

# SYSTEMHOUSE

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

## AVERAGE JUST ISN'T GOOD ENOUGH ANYMORE

We've just completed our annual analysis of Investor Sentiment in the UK software and IT services (S/ITS) industry (*Holway@Ovum* clients will receive a copy of the report this month). If there were one word to sum up the current landscape for tech investors it would be 'difficult'.

During 2003 and the first half of this year, investors in UK-quoted S/ITS stocks watched intently as they tried to fathom how long the 'mini-bubble' would last (our Holway S/ITS index rose by 120% in 11 months). In fact the peak came in at the end of February. Since then the trend has been downwards and those same investors have chewed at their fingernails praying that the slide in share prices is merely a 'minor' correction (so far our Holway S/ITS index has fallen 16%).

Investors in privately owned companies have faced similar quandaries. Since the technology boom in 2000, the confidence of investors has waned quarter-on-quarter. There seemed to be no sign of a let up. Many technology investment funds sat idle for nigh on four years. Investors desperately need to find investment opportunities for these

funds in order to attract adequate investment for the next fund. But where to invest in order to achieve successful realisations? The good news is that over the first half of 2004, we've seen some positive signs of increased activity – the total value of deals (of >£1m) jumped by 46% to £262m between H103 and H104.

So the signs are that technology funds are now liquid again. But a big question remains for all investors – whether investing in publicly-quoted or privately-owned companies – **'Is it worth investing in tech anymore?'**

When times were good, realising an average return on a technology investment was more than adequate to keep

clients happy.

But making an average return on an investment just won't be good enough anymore. We've written on many an occasion of our belief (now widely held) that the UK S/ITS market is in its maturity phase. Average market growth is set to remain in the low single-digits (see *Holway Comment*). We may see 'mini-bubbles' in the stock market, but in the longer-term there is no reason why average investment returns will do any better than average market growth. Investors in tech companies with 'average' performance would do better putting their money in a building society!

The only way to make 'decent' returns in today's technology sector is to pick and choose companies with high

growth potential. #1 investor in UK technology companies, 3i, has stated that it is keen to invest in early stage technology companies because "a strategy of investing in companies with significant growth potential is increasingly appropriate in a low inflation and more internationally competitive environment" (3i Annual Report). They're spot on!

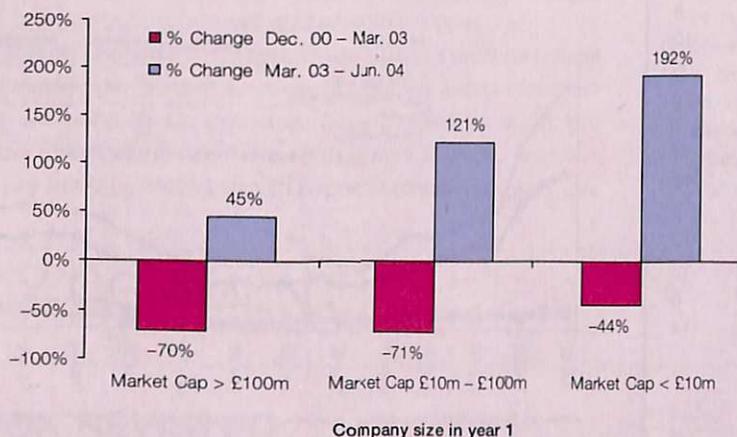
As we commented

in last month's SYSTEMHOUSE (August 2004) there is a huge diversity of company performance in the UK S/ITS industry today. So depending on industry averages to make investment decisions will only serve to confuse. Investors wanting to outperform their peers need to be aware that company valuations are dependent on numerous factors including a company's size, its core focus, and most importantly its prospective operational performance.

### Diversity by size of company

Since the beginning of this decade small cap S/ITS companies have consistently outperformed their large cap peers.

Movement in share price by company size



Source: Ovum Holway

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Between the last stock market bubble bursting in 2000 and the low point in March 2003, the largest companies suffered the most, experiencing an average share price decline of c70%. Whereas companies with a market capitalisation below £10m were lucky in comparison, suffering a decline of 'just' 44%.

When conditions for investors started to improve, it was those that held onto their small cap investments that got the best returns. Between March 2003 and June 2004, the share prices of the smallest companies in the Holway S/ITS index increased by a staggering 192%. While those

with a market capitalisation of more than £100m experienced an average increase of 'just' 45%.

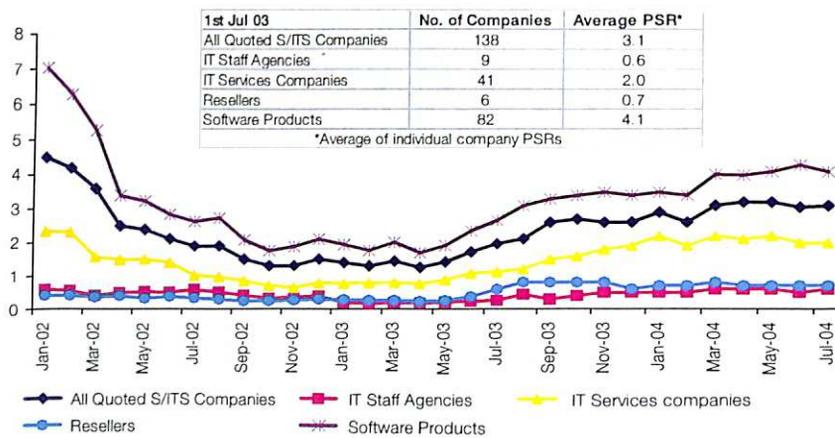
This diversity in performance by size of company is also highlighted by the disparate performance of our Holway S/ITS index (unweighted and hence favouring the smaller companies) and other technology indices such as the FTSE IT (SCS) index (weighted to the performance of the larger S/ITS companies). While the Holway S/ITS index suffered along with all other technology indices during 2002 and the first half of 2003 (down 26% in 18 months), it fared better than some. The FTSE IT SCS index put in a far worse performance (down 51%), and perhaps more importantly, has struggled to recover since.

**Diversity by type of company**

UK-quoted software companies (predominantly small-cap organisations) consistently boast an average PSR (average of individual company PSRs) above the UK-quoted S/ITS sector average. In addition they have experienced exaggerated movements in their valuations - movements that have far outweighed any movements in technology indices and bear little relation to any improvement in operational performance. Between April 2003 and June 2004, the average PSR of software companies increased substantially from 1.7 to 4.1. Over the same period the average PSR of IT services companies increased, though to a lesser extent, from 0.8 to 2.0.

On the other hand, the valuations of IT resellers and IT staff agencies have been far less influenced by the general ups and downs of the technology indices. These companies have consistently commanded average PSRs of less than 1.0, i.e. their market value has changed in line with any revenue growth/decline.

**Average PSR of UK-quoted S/ITS companies by type**



Source: Ovum Holway

In the world of private equity technology investment, institutional investors have also varied their investment behaviour depending on the type of company. Software companies in particular have always been, and continue to be, the investors' choice. Traditional and wireless software accounted for 70% of the technology funds invested in the first half of 2004. However, investors have shown a tendency to vary their interest in companies dependent on the platform focus. The most apparent relative decline in interest over the last four years has been in the Internet & wireless services sector. In 2000 investments in these companies accounted for 42% of the total number of deals but this declined dramatically to just 3% in 2003 and 5% in H104. Naturally the more popular the investment option, the higher the price tag.

**INDEX**

**IN THIS ISSUE**

|                            |    |
|----------------------------|----|
| BearingPoint               | 14 |
| BT                         | 11 |
| Computer Software Group    | 13 |
| CRC                        | 6  |
| CSC                        | 9  |
| Delcam                     | 8  |
| Easyscreen                 | 10 |
| EDS                        | 6  |
| Financial Objects          | 8  |
| Getronics                  | 7  |
| Patsystems                 | 13 |
| Quantica                   | 10 |
| SIRVis IT                  | 9  |
| Statpro                    | 12 |
| Systems Union              | 12 |
| Wealth Management Software | 5  |
| Xpertise                   | 14 |

**OTHER ARTICLES**

|                           |       |
|---------------------------|-------|
| Front page article        | 1/3   |
| Holway Comment            | 3/5   |
| Recent & Forthcoming IPOs | 15    |
| Mergers & Acquisitions    | 15    |
| Results                   | 16/17 |
| Share Prices              | 18/19 |
| S/ITS Index Analysis      | 20    |

**INDICES (changes in August 04)**

|                 |        |      |
|-----------------|--------|------|
| Holway S/ITS    | -2.6%  | 1838 |
| Holway Internet | -0.36% | 4693 |
| FTSE IT (SCS)   | -1.7%  | 418  |
| techMARK 100    | -2.7%  | 1034 |
| Nasdaq Comp     | -2.7%  | 4430 |

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**Diversity by operational performance**

This month's *Holway Comment* touches on the diversity of valuations for some of the leading players in the IT sector. While the average sector P/E for quoted technology companies sits in the mid-20s, several leaders in the sector are commanding P/Es at far lower levels. HP is on a forward P/E for 2005 of just 11.

