue Group	SP	£6.51	£212.7m	25.6	3.56	3829	1%	46%	£1.47m	£67.32m
Sage Group	SP	£2.15	£2,756.8m	20.0	4.01	82500	-7%	6%	-£202.15m	£157.01m
Sanderson Group	SP	£0.55	£22.4m	-	1.55	1100	-28%	-10%	-£8.57m	-£2.21m
SDL	CS	£1.56	£95.3m	53.6	1.52	1040	-16%	16%	-£18.02m	£20.39m
ServicePower	SP	£0.34	£25.3m	-	6.15	340	-3%	0%	-£0.74m	£0.21m
Sirius Financial	SP	£0.94	£16.5m	42.5	0.76	623	-9%	12%	-£1.67m	£1.97m
SiRViS IT plc	CS	£0.05	£5.1m	-	1.6	39	-23%	-27%	-£1.57m	-£1.85m
smartFOCUS plc	SP	£0.15	£11.5m	-	4.1	1622	-20%	66%	-£2.89m	£4.89m
Sopheon	SP	£0.21	£25.0m	-	5.79	295	-4%	-14%	-£0.92m	-£1.43m
Spring Group	A	£0.60	£95.5m	20.5	0.20	661	0%	-35%	£0.00m	-£49.19m
StatPro Group	SP	£0.62	£22.5m	9.2	2.49	769	3%	84%	£0.73m	£11.48m
Stilo International	SP	£0.02	£1.8m	-	0.87	40	-20%	-56%	-£0.45m	-£2.26m
SurfControl (was JSB)	SP	£4.27	£45.1m	-	0.94	2136	-4%	-22%	£0.08m	-£119.75m
Systems Union	SP	£1.23	£134.1m	24.1	1.29	946	-14%	6%	-£21.80m	£10.38m
Tadpole Technology	SP	£0.03	£11.2m	-	2.31	69	-38%	-71%	-£6.81m	-£26.30m
Tikit Group	CS	£1.91	£24.2m	100.5	2.03	1661	-8%	19%	-£2.05m	£4.34m
Torex Retail	SP	£0.99	£319.5m	37.9	4.70	2463	-9%	30%	-£28.84m	£72.41m
Total Systems	SP	£0.44	£4.6m	12.2	1.33	821	-4%	-19%	-£0.21m	-£1.05m
Touchstone Group	SP	£1.25	£14.2m	-	0.82	1190	-3%	34%	-£0.45m	£3.92m
Trace Group	SP	£0.94	£14.1m	15.8	0.91	748	0%	16%	-£0.05m	£1.91m
Triad Group	CS	£0.58	£8.7m	72.8	0.19	426	11%	0%	£0.83m	-£5.93m
Tribal Group	CS	£1.99	£152.5m	-	0.66	1208	-4%	38%	-£6.97m	£44.73m
Ubiquity Software	SP	£0.36	£64.9m	-	12.21	892	-1%	3%	-£0.88m	£0.95m
Ultima Networks	R	£0.02	£3.8m	-	2.02	46	-17%	0%	-£0.77m	£0.01m
Ultrasis Group	SP	£0.02	£24.5m	-	15.94	43	-2%	527%	-£0.58m	£21.46m
Universe Group	SP	£0.19	£11.9m	37.7	0.27	856	-6%	-5%	-£0.77m	-£0.49m
Vega Group	CS	£1.82	£37.0m	20.9	0.70	1492	-15%	-7%	-£6.72m	-£2.64m
VI group	SP	£0.09	£3.2m	-	0.33	170	-7%	-40%	-£0.23m	-£2.14m
Xansa	CS	£0.85	£290.7m	32.0	0.77	2167	-7%	-9%	-£22.36m	-£26.79m
XKO Group	SP	£1.07	£36.7m	3.1	0.82	710	-1%	47%	-£0.52m	£16.72m
Xpertise Group	CS	£0.01	£4.2m	-	0.32	40	-7%	33%	-£0.31m	£1.05m

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Alphameric plc

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

Alterian plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 04	Comparison
REV	£2,511,000	£7,806,000	£3,422,000	+36.3%
PBT	-£1,945,000	-£649,000	-£1,082,000	Loss both
EPS	-3.93p	-0.04p	-2.68p	Loss to profit