It's a similar story for the UK-quoted S/ITS companies. The diversity of operational performance continues to be reflected in valuations. Amongst the ten largest S/ITS companies by market valuation, iSoft Group – a company with excellent prospects having got its fair share of the spoils from the NHS NPfIT Programme – boasts a prospective P/E ratio for 2005 of c35 – well above the average. In addition, Northgate Information Solutions, recent acquirer of HR outsourcing supplier, RebusHR, appears to be benefiting as a result of expected high growth in the BPO market. Its P/E ratio stands at just under 30. Capita is benefiting for the same reason with a P/E of c24.

At the other end of the scale, companies like LogicaCMG (predominantly project services-focused), Computacenter (predominantly resale) and Sage Group (software) are failing to tickle the investor's fancy. All have P/Es of less than 16. Computacenter is the least favoured with a P/E of c12.

**So what does all this mean?**

A diversity of valuations will continue and will become increasingly apparent as some S/ITS companies grab market share while others struggle to compete.

In the private equity market this is going to lead to fierce competition for a small number of attractive early stage deals. According to Cobalt Corporate Finance, some of the greatest competition in today's investment market is for "early stage investment opportunities into disruptive technologies with proven route to market and clear exit options".

In the quoted sector, only quality companies with decent profit and cash generation expectations will be able to make it onto the public markets. Even then issues will need to be priced sensibly to allow for a decent aftermarket for new investors. Equity houses that want to dump dubious stocks from their pre-2000 portfolios should expect a difficult reception.

Increasingly it will be the large, financially strong, investment firms with a determined focus on the technology sector that dominate the investment scene. Deep pockets combined with deep and often hands-on expertise will be essential to allow technology companies to take high-risk educated gambles and make above average returns. These firms will be the ones to grab the best investment opportunities. Others will slowly turn their attentions to less competitive and safer, or more lucrative, sectors.

In an increasingly difficult environment for S/ITS investment, some canny investors will report rich returns, while for others the returns will be dismal. "Average" returns will simply not be good enough. Investors, like S/ITS companies, will increasingly display a 'diversity of performance'. (Georgina O'Toole)

*Note: We are indebted to Cobalt Corporate Finance the funding and M&A advisors to technology and media companies for their assistance in providing us exclusively with data on private equity investments in the UK technology marketplace.*

**HOLWAY COMMENT****IT OUTLOOK REVISTED****What we said at the turn of the year**

Eight months back, at the turn of the year, we introduced the "Window of Opportunity" theme. We advised that if you were planning an IPO or wanted to sell your company – better get on with it and do it in H1 before the window closed again.

At the same time we put forward a quarter-by-quarter scenario of what might happen to company results, outlook and therefore the stock market for IT stocks in 2004.

It read as follows:

**Q1 2004** results show bumper earnings growth – but all on the back of cost cutting. Analysts upgrade 2005 earnings forecasts.

Investors exuberant over 'market uptick' – stocks go higher.

**Q2 2004** and interim results show a mixed bag. CEOs put on brave face in trading statements.

Analysts downgrade 2005 forecasts. Investors 'confused', markets start to fall, IPO activity stalls.

**Q3 2004** results show mostly profits down with poor outlook for 2005. Investors bail out, markets dive.

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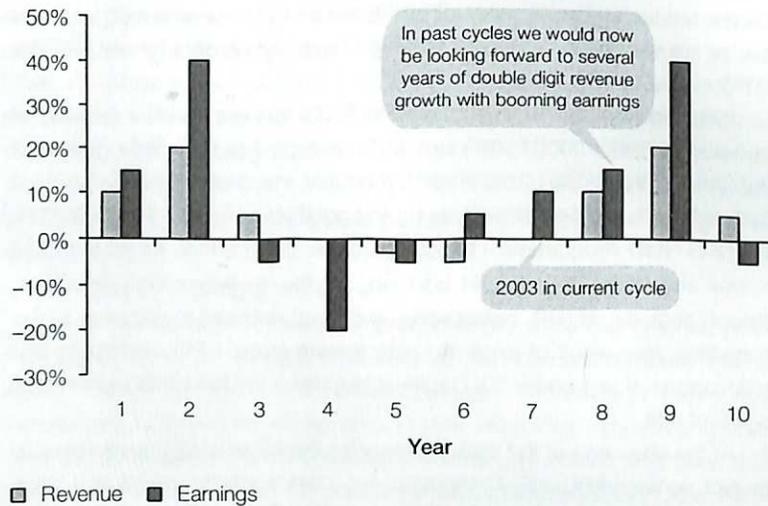
We estimated that NASDAQ would end 2004 some 20% lower than where it started. As it was 2010 on 1st Jan 2004 that inferred it would go to a low of 1600 in H2.

This scenario was not pure 'finger in the air'. Up to 2003 (year 7 on the chart), the IT sector had pretty neatly tracked every other ten year cycle we have experienced in the last 40 years.

As revenue growth grinds to a halt, the industry takes considerable time to, first of all, understand what is actually happening and then adjust its cost base accordingly. By the time it has done that, the industry is on the cusp of another revenue growth bonanza and earnings go through the roof (see years 1 and 2 in the chart) before new recruitment increases costs and reaches a zenith just as the cycle starts all over again.

But you would now be hard pressed to name a single person who truly believes we are heading for double-digit growth again. The argument is 'is it one times GDP or two times GDP?' Either way most now expect modest single digit revenue growth over the next few years. Of course we can

### The usual 10 year IT cycle



achieve enhanced earnings growth by productivity gains even in a modest growth environment. But the IT industry has been notoriously bad at achieving that in the past. All this leads us to believe that earnings growth could well have peaked in 2004.

#### Pretty spot on so far...

Revisiting our forecasts eight months on shows that we have so far been spookily spot-on. Back at the start of the year, 95% of analysts polled believed NASDAQ would rise in 2004. Indeed, as you can see from the chart, by mid-January NASDAQ was up 7% at 2149. But since those Q2 results were aired, NASDAQ has fallen by 14.5%. Now there is an increasing number who seem to believe that our 20% decline forecast is too optimistic! UBS have even suggested a low of 1300.

#### What now?

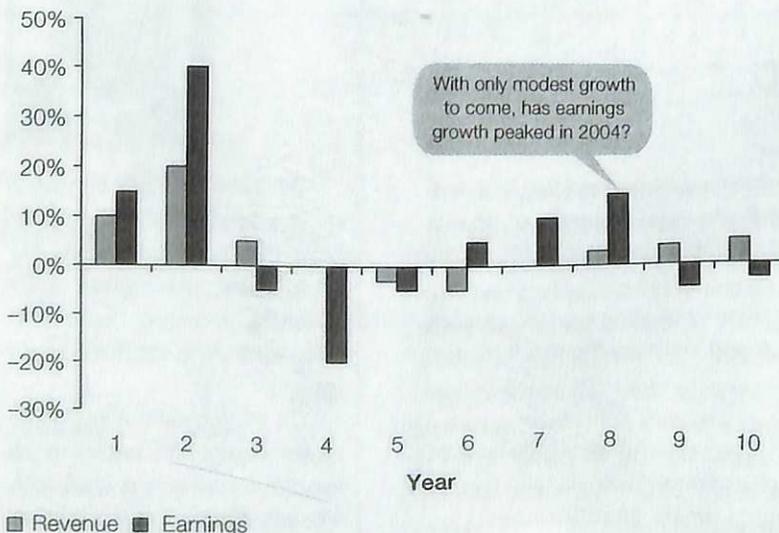
##### IPOs

After a mini boom period in H1, we know of many IPOs planned for Q3 which have now been postponed...indefinitely. Sure, some IPOs will get away but only if expectations for valuations are significantly reduced and fundraising is restricted to new money rather than enriching existing shareholders. August's AIM IPO for Mediasurface is a good an example of this.

##### M&A

After the best period for M&A since 2000, trade sales will be similarly affected. We already know of several 'almost in the bag' deals which have been re-priced due to the market declines. Although buyers may rub their hands with glee, remember that there is a baseline below which sellers just will not deal. This happened last time around and we firmly suggest it will happen again. M&A has peaked too.

### The unusual 10 year IT cycle



[continued from page four]

### Stock markets

We now think that if markets only decline by 20%, as per our original forecast, we will have done very well. That will be a reasonably 'soft landing'. However, our fears are that we are in for a more fundamental correction in valuations. As we have said before, "sky high valuations can only be justified on the expectation of stellar financial performance".

If you buy the prediction that the IT sector is in for a prolonged period of modest growth then average sector P/Es of 25+ are not on. Other cyclical sectors where growth is aligned to GDP have P/Es around 10. Indeed it is interesting to note that several of the leaders in the sector have already seen their P/Es slump to such levels. HP's forward P/E for 2005 is currently just 11. We are sure that HP's fans will regard this as an aberration, a nadir. But maybe it will come to be seen as a sector norm.