Anite Group plc

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

Asite plc

	Interim - Jun 04	Final Dec 04	Interim - Jun 05	Comparison
REV	£788,000	£1,674,000	£793,000	+0.6%
PBT	-£843,000	-£3,962,000	-£962,000	Loss both
EPS	-0.70p	-3.60p	-0.50p	-28.6%

Atlantic Global plc

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

Autonomy Corporation plc

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

Aveva Group plc

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

Axon Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£26,685,000	£60,273,000	£40,393,000	+51.4%
PBT	£2,703,000	£6,600,000	£3,546,000	+31.2%
EPS	3.30p	8.50p	5.40p	+63.6%

Brady plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,940,299	£4,832,440	£1,530,585	-21.1%
PBT	£823,300	£1,914,789	-£268,537	Profit to loss
EPS	2.73p	5.80p	-0.80p	Profit to loss

Bond International Software plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£7,037,000		£9,578,000	+36.1%
PBT	£451,000		£1,881,000	+317.1%
EPS	2.19p		6.63p	+202.7%

Business Systems Group Holdings plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£22,643,000		£29,485,000	+30.2%
PBT	-£117,000		£576,000	Loss to profit
EPS	-0.15p		0.90p	Loss to profit

Capita Group plc

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

Charteris plc

	Final - Jul 04		Final - Jul 05	Comparison
REV	£13,822,000		£19,290,000	+39.6%
PBT	£541,000		£891,000	+64.7%
EPS	0.81p		1.28p	n/a

Chelford Group plc

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

Civica plc

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

Clarity Commerce plc

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

Clinical Computing plc

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

CODASciSys plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£34,039,000	£67,830,000	£35,306,000	+3.7%
PBT	£1,904,000	£3,914,000	£3,433,000	+80.3%
EPS	4.50p	8.90p	9.40p	+108.9%

Comino Group plc

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

Compel Group plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£63,335,000		£79,103,000	+24.9%
PBT	-£327,000		£812,000	Loss to profit
EPS	-0.90p		1.80p	Loss to profit

Computacenter plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,228,941,000	£2,410,590,000	£1,151,553,000	-6.3%
PBT	£30,062,000	£67,928,000	£8,221,000	-72.7%
EPS	10.50p	23.50p	1.20p	-88.6%

Computer Software Group plc

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

Cornwell Management Consultants plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£8,898,000	£17,738,000	£10,001,000	+12.4%
PBT	£719,000	£1,257,000	£969,000	+34.8%
EPS	4.60p	7.70p	4.10p	Loss both

Corpora plc

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

DAT Group

	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 to profit
EPS	-9.60p	-14.70p	-5.10p	Loss to profit

DCS Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£30,200,000	£52,800,000	£19,500,000	+12.4%
PBT	-£4,000,000	-£7,000,000	£2,800,000	Loss to profit
EPS	-17.16p	-31.07p	10.78p	Loss to profit

Dealogic Holdings plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£16,395,000	£33,446,080	£17,260,330	+5.3%
PBT	£4,879,000	£10,538,040	£6,112,500	+25.3%
EPS	2.14p	5.53p	4.18p	+95.3%

Delcam plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£10,554,000	£21,503,000	£11,835,000	+12.1%
PBT	£662,000	£1,196,000	£803,000	+21.3%
EPS	8.60p	18.31p	11.00p	+27.9%

Detica Group plc

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

Dicom Group plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£77,121,000	£156,197,000	£86,908,000	+12.7%
PBT	£2,775,000	£7,757,000	£5,856,000	+111.4%
EPS	4.00p	18.20p	15.70p	+292.5%

Dimension Data plc

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

DRS Data & Research Services plc

	Interim - Jul 04	Final - Dec 04	Interim - Jul 05	Comparison
REV	£9,728,000	£14,408,000	£6,325,000	-35.0%
PBT	£1,126,000	£452,000	-£277,000	Profit to loss
EPS	2.36p	1.35p	-0.68p	Profit to loss

Electronic Data Processing plc

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

Epic Group plc

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

FDM Group

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£15,778,000	£32,971,000	£16,438,000	+4.2%
PBT	£819,000	£1,805,000	£400,000	-51.2%
EPS	2.30p	5.00p	0.50p	N/a

Ffastfill Plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£2,651,000		£4,327,000	+63.2%
PBT	-£2,547,000		-£2,879,000	Loss both
EPS	-3.43p		-1.60p	Loss both

Financial Objects plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£4,589,000	£9,509,000	£5,589,000	+21.8%
PBT	£125,000	-£45,000	-£144,000	Profit to loss
EPS	0.45p	-0.16p	-0.47p	Profit to loss

Flomerics Group plc

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

Focus Solutions Group plc

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

GB Group plc

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

Gladstone Plc

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

Glotel plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£90,499,000		£119,496,000	+32.0%
PBT	£754,000		£2,571,000	+241.0%
EPS	1.20p		4.70p	+291.7%

Group NBT plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£7,675,000		£11,280,000	+47.0%
PBT	£412,000		£1,690,000	Loss to Profit
EPS	3.40p		8.30p	Loss to Profit

Gresham Computing plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£6,136,000	£12,398,000	£6,634,000	+8.1%
PBT	-£559,000	-£1,067,000	-£742,000	Loss both
EPS	-1.13p	-1.54p	-1.27p	Loss both

Harvey Nash Group plc

	Interim - July 04	Final - Jan 05	Interim - July 05	Comparison
REV	£78,907,000	£163,374,000	£92,705,000	+17.5%
PBT	£1,181,000	£3,169,000	£1,732,000	Loss to profit
EPS	1.61p	3.62p	2.30p	Loss to profit

Highams Systems Services Group plc

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

Horizon Technology Group plc

	Interim - Jun 04	Final Dec 04	Interim - Jun 05	Comparison
REV	£101,488,400	£190,777,237	£101,094,460	-.4%
PBT	£1,839,310	£3,864,736	£2,730,280	+48.4%
EPS	1.97p	4.00p	3.06p	+55.3%

IBS OPENSystems plc

		Jun-05		Comparison
REV		£5,216,000		N/a
PBT		£999,000		N/a
EPS		1.20p		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 - April 04	Final - Oct 04	Interim - April 05	Comparison
REV	£3,284,000	£9,555,000	£7,024,000	+113.9%
PBT	-£193,000	£89,000	£214,000	Loss to Profit
EPS	0.03p	0.23p	0.12p	Loss to Profit

Innovation Group plc (The)

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

InTechnology plc

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

Intelligent Environments Group plc

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

iTrain plc

	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

INVU plc

	Interim - Jul 04	Final - Jan 05	Interim - Jul 05	Comparison
REV	£1,015,000	£3,149,000	£1,680,000	+65.5%
PBT	-£576,000	£608,000	£70,000	Loss to profit
EPS	-0.61p	0.64p	0.07p	Loss to profit

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

	Interim - June 04	Final - Dec 04	Interim - June 05	Comparison
REV	£2,849,000	£5,514,000	£2,573,000	-9.7%
PBT	£63,000	-£324,000	£105,000	+66.7%
EPS	0.25p	-1.15p	0.40p	+60.0%

K3 Business Technology Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,790,000	£8,529,000	£9,344,000	+234.9%
PBT	£1,174,000	£1,160,000	£72,000	-93.9%
EPS	9.00p	10.00p	-1.10p	Profit to loss

Kewill Systems plc

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

Knowledge Technology Solutions Plc

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

LogicaCMG plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£804,100,000	£1,669,800,000	£891,700,000	+10.9%
PBT	£25,800,000	£42,400,000	£37,700,000	+46.1%
EPS	1.90p	1.90p	2.90p	+52.6%

Lorien plc

	Interim - May 04	Final - Nov 04	Interim - May 05	Comparison
REV	£56,552,000	£122,598,000	£61,266,000	+8.3%
PBT	£340,000	£1,152,000	-£369,000	Profit to loss
EPS	1.00p	6.90p	-1.60p	Profit to loss

Macro 4 plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£31,240,000		£33,103,000	+6.0%
PBT	£1,042,000		£790,000	-24.2%
EPS	1.90p		2.90p	+52.6%

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

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

Matrix Communications

	Final - Oct 03		Final - Oct 04	Comparison
REV	£1,452,048		£11,134,827	+666.8%
PBT	-£563,450		£1,212,423	Loss to profit
EPS	-3.58p		3.81p	Loss to profit