Given the growing gloom surrounding the outlook for the debt and deficit ridden US economy, the relentless rise in oil prices, continued conflict in Iraq, the increased threat of terrorist attacks, the likely fall in house price values in the UK...the best we can hope for is a pretty flat market for 2005. The worst is probably closer to the UBS prediction of a NASDAQ at 1300.

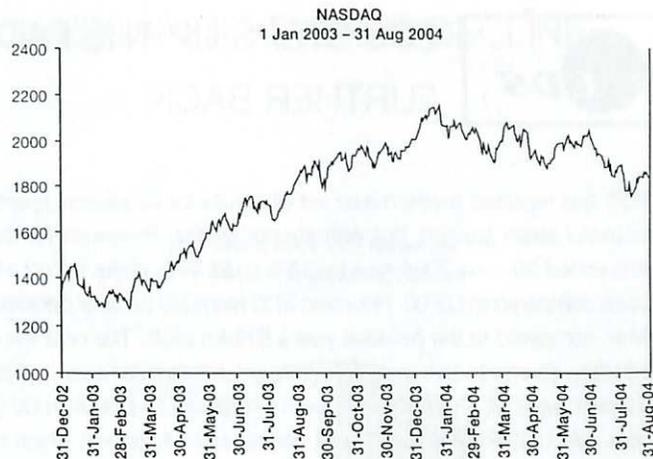
#### Cold Tech

In August, we wrote an opinion piece called *Cold Tech* (see [www.ovum.com](http://www.ovum.com)), which describes new technologies or issues that actually shrink the tech. pie. The wide-spread adoption of Linux, for example, could reduce the amount spent on operating systems and Office-type applications. Off-shoring of IT activities will similarly reduce the total spent on IT services. Although volumes of PCs shipped continue to increase, users insist on even more competitive pricing. So the total size of that part of the market continues to decline too.

#### So, were we, once again, too optimistic?

In 2002, we introduced the topic of IT as a mature sector where future growth would be more aligned to GDP growth. It was much maligned at the time. Now it's accepted wisdom!

We used the automobile industry as an analogy to describe what happened



to sectors in their maturity phase. We are more and more convinced that it was a good analogy to use. The Alliance & Leicester this month released research that showed the average price of a new car had fallen by 9% in the five years since 1999 – whereas inflation is up 12.8% in the same five years. Figures from SMMT show that the number of new car registrations was up by 17%. In other words, significant increases in the number of cars bought has failed to compensate for the even more significant reduction in their unit cost and the share of GDP held by automobiles has declined every year of the new millennium.

We suspect that is the long-term outlook for the IT sector too.



## WMS COPES WITH REVENUE FALL

**Wealth Management Software** (WMS), a provider of software to the financial, health and property sectors, announced interim results for the six months to end of June 2004. Turnover from existing operations was down 22% at £2.92m. Operating profit was £130K, compared to £186K in the first six months of 2003. Total profit before tax was £148K (H1 03: £208K). EPS was 0.39p (H1 03: 0.62p).

Chairman Paul Newton was upbeat in his comments: "We are continuing to develop our prospect pipelines in our target market areas...we are finding good prospects in the UK, mainland Europe and South Africa."

**Comment:** The revenue fall looks scary but is attributable to a single contract termination (with PPML). It is to WMS' credit that it has managed to remain in the black despite losing so much revenue in one blow. Meanwhile, the prospects for growth are encouraging, with the company signing up four new customers for its flagship LISA product in the first half, and another (Avalon Investment Services) in July. The acquisition of Fairs Ltd also looks to be paying dividends. The Fairs unit, which is now integrated into WMS, contributed additional revenues of £153k between early May and end June, with healthy operating profits of £42k. (Phil Codrington)



## EDS STEPS UP THE PACE BUT WILL FINISH FURTHER BACK

EDS has reported a very mixed set of results for its second quarter, with some useful steps forward, but with shorter strides. Revenues for the three months ended 30 June 2004 rose by 3.5% to \$5.24b, about flat on a like-for-like basis compared to Q2 03. However, EDS recorded another operating loss, (-)\$84m, compared to the previous year's \$184m profit. The cost line was hit by a \$135m charge to terminate a "significant commercial contract" (mooted to be Dow Chemical). Pre-tax losses were (-)\$196m (cf +\$114m in Q2 03), but the now sold UGS PLM Solutions unit contributed \$402m net which resulted in EDS reporting a post-tax profit of \$270m, up from \$88m in Q2 03.

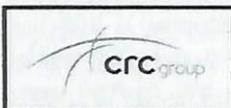
Across its business lines, EMEA revenues rose 8% (at constant currency) to \$1.48b on the back of growth in financial services and government sectors. But operating margins were lower, just under 15%, as operating profits increased only 1% to \$220m. Americas revenues were down 7%, Asia down 3% and US Government "essentially flat". Revenues at management consulting arm AT Kearney were 1% lower at \$210m with profits of just \$3m – a paltry 1.4% margin! GM revenues were down 14% (15% at constant currency) to \$477m.

Contract signings were up 25% to \$4b with an outlook of 'at least' \$17.5b for the year. However, EDS lowered its guidance for full year earnings and cash flow, but maintained revenue forecasts at \$20–21b.

**Comment:** EDS is still a game of two halves (or "tale of two cities" as EDS chairman and CEO Mike Jordan puts it), with duff contracts pulling

down the bits of the business that are improving. It's a little hard to do a direct comparison with archrival IBM, as EDS' geographical numbers don't include the results of the moribund AT Kearney business and IBM's includes its hardware activities. But even so, it looks like EDS outstripped IBM in EMEA on the services front, with its 8% 'real' growth compared to IBM's 2%. This, at least, is a result! But there's still a huge job ahead, not made easier by EDS first having to explain its credit rating downgrade to all of its major clients and prospects – not the best way to have to start a sales call. Embattled, certainly, but beaten – not by a long way.

(Anthony Miller)



## CRC WARNS ON 2004 PROFITS

Mobile and IT repair company, **CRC Group** has announced its results for the half year to 30 June 2004. Revenue declined c7% to £33.4m, but increased 47% outside of the Nokia service management business (which has slumped as the reliability of phones has increased and Nokia took its warranty business in-house). Operating profit declined 22% to £1.6m and PBT declined 25% to £1.5m. EPS declined 35% to 3.52p.

CRC Group CE, Alan McLaughlin, said: "Significant new customer gains have been made although some new business was secured later than

originally planned; this delay in starting repair work will impact 2004 profitability but will position the Group well for 2005."

**Comment:** CRC splits its business into three, covering mobile phone, IT and set top box repair. The company hit our radar last year after a number of acquisitions boosted its IT business. CRC reported IT repair revenues of £15.4m in H104, up from £7.6m in the comparable period last year. IT repair now accounts for 46% of its business.

And while we've always admitted that repair might not be the most glamorous job in the industry, CRC looks to be doing OK from it. With last year's German acquisitions now fully integrated, the company has signed its first ever multi-site, pan-European repair deal with an unnamed Asian company to repair laptop products. It's also been selected as a partner by another unnamed Asian company to carry out laptop and PDA repairs in the UK. Both of these contracts came through ADP Technical Services, a UK-based company it acquired in 2003.

Although the Group has warned that operating profit will not hit expectations (partly because of operational issues at its Home Gateway (set top) business), it is now a better-balanced business with new deals in the pipeline that look set to have a positive impact into 2005. (Kate Hanaghan)



## GETRONICS UK ESCAPES REVENUE DECLINE

Dutch-headquartered **Getronics**, a top ten supplier of support services in the UK, has announced its results for the first half of 2004, revealing a company fighting against a number of adverse trading conditions. Total revenues declined by 12.8% to EUR1.18bn, while revenues from continuing operations declined by 9.4%. The company says its "focus on quality revenue, -its strategy to de-emphasise product revenue, continuing pricing pressure, and currency impact" all contributed to the fall.

At the operating level, the company made a small profit of EUR4m compared to a loss of EUR71m in the comparable six months when EUR61m of exceptional costs impacted profitability. At the bottom line, a fully diluted EPS of EUR0.55 in H103 was converted to a loss per share of EUR0.04. In H103, Getronics had benefited from an exceptional income tax of EUR83m.

Europe and the Middle East contributed 72% of total ongoing revenues at EUR851m – down 10% on H103, with the company blaming tough market conditions, fierce competition and a low rate of conversion to contracted revenue. Service revenues (70% of the total) declined by 8%. EBITA in this region (excluding exceptional items) moved from a loss of EUR3m to a profit of EUR22m.

**Comment:** The lion's share – almost 60% – of Getronic's revenues are attributable to Network and Desktop Outsourcing (NDOS). In this period the company managed to achieve a renewal rate of more than 90% on these contracts.