Maxima Holdings plc

		Interim - Nov 04	Final - 31May 05	Comparison
REV		£6,194,000	£8,076,167	N/a
PBT		£800,000	£1,038,016	N/a
EPS		4.34p	8.30p	N/a

Mediasurface plc

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

Micro Focus International plc

	Final - Apr 04		Final - Apr 05	Comparison
REV	£73,667,000		£81,198,000	+9.9%
PBT	£12,874,000		£14,903,000	+15.8%
EPS	5.55p		6.28p	N/a

Microgen plc

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

Minorplanet Systems Plc

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

Misys plc

	Final - May 04		Final - May 05	Comparison
REV	£899,900,000		£888,400,000	-1.3%
PBT	£23,100,000		£27,600,000	+19.5%
EPS	4.30p		2.80p	-34.9%

Mondas plc

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

Morse plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£390,008,000		£429,531,000	+10.1%
PBT	-£12,431,000		£18,332,000	Loss both
EPS	-11.90p		-14.10p	Loss both

MSB International plc

	Interim - July 04	Final - Jan 05	Interim - July 04	Comparison
REV	£44,352,000	£92,321,000	£47,115,000	+6.2%
PBT	£356,000	£997,000	£163,000	-54.2%
EPS	1.26p	3.13p	0.54p	-57.1%

NCC Group plc

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

Ncipher Plc

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

Netcall plc

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

Netstore plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£20,681,000		£21,397,000	+3.5%
PBT	-£687,000		£653,000	Loss to profit
EPS	-0.14p		1.43p	Loss to profit

Nexus Management plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£1,160,363		£1,157,000	-.3%
PBT	-£134,991		-£106,257	Loss both
EPS	-0.04p		-0.04p	Loss both

Northgate Information Solutions plc

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

NSB Retail Systems plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£21,632,000	£45,399,000	£22,202,000	+2.6%
PBT	£2,445,000	£6,343,000	£3,546,000	+45.0%
EPS	3.02p	3.99p	0.81p	-73.2%

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

Parity Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£82,931,000	£169,860,000	£88,790,000	+7.1%
PBT	-£700,000	-£6,914,000	-£949,000	Loss both
EPS	0.05p	-2.24p	-0.64p	Loss both

Patsystems plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,329,000	£11,775,000	£7,708,000	+44.6%
PBT	-£1,808,000	-£2,929,000	-£558,000	Loss both
EPS	-1.10p	-1.40p	-0.30p	Loss both

Phoenix IT Group plc

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

Pilat Media Global plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,607,249	£12,052,232	£4,694,490	-16.3%
PBT	£434,918	£1,834,969	£739,678	+70.1%
EPS	0.65p	2.49p	-0.97p	Profit to loss

Pixology plc

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

Planit Holdings plc

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

Portrait Software

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

Prologic plc

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

PSD Group plc

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

QA plc

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

Quantica plc

	Interim - May 04	Final - Nov 04	Interim - May 05	Comparison
REV	£13,789,000	£30,848,000	£17,019,000	+23.4%
PBT	£763,000	£1,957,000	£1,018,000	+33.4%
EPS	1.15p	3.32p	1.57p	+36.5%

Raft International plc

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

Red Squared plc

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

Retail Decisions plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£15,430,000	£31,737,000	£14,705,000	-4.7%
PBT	£2,998,000	£6,144,000	£3,522,000	+17.5%
EPS	0.69p	1.39p	0.80p	+15.9%

RM plc

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

Royalblue Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£28,459,000	£59,768,000	£34,082,000	+19.8%
PBT	£4,090,000	-£859,000	£4,754,000	Profit to loss
EPS	8.80p	23.40p	10.80p	+22.7%

Sage Group plc

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

Sanderson Group plc

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

SDL plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£30,670,000	£62,690,000	£34,080,000	+11.1%
PBT	£1,622,000	£457,000	£3,103,000	+91.3%
EPS	2.07p	-1.77p	3.21p	+55.1%

ServicePower Technologies plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 06	Comparison
REV	£1,490,000	£4,114,000	£3,444,000	+131.1%
PBT	-£1,435,000	-£3,743,000	-£1,078,000	Loss both
EPS	-2.16p	-5.34p	-1.54p	Loss both

Sirius Financial Solutions plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£20,523,966		£21,704,052	+6.7%
PBT	-£581,160		£385,444	Loss to profit
EPS	-3.90p		1.40p	Loss to profit

Sirvis IT plc

	Final - May 04		Final - May 05	Comparison
REV	£3,230,000		£8,083,000	+150.2%
PBT	£321,000		-£2,432,000	Profit to loss
EPS	0.60p		-2.45p	Profit to loss

smartFOCUS plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,283,775	£2,850,101	£2,183,779	+70.1%
PBT	-£16,242	-£324,052	£64,926	Loss to profit
EPS	0.10p	-0.30p	0.10p	+0.0%

Sopheon plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,083,000	£4,323,000	£1,909,000	-8.4%
PBT	-£1,261,000	-£1,964,000	-£894,000	Loss both
EPS	-1.20p	-1.60p	-1.60p	Loss both

Spring Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£229,048,000	£476,429,000	£219,908,000	-4.0%
PBT	-£712,000	£859,000	-£5,170,000	Loss both
EPS	-0.04p	4.91p	-3.06p	Loss both

StatPro Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£4,258,000	£9,072,000	£5,017,000	+17.8%
PBT	£263,000	£162,000	£554,000	+110.6%
EPS	1.10p	5.30p	1.40p	Loss both

Stilo International Plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,143,000	£2,076,000	£905,000	-20.8%
PBT	-£368,000	-£1,299,000	-£432,000	Loss both
EPS	-0.52p	-1.56p	-0.48p	Loss both

Superscape plc

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

SurfControl plc

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

Systems Union Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£51,016,000	£104,230,000	£53,666,000	+5.2%
PBT	£1,464,000	£4,614,000	£2,697,000	+84.2%
EPS	1.20p	3.90p	2.20p	+83.3%

Tadpole Technology plc

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

Telecity plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£12,235,000	£25,837,000	£14,390,000	+17.6%
PBT	-£2,745,000	-£6,804,000	-£1,637,000	Loss both
EPS	-1.20p	-2.70p	-0.60p	Loss both

Tikit Group plc

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

Torex Retail plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£25,118,000	£67,935,000	£52,466,000	+108.9%
PBT	£2,496,000	£7,711,000	£2,086,000	-16.4%
EPS	0.70p	2.90p	0.40p	-42.9%

Total Systems plc

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

Touchstone Group plc

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

Trace Group plc

	Final - May 04		Final - May 05	Comparison
REV	£15,472,000		£16,112,000	+4.1%
PBT	£822,000		£1,224,000	+48.9%
EPS	4.69p		5.92p	+26.2%

Tribal Group plc

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

Ubiquity Software Corporation plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,522,200	£5,314,776	£3,507,000	+39.0%
PBT	-£2,564,000	-£6,407,328	-£4,157,000	Loss both
EPS	-19.00p	-44.00p	-6.00p	Loss both

Ultima Networks plc

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

Ultrasis Group plc

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

Universe Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£20,349,000	£43,992,000	£22,302,000	+9.6%
PBT	-£224,000	-£74,000	£175,000	Loss to profit
EPS	-0.38p	-0.10p	0.23p	Loss to profit

Vega Group plc

	Final - Apr 04		Final - Apr 05	Comparison
REV	£44,127,000		£52,602,000	+19.2%
PBT	£1,918,000		£2,907,000	+51.6%
EPS	5.74p		8.61p	+50.0%

VI Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,053,000	£9,698,000	£5,417,000	+7.2%
PBT	-£99,000	-£259,000	£189,000	Loss to profit
EPS	-0.60p	-0.84p	0.02p	Loss to profit

Xansa plc

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

XKO Group plc

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

XN Checkout Holdings plc

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

Xpertise Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£10,767,000		£13,170,000	+22.3%
PBT	-£2,140,000		-£668,000	Loss both
EPS	-0.70p		0.16p	Loss both

Signs of a long cold winter ahead

31-Oct-05		
	S/ITS Index	**4843.70**
	FTSE IT (SCS) Index	**489.05**
	techMARK 100	**1261.36**
	FTSE 100	5317.30
	FTSE AIM	993.90
SCS Index = 1000 on 15th April 1989	FTSE SmallCap	3041.98