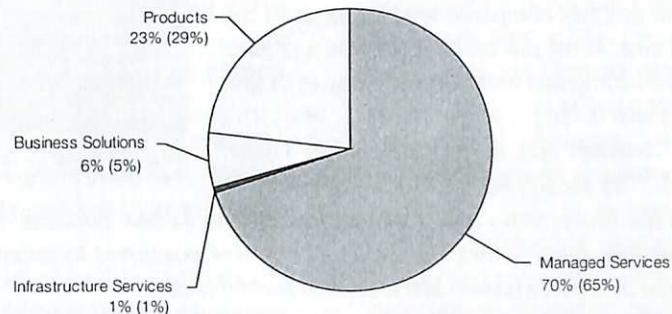
This was a good performance and even better for the fact that the renewals were within the planned margin range. Getronics also states that it closed a variety of mid-sized outsourcing deals. Nonetheless, turnover from this line of business still declined by 7% in H104.

Looking ahead, Getronics will continue to struggle against tough market conditions. In many Western European countries, it can't even rely on strong public sector demand, as central governments in countries such as Netherlands, Belgium and Italy make budget cuts. Severe pricing pressure will also stay a feature of the landscape. That's why its strategy is to concentrate on delivering a higher proportion of its managed services revenues from near-shore locations such as Mexico and Hungary. However, Getronics isn't the only company increasing its use of remotely delivered services, so while this move is necessary in order to remain competitive, reacting in this way to market conditions is far more tactical than strategic.

### UK performance

The company doesn't provide a breakdown at the UK level, but we understand the performance was steady on last year. Looking back at its full year performance, the UK business (which is profitable) saw total revenues decline c4% to £154.2m, but S/ITS revenues increase c4% to £118.2m.

Getronics UK FY03 Revenue Mix  
Total Revenue = £154.2m



This reflects its strength in desktop and network managed services and the fact that it hasn't lost a significant contract during the period. It's got long-standing partnerships with Dell (with warranty/support and desktop managed services) and CSC (network installation and design) and, as far as we're aware, these are not up for renewal this year. More generally, the company is looking towards new business to plug the gaps where margins have fallen down due to pricing pressure.

We caught up with the UK MD, Roger Whitehead, when the results were put out. He explained that on top of slow market conditions, some deals can now take up to a year to complete. Pre-2000, this was more like 3–6 months.

Now the parent company is back on a sound financial footing, it's looking at the possibility of acquisitions in the UK. Equally, its improved status would make a nice addition for a rival managed services player.

(Georgina O'Toole/Kate Hanaghan)



## FINANCIAL OBJECTS RETURNS TO PROFIT

**Financial Objects**, a supplier of advanced technology banking products and services, has returned to profitability despite seeing revenues for the six months to 30 Jun 2004 decline 19% to £4.6m. The company made a small operating profit of £26K compared with a loss of £1.3m last year. At the pre-tax level, it made a profit of £125K compared with last year's loss of £1.2m. EPS was 0.45p (-4.44p in 2003).

Chairman and acting CEO, Roger Foster, said: "The second half of 2004 will continue to see the Group press ahead with its transition to its new business model. Once fully implemented, the Group will be well positioned to return to a period of revenue growth and improved performance."

**Comment:** Foster took on the role of acting CEO around about this time last year in order to implement some pretty significant changes. Then CEO, David Carruthers, stood down and assumed responsibility for the IBIS side of the business.

Since then cost cutting activities, including the establishment of an offshore development centre in Bangalore, have edged the company back into profit. The other major change Foster has been driving this year is the creation of a global reseller channel to increase sales of its ActiveBank product and create much-needed new business. So far it's signed up four partners, including Siemens Business Services in the UK.

With these two significant strategic objectives well on the way to completion, Financial Objects will be a more streamlined and rather different

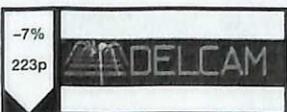
| Financial Objects plc<br>Six months to 30 June | Turnover £m  |              |               |
|--|--------------|--------------|---------------|
|  | 2004         | 2003         | Change        |
| United Kingdom                                 | 2,198        | 1,703        | 29.1%         |
| Rest of Europe                                 | 1,804        | 2,524        | -28.5%        |
| North America                                  | 247          | 266          | -7.1%         |
| Rest of the World                              | 340          | 1,170        | -70.9%        |
| <b>TOTAL</b>                                   | <b>4,589</b> | <b>5,663</b> | <b>-19.0%</b> |

Note: Turnover by destination

looking business. However, we'll have to wait until at least the end of this year to see what the knock-on effect on sales is. Turnover in 2005 from existing users is expected to at least match this year's, but the

| Financial Objects plc<br>Six months to 30 June | Turnover £k  |              |               |
|--|--------------|--------------|---------------|
|  | 2004         | 2003         | Change        |
| Product licences                               | 492          | 874          | -43.7%        |
| Product support                                | 2,289        | 2,702        | -15.3%        |
| Product services                               | 1,808        | 2,087        | -13.4%        |
| <b>TOTAL</b>                                   | <b>4,589</b> | <b>5,663</b> | <b>-19.0%</b> |

company is really relying on those channel partnerships to drive new business. (Kate Hanaghan)



## DELCAM POSTS PROFIT GROWTH IN INTERIMS

Provider of CAD/CAM solutions **Delcam** announced its results for the six months to end June 2004. Revenues were £10.3m, an increase of 5% compared to the first half of 2003. Operating profits were up 26% at £604m, with PBT up 31% to £662m. EPS was up from 6.4p to 8.6p. Given the increase in profits, Delcam is raising its interim dividend from 0.95p to 1p.

**Comment:** This is another decent showing from Delcam,

following its 26% increase in PBT in full-year 2003. The revenue growth is not exactly blistering – at just 5% – although we should remember that this figure has been hampered by the 11% weakening in the dollar versus the pound between H1 03 and H1 04. This is a big issue for the company because almost half of its sales come from outside Europe.

The PBT increase of 31% underlines Delcam's ability to grow its business while keeping a lid on costs. It's good also to see that the company is managing to nurture its consultancy operation on the back of its software. Its 'Professional Services Group', as formed at the start of the year, already appears to be bringing in project-based revenues, and thus is helping to alleviate Delcam's traditional reliance on software sales. One small fly in the ointment is Delcam's pension scheme, which, like so many company schemes, has run into deficit in the past couple of years. To balance this, the company will be adding a £1m injection during September. (Phil Codling)



## CSC: THE UK FORMULA LOOKS GOOD, BUT APPLYING IT TO EUROPE ISN'T EASY

Following CSC's world-wide results announcement on Tuesday night, we talked yesterday to Keith Wilman, president of the company's Northern Region in Europe, which includes the UK, Ireland and Netherlands.

Wilman said his region is growing "early to mid teens"; that's twice the constant-currency rate for Europe as a whole. And this is without the benefit of a full quarter to Royal Mail, not to mention the big NHS consulting and SI work that only kicks in this quarter. The result is that, despite the usual discounts that renewing customers are extracting, CSC expects to grow ahead of the market in the Northern Region this year.

Interestingly, both the consulting and SI (systems integration) practices are profitable in Northern Region, and are growing and hiring staff. That's a big contrast to continental Europe, particularly France and Germany, where the company admits to 'softness'.

**Comment:** Why is CSC's Northern Region – and in particular, its consulting and SI business – doing better than its equivalents in continental Europe? Because in this region, CSC has a big installed outsourcing base into which it can sell consulting services.

As we keep saying, the best way to sell consultancy and SI is to an installed outsourcing customer base, or as a combined outsourcing/consulting package. That's what Accenture is doing so successfully under the 'transformational outsourcing' banner, and it's good to see CSC doing the same in the UK, Ireland and Netherlands. Indeed, with a few exceptions, CSC no longer seriously markets its consulting services to non-outsourcing customers in Northern Region.

If CSC can just reach critical mass in outsourcing in continental Europe, especially Germany and France, it can activate this outsourcing/consulting virtuous circle, and then European as a whole should see more than the 6% constant-currency growth recorded last quarter.

Overall, CSC is a mixed bag. World-wide, it's growing moderately (5%, including currency gains), but margins and growth rates are a fraction of Accenture's. It's got the formula for growth right in the UK, but can't apply that formula across Europe until it gets critical mass in France and Germany. That probably means an acquisition.

Indeed, CSC is looking to acquire continental European outsourcing businesses with low exposure to consulting and SI markets. Wilman says CSC has "one or two in sight" but there's no rush to sign – the company wants to get value for money.