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (03/10/05 to 31/10/05)	-8.74%	-2.93%	-1.54%	-5.65%	-9.13%	-3.68%
From 15th Apr 89	+384.37%	+158.93%				
From 1st Jan 90	+426.43%	+125.12%				
From 1st Jan 91	+584.26%	+146.13%				
From 1st Jan 92	+363.57%	+113.28%				
From 1st Jan 93	+203.95%	+86.80%				+119.27%
From 1st Jan 94	+190.11%	+55.55%				+62.79%
From 1st Jan 95	+223.09%	+73.46%				+74.18%
From 1st Jan 96	+114.47%	+44.13%	+59.82%		+4.25%	+56.68%
From 1st Jan 97	+80.91%	+29.11%	+37.90%		+1.82%	+39.34%
From 1st Jan 98	+59.59%	+3.54%	+32.22%	-51.10%	+0.19%	+31.50%
From 1st Jan 99	+22.89%	-9.61%	-13.37%	-66.18%	+23.99%	+46.89%
From 1st Jan 00	-57.77%	-23.27%	-66.63%	-86.85%	-48.57%	-1.80%
From 1st Jan 01	-42.15%	-14.55%	-50.83%	-74.91%	-30.87%	-4.44%
From 1st Jan 02	+0.95%	+1.91%	-14.35%	-42.08%	+10.70%	+17.95%
From 1st Jan 03	+78.55%	+34.94%	+94.42%	+43.75%	+64.85%	+67.09%
From 1st Jan 04	+3.58%	+18.77%	+24.27%	-2.89%	+18.97%	+22.90%
From 1st Jan 05	-1.66%	+10.45%	+5.43%	+0.68%	-1.18%	+10.29%

End Oct 05	Move since 1/1/99	Move since 1/1/00	Move since 1/1/01	Move since 1/1/02	Move since 1/1/03	Move Since 1/1/04	Move Since 1/1/05	Move in Oct 05
System Houses	13.8%	-55.7%	-40.4%	7.4%	114.0%	11.6%	1.7%	-8.9%
IT Staff Agencies	-75.0%	-78.3%	-65.4%	-37.6%	-6.1%	-38.4%	-22.1%	-10.9%
Resellers	77.7%	-14.4%	13.2%	26.0%	70.4%	-11.1%	-2.1%	-8.1%
Software Products	67.8%	-59.6%	-70.7%	-5.6%	56.4%	-3.6%	-1.0%	-8.4%
Holway S/ITS Index	22.9%	-57.8%	-42.1%	0.9%	78.6%	3.6%	-1.7%	-8.7%

It is not our objective to be a prophet of doom, but with Halloween having just passed it seems apt. Last month we used this column to highlight the growing number of warnings from S/ITS sector players, and the fact that only a handful of players who had managed to grow both top and bottom line growth were being rewarded by investors. This month we have seen that outlook become even gloomier, with the S/ITS index down 8.74%, having wiped out its previous gains on the beginning of the year (it is down 1.66% on January 2005).

Unfortunately, this weakness has been broad based, and all segments of the market have declined by over 8%, indicating that the mood of the market in general is turning sour. For instance, only six companies in the S/ITS index achieved a share price growth of 5% or more. This compares to the 103 companies that suffered a decline, 75 of them falling more than 5%.

IT staff agencies suffered the most, falling on average by 10.9%, with PSD being the one ITSA to buck the trend. Having reported a "recovery of the technology business", during the six months to 30 June 05, its share price gained 5% in October to reach £2.44 - the only ITSA in our index to grow in value. As is the case across today's S/ITS market, we believe focus on a niche, in this case permanent IT staffing, has been key to PSD's success.

Computer services and software companies did not fare much better. The Triad Group was the only services provider to grow its shares more than 5% (up 11% to £0.58), though this was due more to its lack of liquidity rather than business fundamentals. In software, Atlantic Global was the only company to shine, growing 42% to £0.42 after making some significant management changes. Former darlings Autonomy and Torex Retail fell 7% (to £3.12) and 9% (to £0.99) respectively, further highlighting that these declines were less about performance and more about the general mood of investors. Winter is coming, and it certainly looks like it could be a long and cold one. *(Samad Masood)*