What if **Siemens Business Services** or even **T-Systems** were to come on the block in Germany? That would be costly and complex to digest, but would change the game enormously. Meanwhile, we expect to see further good progress in the UK over the next couple of quarters. (Douglas Hayward)



## SIRVIS MOVES INTO PROFITS

**SIRVis IT**, a support services and education software company, has seen full year revenues (to 31 May 2004) leap 280% to £3.2m due to acquisitions made during the period. On an organic basis, revenues lifted by 4% to £885K. The enlarged company has moved from losses of £274K to operating profits of £345K. Last year's loss before tax of £288K has been transformed into a PBT of £321K. Diluted EPS was 0.60p (-2.49p in 2003).

Peter Addison, Chairman said

that demand has remained buoyant since the year-end and that the company "will continue to seek complementary acquisitions".

**Comment:** SIRVis comprises two operating subsidiaries, Linetex Computers (a support services company acquired in Jan 04) and SiR Learning Systems (a provider of educational software). Linetex is by far the larger of the two, contributing revenues of £2.3m in the period since acquisition. Linetex seems to have performed well since becoming part of SirVis and in May acquired the IT support services contract division of Open Systems Engineering. That business is expected to generate revenues of £1.4m per annum and margins in line with those at Linetex.

SIRVis derives revenues from both the public and commercial sectors, but with any growth in ICT spend in the education sector coming predominantly from hardware and telecoms sales rather than software, the support services business will very much be the driving force of the business over the next few years. (Kate Hanaghan)



## QUANTICA BUILDS 'SOLID PLATFORM' FOR GROWTH

Results from recruitment and training company **Quantica** for the six months to 28th May 2004 showed turnover was 20% up on the first half of 2003 (18% organic) at £13.8m. However, a 31% increase in contractor costs meant that net fee income increased by 'just' 8% to £6.2m.

Profitability improved with a turnaround at the pre-tax level to profits of £763k compared to losses of £215k in H103. EPS was 1.15p, an improvement on the 0.53p loss per share recorded in the same period last year.

Commenting on the outlook, chairman and chief executive, Les Lawson, said: "We are very happy with the fundamentals of our business model and believe it gives us a solid platform for organic growth in the short to medium term, and should enable us to return to historic levels of profitability".

He also said the timing is now right to accelerate growth through selective corporate activity, taking advantage of opportunities for consolidation among both listed and larger private recruitment companies.

Much of the growth in the first six months came from Quantica's two main recruitment divisions Technology and Healthcare. The Technology division is the bit we're interested in and the news looks good. According to Quantica, contractor numbers have continued to increase and margins remained strong. The lean cost base at the division means that this revenue growth falls straight to the bottom line and operating profits and

margins for the business have shown a 'dramatic' improvement over the first half of last year.

Encouragingly, Quantica also reports signs of an upturn in the permanent recruitment market following the improvement in the temporary contractor market. Quantica expects the Technology business to benefit from this further strengthening of its markets in the year ahead as it continues to pursue only 'high quality, high margin business' and to increase the number of permanent placements. While the signs seem good, we'll be looking for further evidence of a firming in the permanent recruitment over the coming months.

(Tola Sargeant)



## EASYSscreen RESULTS STRIKE FAMILIAR NOTES

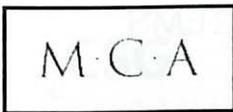
**EasyScreen**, a provider of software for trading on electronic markets, announced its results for the year end to March 2004. Revenues fell by 17% to £2.2m, compared to FY03. Operating losses were roughly flat (£3.06m compared to £2.93m), with loss before tax improving slightly from £3.40m to £3.24m. Loss per share was 5.08p (FY03: 5.60p).

**Comment:** We found a large dose of *deja-vu* in EasyScreen's results. A year ago, when announcing the company's FY03 results (with turnover down 18%), Chairman Philip Docker claimed that "The group's strategic development has resulted in a

*position where the essential elements are in place for further expansion and growth".* Clearly such growth hasn't materialised in the year. Docker is now asserting that "We believe we are at the start of a period of revenue growth as a result of the investment made" and "The group is in a good position to expand its client base".

Meanwhile, EasyScreen continues to cite previous years' blips for the revenue falls. Last year's falls apparently reflected "the impact of a large Solutions licence fee received in the previous year", while this year is down "compared to the previous year, which benefited from one-off Solutions revenue".

EasyScreen's unsustainable cash burn rate is another recurrent theme. It's now getting through £225k per month (before one-off items) but had just £190k cash reserves at the end of June. So the company wants to use further rounds of funding to inject cash. It raised £483k by issuing new shares to GEM Global Yield Fund Ltd earlier this month, and is now aiming for a new placing or issue that would raise "in the region of £2.5m after expenses". Of course there's always a chance EasyScreen can turn things round with a couple of decent client wins, but we suspect risk-averse investors are unlikely to apply. (Phil Codling)



## OUTSOURCING DRIVES GROWTH FOR UK CONSULTANTS IN Q2

The **Management Consultancies Association**, the UK trade body for management and IT consulting firms, released another solid-looking survey of its members' revenues yesterday.

While management consulting revenues themselves rose only 3% year-on-year, IT consulting rose a more impressive 7%. But it was outsourcing-related consultancy that really rocked, with a 48% growth over Q2 last year, taking it to £479m.

Overall, MCA members are doing well, with overall revenues up 16% to £1.4bn (we reckon the MCA represents about half the UK industry). Some 73% of MCA members reported higher sequential revenues in Q2, and – interestingly – 60% of new business now comes from existing clients. The MCA reported year-on-year revenue growth every quarter last year, and that looks like continuing.

**Comment:** Two things are clear here. First, outsourcing is driving the consulting industry, not vice versa. Outsourcing-related consulting, which is a mix of consulting work spun off from outsourcing contracts and independent advice on outsourcing, is now 33% of all revenues for MCA members compared to 26% this time last year. Its share is growing at the expense of slow-growing management consulting, rather than IT

consulting. At this rate, the MCA will have to change its name some time next year.

Second, this is a market where most growth comes from established clients, an environment that favours outsourcers and those players with longer-term consulting contracts. Even MCA members, who we reckon are doing better than the industry as a whole, now get nearly two-thirds of new business from existing clients.

We are forecasting a flat overall market this year. To paraphrase an old saying: get outsourcing, or get niche. *(Douglas Hayward)*



## BT: HURRAY FOR S/ITS

**BT** released Q1 results at the end of July. The group-wide headlines were a rather sorry sight, with total turnover down 0.4% at £4.6bn and PBT down by 13%. The fundamental challenges are familiar: BT's huge core business remains in decline, with revenues from UK fixed telephony down 7% to £2.1bn in the quarter.

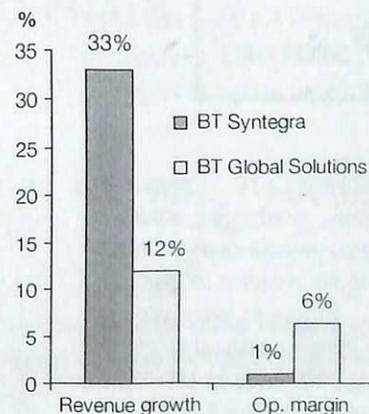
Against this slightly depressing corporate backdrop, BT's S/ITS business continues to provide a real success story. The good news is that the impetus shown in FY04 – when BT Syntegra (the SI unit) and BT Global Solutions (the outsourcer) posted market-beating S/ITS revenue growth and signed £7bn of contracts – has been sustained in the first quarter of FY05.

Revenues at BT Syntegra grew by 33% to £192m, helped

considerably by the influx of revenues from BT's work on the NHS mega-projects. BT Global Solutions posted 12% growth in the quarter to £686m, and combined orders across the two units reached £1.3bn. So far, however, such growth has done little to improve profitability at BT Syntegra, which posted flat operating profits (before goodwill amortisation) of just £2m in the quarter.

Overall, these results seem to reinforce the case for amalgamating BT Syntegra and BT Global Solutions into a single entity. We think such a move would bring together two successful units into a £3.5bn force with genuine design-build-run capabilities. It would also help clarify BT's S/ITS business for customers. But after a period under CEO Ben Verwaayen that's been mercifully free of major BT 're-orgs', staff and management may not relish such a change. *(Phil Codling)*

BT S/ITS Q1 performance





## ACQUISITIONS DRIVE GROWTH AT SYSTEMS UNION

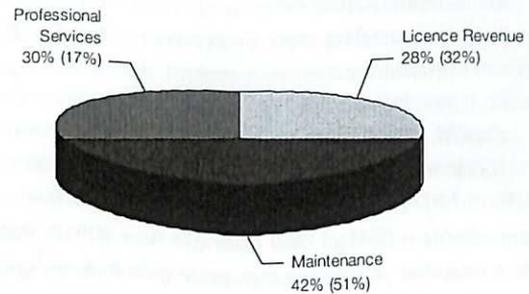
Interim results from financial software vendor **Systems Union Group** show its acquisition strategy is driving considerable growth. Revenues for the six months to 30 June 2004 were 50% up on the same period last year at £51m (H103: £34m). However, pre-tax profits were down 26% on H103 at £1.46m thanks to restructuring charges of £1.3m and goodwill amortisation of £2.6m. Diluted EPS came in at 1.2p (H103: 1.9p).

Commenting on the outlook, Paul Coleman, CEO, said "the Board remains confident about future income and profitability".

Systems Union hasn't provided a breakdown of organic growth but did comment that overall revenues for the combined group were "consistent with last year" and that revenues had been impacted by currency fluctuations. It was the acquisitions that Systems Union made in 2003 – the most significant being that of MIS, the German BI provider, late in the year – that have boosted revenues. The £1.3m restructuring charge is aimed at lowering the Group's cost base after the acquisition of MIS and we'd hope to see profitability improve next year as a result.

The MIS acquisition also led to the creation of a separate BI division at Systems Union, which was further strengthened by the acquisition of Australian software firm Lasata in June this year. In the first half, the BI division brought in £14.9m of revenue (compared to zero in H103) while the Financial Management division grew revenues by 6% to £36.1m.

**Systems Union – H104 Business mix**  
Total = £51.0m (H103: £34.0m)



By strengthening its BI capability, Systems Union is hoping to grow revenues organically and take corporate market share. Early indications suggest this strategy is working – in H104 the Group won new contracts with existing customers that combine FM and BI solutions as well as business from completely new customers.

(Tola Sargeant)



## STATPRO RISKS LOSING MOMENTUM

Provider of investment portfolio analytics solutions, **Statpro**, announced its results for the six months to end June 2004. Revenues were up 4.9% at £4.26m, compared to the first half of 2003. As in H1 03, the company just about broke even at the operating level (with a profit of £43k) and posted a small loss (£108k) before tax. Earnings per share were zero, compared to a small loss per share (0.3p) in H1 03.

**Comment:** Given the momentum Statpro picked up in

2003 (with 17% revenue growth and losses turned to profits), these results are slightly disappointing. What's clear is that the market for the company's solutions has remained pretty tough. New software contracts have been "at a slower rate than expected" and, although "sales activity has increased markedly compared to last year", the company claimed that "it may take a little longer for the improvement in market conditions to convert into a faster rate of sales". The UK is the main offender and the slowest of Statpro's target markets. Meanwhile, North America and continental Europe are showing steady improvements, and South Africa "remains a buoyant market for us", in the words of Chief Executive Justin Wheatley.

All in all, Statpro really does need a significant pick-up in the second half of the year if it is to match and build on 2003's performance. It would be a shame if the momentum were lost because Statpro is a nicely-focused player with a lot of potential opportunity to shoot for in the global asset management industry.

(Phil Codling)



## COMPUTER SOFTWARE MAKES 'CONSIDERABLE PROGRESS'

Computer Software Group's results for the year to 29 Feb 2004 revealed it had made considerable progress in its drive for revenue growth and profitability. Turnover grew 74% to £6.25m in 2004 – this includes contributions from three acquisitions, Chorus Application Software (May 2003), Springstone Software Services (Dec 2003) and JBS Computer Services (March 2004). Organic growth in revenues during the period was a healthy 10%.

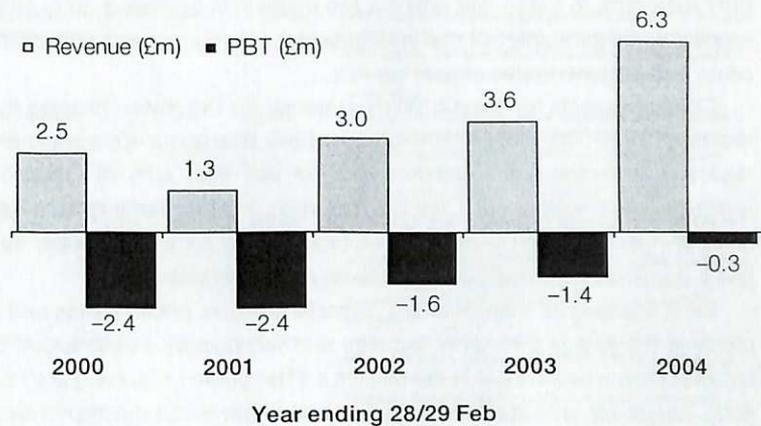
Profitability also improved. The Group reported an operating profit before goodwill amortisation of £607k compared to a £148k loss in 2003. At the pre-tax level, losses eased to £343k from £1.4m last year. EPS came in at 0.47p (after a tax refund), compared to a loss per share of 9.5p in 2003.

Chairman Michael Jackson was upbeat on the outlook for the Group, which is aiming to be the supplier of choice for web-enabled membership systems and software solutions for IBM's iSeries platform. He said the Group has maintained significant operating profits before goodwill in the first five months of FY05 and that he expects this trend to continue.

If Computer Software's plans are realised – and judging by the progress in FY04 there is no reason to think they can't be so long as it doesn't try to grow too quickly – the current year will see further expansion and, in Jackson's words, 'careful acquisition'.

The Group has already integrated its three acquisitions to date into a single division offering specialist accounting, payroll and distribution software.

Computer Software Group  
5 year Revenue & PBT Record  
From 2000



Going forward, further corporate reorganisation and streamlining will be key to Computer Software's success. The Board is already planning to apply to the Courts to reorganise its capital base, eliminating the accumulated deficit on the profit and loss account, in the hope of making its stock more attractive in the long term. This could help it fund future acquisitions and develop a dividend policy. *(Tola Sargeant)*



## PATSYSTEMS REVENUES UP IN THE FIRST HALF

**Patsystems**, supplier of electronic trading technology, has seen revenues increase by 11% to £5.3m for the six months to 30 June 2004. Operating losses deepened from £1.6m to £1.8m, including exceptional items. Losses before tax were £1.8m compared with £1.5m in the comparable period last year. Diluted loss per share improved slightly from 1.2p to 1.1p. The

company has £2.7m in cash. Compared with the same period last year, total lots traded are up 31% to 102 million due to increased trading activity and an enlarged client base.

**Comment:** Patsystems still has operating expenses that are pretty much equal to its sales. A significant contributory factor is the investment in its new trading platform, TradeMark, which racked up costs of +£900K on external development alone. This amount is expected to reduce in the second half of the year. Patsystems has big hopes for TradeMark and claims the pipeline already shows evidence of the banking community in particular, gaining interest. It has the foundations of a healthy business and we can't help thinking that TradeMark makes Patsystems an increasingly attractive acquisition target. *(Kate Hanaghan)*



## BEARINGPOINT – UP FOR A FIGHT

We met up with John Condon, **BearingPoint's** (BP) Irish-born EVP responsible for the UK, Ireland and Netherlands region.

Worldwide, BP is still recovering from a terrible patch last year. Revenues rose 11% in local currencies to \$885m in Q2 to late June and EBIT rose 40% to \$40m (still only a 4.5% margin). In Europe, it grew 18% in dollar terms (probably half that in local terms), but margins and consultant billing and utilisation rates remain too low.

Condon expects to recruit c100 more people by December, bringing the regional total to 500. Most are UK-based; at any time about 400 people are deployed here. The region still accounts for less than 10% of European revenues (which were \$590m last financial year). Big UK clients include Axa and IATA. Condon says BearingPoint will probably buy some niche outfits that give it access to key clients, but expects no major acquisitions.

BP is focusing on three verticals: financial services, public sector, and a catch-all CIT group (consumer, industry and technology). Public sector is small, but it's one to watch. In the US, it's a \$1bn business growing at 27%, and Condon plans to transplant solutions and knowledge developed over there. He acknowledges that he's got to break into the services catalogues contracts, which will take some time.

To grow consultant usage and billing rates in Europe, Condon says BP is abandoning lower-value work (such as 'vanilla ERP' projects), and is also targeting the public sector. Although public-sector billing rates are often low, the relatively long-term contracts mean usage rates go up, bumping up profitability. BP is also growing its sales force and client-facing staff, to drive revenues.

**Comment:** BearingPoint has a great heritage as a quality consultancy, but how can it grow quickly (and organically) in a flat or declining consulting market – and without an outsourcing business from which to cross-sell consulting?

Condon argues outsourcer/consultancy hybrids like Accenture won't monopolise clients' consulting spend, but we think the hybrids will make life hard even for stand-alone guys like BP with good brands and capabilities.

Like Deloitte, BP also has a split personality – is it a high-end management consultancy, or a low-end IT implementor? Like Deloitte, it fudges, saying it's a "business consultancy and systems integrator". In the US that balance is more towards SI, but in Europe it's more towards consulting. That's good, because it gives BP stronger differentiation and brand protection.

Our concern is that BP is betting heavily on revenue growth to lift usage and billing rates, and therefore profitability. All this without major acquisitions, in a market is hardly rocking. That's tough, but it's up for a fight.

(Douglas Hayward)



## XPERTISE MOVES CLOSER TO BREAK-EVEN AT THE HALFWAY MARK

AIM-listed and previously troubled IT training firm **Xpertise** Group is showing further signs of recovery with solid organic growth in the first half of the year. Revenues for the six months ended 30 Jun. 04 grew 12.5% to £6.23m, well above the market average. However, gross margins trimmed from 41.2% to 39.8% due to "the continuing competitive nature of the UK IT training market". Operating losses (before goodwill etc) narrowed significantly from (–)£563K to (–)£149K and including goodwill etc, from (–)£1.2m to (–)£317K. Pre-tax losses followed suit, improving from (–)£1.2m to (–)£311K. Loss per share is (–)0.07p compared to

(–)0.54p. There's also over £1m in the bank whereas previously the wallet was empty until a £1.5m fundraising in July 2003. Orders received are up 25% and the backlog is up 37%, including a non-exclusive two-year framework agreement at Inland Revenue & HM Customs & Excise. Xpertise chairman Richard Last (of Lynx fame) forecasts strong order levels and turnover growth but expects "gross profit margins to continue to reflect competitive pressures". He still strives "to return the business to profitability and to be cash generative".

**Comment:** Xpertise went through a torrid time last year with a couple of profit warnings, a cash crisis, followed by the jettisoning of its CEO, Bob Bradley (ex-QA). But since then business has picked up, reflecting similar trends in the IT staff agency (ITSA) market, with which the IT training market tends to track, both representing different sides of the same 'skills requirement' coin. The UK IT training market is highly fragmented (even its largest player, Parity, turned over little more than £25m last year from this market and slow-growing) so everyone's fighting hard for their piece of the pie which is putting huge pressure on margins. While Richard Last is not being so bold as to forecast Xpertise reaching break-even in second half – and we are delighted that he is not raising expectations that may not be met – perhaps we will nonetheless be in for a pleasant surprise in six months time. (Anthony Miller)

### Mergers & Acquisitions

| Buyer        | Seller                  | Seller Description  | Acquiring | Price  | Comment  |
|--------------|-------------------------|---|-----------|--|--|
| EDM Group    | AMI                     | Document management   | 100%      | N/a  | In a market largely dominated by US giants, it is encouraging to see EDM increasing its size. And we expect that the current UK market, estimated to be worth in the region of \$110m in licence revenues, will provide enough opportunity for the combined company to survive. It will not become anything other than a more effective annoyance for the FileNets and IBMs of this world, however.  |
| Hemscott plc | CoreData                | Provider of business and financial information in the US                    | 100%      | £7.3 million                                     | By selling <b>CoreData</b> , private equity fund Veronis Suhler Stevenson is receiving a 34% stake in Hemscott. The offer, £0.6m in cash and 16m Hemscott shares, will enable Hemscott to enter the US market.   |
| HP           | Synstar                 | Business continuity/disaster recovery services and desktop managed services | 100%      | £162.5m  | Mid-sized companies are just not viable anymore in this part of the market. The BC space has been the subject of intense M&A activity. SunGard bought the much-troubled Guardian IT in April 02. IBM bought SchlumbergerSema's BC activities.  |
| Microgen     | AFA Systems             | Financial services software   | 100%      | £7.2m  | A classic example of the strong buying the weak. Despite claiming a profit in Q4 of 2003 and making an acquisition (SAMS) of its own, AFA has continued to look a struggler. Microgen, by contrast, has emerged as a bold and competent consolidator in the UK S/ITS market.   |
| Morse        | Diagonal                | SAP consultancy   | 100%      | £50.2m   | Microgen's offer for Diagonal in June might not have been good enough, but Morse's obviously was. It's another step forward for the reseller in its strategy to progress its services businesses. In April it acquired (profitable) strategic consultancy CSTIM for an initial cash consideration of £5.85m.   |
| PSD Group    | Portfolio International | Executive recruitment consultancy   | 100%      | £1.95m   | Like many of its peers, PSD is strengthening its recruitment offering to sectors other than IT in order to spread risk and grow revenues. (In 2003, it was PSD's UK Technology business that dragged its whole performance down with a 28% drop in net fee income.) To this end, Portfolio looks like a useful bite-sized acquisition with potential for growth. The Group's share price is currently unchanged at 259p.   |
| Tikit Group  | LECSOFT SAS             | Paris-based consultancy and SI  | 100%      | EUR1m (EUR500K in cash the rest in shares)       | Consulting and software firm, Tikit, specialises in providing services to law firms. This acquisition will give it an entrée into the French market as LECSOFT clients include Gide, one of the largest law firms in France.   |
| Torex Retail | KPOS Computer Systems   | Electronic point of sale systems provider                                   | 100%      | £5m in cash and £3.7m by the issue of new shares | This acquisition is part of its strategy to achieve growth in a sector where the opportunities to refresh client systems can be a long time in the making (the average tenure of IT systems is 5-7 years). The acquisition will give Torex Retail access to an expanded customer base. To date, KPOS customers include Waterstone's, Virgin Megastores, Focus DIY and Millets.   |
| Vega Group   | Anite Systems GmbH      | Space consultancy business of Anite Group                                   | 100%      | £7.5m  | This makes perfect sense for both Anite and Vega. Anite's International business, which is predominantly SI and consultancy-focused, has been faced with lower sales, lower profits and lower margins. Vega has spent the last few years restructuring, reducing its market focus and getting its cost base under control. It is now focused on the European space and defence markets and the UK government market and has a total turnover of £44m. Its space business turned over £18.6m from continuing operations in FY04 - an impressive increase of 16% - making it almost four times the size of Anite's space business. The company continues to invest in its space division so operating margins halved in the last financial year but nonetheless remained profitable. |

### Recent IPOs

| Name         | Activity  | S/ITS or Dotcom Index | Index Class | Market | Issue Price | Market Cap. | IPO Date  | Price end Jul 04 | Premium/Discount |
|--------------|---|-----------------------|-------------|--------|-------------|-------------|-----------|------------------|------------------|
| Mediasurface | Software for enabling operation of sophisticated websites | SITS                  | CS          | AM     | 13p         | £2.0m       | 26-Aug-04 | 14p              | 5%               |

### Forthcoming IPOs

| Name        | Activity                               | S/ITS or Dotcom Index | Index Class | Market | Est Issue Price | Est Mkt Cap. | IPO Date  |
|-------------|--|-----------------------|-------------|--------|-----------------|--------------|-----------|
| Phoenix IT  | Managed Services                       | SITS                  | CS          | N/a    | N/a             | N/a          | TBC       |
| Red Squared | IBM Hosting & Managed Services partner | SITS                  | CS          | AM     | N/a             | N/a          | 13-Sep-04 |



**Quoted Companies - Results Service**

Note: Highlighted Names indicate results announced this month.

| K3 Business Technology Group plc           |                |                  |                  | Pilat Media Global plc               |                  |                  |                  | Tadpole Technology plc                     |                  |                  |            |
|--|----------------|------------------|------------------|--------------------------------------|------------------|------------------|------------------|--|------------------|------------------|------------|
| Final - Dec 02                             | Final - Dec 03 | Comparison       | Interim - Jun 03 | Final - Dec 03                       | Interim - Jun 04 | Comparison       | Interim - Mar 03 | Final - Dec 02                             | Final - Dec 03   | Interim - Mar 04 | Comparison |
| REV £8,068,000                             | £7,002,000     | -14%             | £2,977,898       | £9,422,607                           | £5,607,249       | -40%             | £2,803,000       | £5,318,000                                 | £5,318,000       | £14,765,000      | -47.3%     |
| PBT £266,000                               | £199,000       | -25%             | £124,412         | £595,047                             | £434,919         | -27%             | £75,600          | £9,570,000                                 | £9,570,000       | £15,000          | Loss both  |
| EPS 0.70p                                  | -0.60p         | -86%             | 0.25p            | 0.64p                                | 0.65p            | 1%               | 0.23p            | 3.66p                                      | 4.30p            | 0.50p            | Loss both  |
| <b>Kewill Systems plc</b>                  |                |                  |                  | <b>PC Medics Group plc</b>           |                  |                  |                  | <b>Telety plc</b>                          |                  |                  |            |
| Final - Mar 03                             | Final - Mar 04 | Comparison       | Interim - Sep 02 | Final - Mar 03                       | Interim - Sep 03 | Comparison       | Final - Dec 02   | Final - Dec 03                             | Interim - Mar 04 | Comparison       |            |
| REV £25,016,000                            | £22,417,000    | -10%             | £3,565,667       | £574,561                             | £541,052         | -5%              | £24,954,000      | £23,536,000                                | £23,536,000      | -5.7%            |            |
| PBT £5,987,000                             | £1,529,000     | -74%             | £3,160,101       | £824,548                             | £73,341          | -91%             | £40,604,000      | £29,222,000                                | £29,222,000      | Loss both        |            |
| EPS 7.95p                                  | 2.70p          | -66%             | 0.30p            | 2.49p                                | 0.44p            | -82%             | 20.20p           | 2.02p                                      | 4.70p            | Loss both        |            |
| <b>Knowledge Technology Solutions Plc</b>  |                |                  |                  | <b>Pixology plc</b>                  |                  |                  |                  | <b>Tikit Group plc</b>                     |                  |                  |            |
| Interim - Dec 02                           | Final - Dec 03 | Comparison       | Final - Dec 02   | Final - Dec 03                       | Comparison       | Final - Dec 02   | Final - Dec 03   | Interim - Dec 03                           | Interim - Dec 03 | Comparison       |            |
| REV £44,652                                | £160,708       | +360%            | £1,550,364       | £2,528,038                           | +63%             | £8,233,000       | £3,005,000       | £1,558,000                                 | £1,558,000       | +6.1%            |            |
| PBT £32,1585                               | £705,651       | +219%            | £1,928,933       | £1,919,177                           | -1%              | £305,000         | £305,000         | £710,000                                   | £710,000         | +93.8%           |            |
| EPS -0.39p                                 | 0.73p          | +185%            | -17.00p          | -2.70p                               | +84%             | 130p             | 130p             | 2.90p                                      | 2.90p            | +23.1%           |            |
| <b>LogicaCMG plc</b>                       |                |                  |                  | <b>Planit Holdings plc</b>           |                  |                  |                  | <b>Torex Retail</b>                        |                  |                  |            |
| Final - Dec 02                             | Final - Dec 03 | Comparison       | Interim - Oct 02 | Final - Apr 03                       | Interim - Oct 03 | Comparison       | Final - Dec 02   | Final - Dec 03                             | Final - Dec 03   | Comparison       |            |
| REV £1,827,400,000                         | £1,706,600,000 | -7%              | £522,000,000     | £2,417,000                           | £1,045,000       | -56%             | £62,600,000      | £62,600,000                                | £67,600,000      | +8.0%            |            |
| PBT £73,180,000                            | £33,000,000    | -55%             | £64,000,000      | £57,100,000                          | -11%             | £9,500,000       | £9,500,000       | £9,200,000                                 | £9,200,000       | +66.7%           |            |
| EPS -12.90p                                | -6.30p         | +51%             | 0.40p            | -0.60p                               | -0.40p           | +50%             | 5.20p            | 5.20p                                      | 8.04p            | +54.6%           |            |
| <b>Lorien plc</b>                          |                |                  |                  | <b>PSD Group plc</b>                 |                  |                  |                  | <b>Total Systems plc</b>                   |                  |                  |            |
| Interim - May 03                           | Final - Nov 03 | Interim - May 04 | Comparison       | Final - Dec 02                       | Final - Dec 03   | Comparison       | Final - Mar 03   | Final - Mar 03                             | Final - Mar 04   | Comparison       |            |
| REV £4,503,000                             | £4,714,000     | £3,372,000       | +74%             | £44,440,000                          | £37,604,000      | -15%             | £3,927,749       | £3,843,856                                 | £3,843,856       | -2.1%            |            |
| PBT £28,000                                | £425,000       | £227,000         | +88%             | £103,700,000                         | £249,000         | -98%             | £596,643         | £75,938                                    | £75,938          | +20.0%           |            |
| EPS -100p                                  | 3.20p          | 100p             | Loss both        | 2.50p                                | 150p             | Profit to Loss   | 4.2p             | 4.94p                                      | 4.94p            | +19.9%           |            |
| <b>Macro 4 plc</b>                         |                |                  |                  | <b>QA plc</b>                        |                  |                  |                  | <b>Touchstone Group plc</b>                |                  |                  |            |
| Interim - Dec 02                           | Final - Jun 03 | Interim - Dec 03 | Comparison       | Final - Nov 02                       | Final - Nov 03   | Comparison       | Final - Mar 03   | Final - Mar 03                             | Final - Mar 04   | Comparison       |            |
| REV £3,006,000                             | £1,455,000     | -52%             | £1,000,000       | £29,580,000                          | £29,580,000      | 0%               | £4,256,000       | £4,256,000                                 | £4,256,000       | +0.0%            |            |
| PBT £3,006,000                             | £1,455,000     | -52%             | £1,000,000       | £3,346,000                           | £3,346,000       | 0%               | £1,528,000       | £1,528,000                                 | £1,528,000       | -61.6%           |            |
| EPS -12.40p                                | -2.120p        | -83%             | -2.40p           | 4.40p                                | 4.40p            | 0%               | 9.20p            | 9.20p                                      | 150p             | -83.7%           |            |
| <b>Manpower Software plc</b>               |                |                  |                  | <b>Quantica plc</b>                  |                  |                  |                  | <b>Trace Group plc</b>                     |                  |                  |            |
| Interim - Nov 02                           | Final - May 03 | Interim - Nov 03 | Comparison       | Interim - May 03                     | Final - Nov 03   | Interim - May 04 | Comparison       | Final - May 02                             | Final - May 03   | Comparison       |            |
| REV £866,116                               | £1,560,541     | +80%             | £1,527,669       | £2,489,000                           | £2,489,000       | 0%               | £20,630,80       | £16,865,000                                | £16,865,000      | -23.1%           |            |
| PBT £132,620                               | £802,388       | +500%            | £259,925         | £779,000                             | £779,000         | 0%               | £2,045,620       | £2,045,620                                 | £2,045,620       | +0.0%            |            |
| EPS -2.99p                                 | 1.80p          | +157%            | 0.58p            | 0.53p                                | 1.5p             | +185%            | 8.65p            | 8.65p                                      | 6.17p            | +40.0%           |            |
| <b>Marlborough Stirling plc</b>            |                |                  |                  | <b>Raft International plc</b>        |                  |                  |                  | <b>Triad Group plc</b>                     |                  |                  |            |
| Final - Dec 02                             | Final - Dec 03 | Comparison       | Interim - Apr 03 | Final - Oct 03                       | Interim - Apr 03 | Comparison       | Final - Mar 03   | Final - Mar 03                             | Final - Mar 04   | Comparison       |            |
| REV £1,008,000                             | £1,600,000     | +59%             | £4,175,000       | £8,562,000                           | £3,164,000       | -63%             | £27,758,000      | £30,534,000                                | £30,534,000      | +10.0%           |            |
| PBT £34,478,000                            | £2,500,000     | -93%             | £498,000         | £399,000                             | £969             | +242%            | £4,980,000       | £27,500,000                                | £27,500,000      | +51.0%           |            |
| EPS -20.00p                                | 0.60p          | +110%            | -7.6p            | -1.47p                               | -1.47p           | 0%               | -27.20p          | -27.20p                                    | -27.20p          | +0.0%            |            |
| <b>Microgen plc</b>                        |                |                  |                  | <b>Retail Decisions plc</b>          |                  |                  |                  | <b>Tribal Group plc</b>                    |                  |                  |            |
| Interim - Jun 03                           | Final - Dec 03 | Interim - Jun 04 | Comparison       | Final - Dec 02                       | Final - Dec 03   | Comparison       | Final - Mar 03   | Final - Mar 03                             | Final - Mar 04   | Comparison       |            |
| REV £1,058,000                             | £2,416,000     | +128%            | £2,100,000       | £7,000,000                           | £3,426,000       | -50%             | £5,659,000       | £5,744,000                                 | £5,744,000       | +1.5%            |            |
| PBT £717,000                               | £2,356,000     | +231%            | £2,642,000       | £3,379,000                           | £2,947,000       | -11%             | £7,855,000       | £5,322,000                                 | £5,322,000       | -32.2%           |            |
| EPS -180p                                  | -3.20p         | -178%            | 2.1p             | -3.64p                               | 0.50p            | Loss to Profit   | 5.50p            | -1.40p                                     | -1.40p           | Profit to loss   |            |
| <b>Minorplanet Systems Plc</b>             |                |                  |                  | <b>RM plc</b>                        |                  |                  |                  | <b>Ultima Networks plc</b>                 |                  |                  |            |
| Interim - Feb 03                           | Final - Aug 03 | Interim - Feb 04 | Comparison       | Interim - Mar 03                     | Final - Sep 03   | Interim - Mar 04 | Comparison       | Final - Dec 02                             | Final - Dec 03   | Comparison       |            |
| REV £5,100,000                             | £88,600,000    | +1640%           | £1,000,000       | £85,363,000                          | £25,494,000      | -70%             | £1,067,000       | £2,026,000                                 | £1,770,000       | +92.6%           |            |
| PBT £7,300,000                             | £52,300,000    | +615%            | £2,900,000       | £1,820,000                           | £6,210,000       | +213%            | £1,000,000       | £1,000,000                                 | £1,000,000       | +0.0%            |            |
| EPS -8.30p                                 | 54.57p         | +760%            | -11.40p          | -180p                                | 7.90p            | +105%            | 0.00p            | 0.00p                                      | 0.00p            | +0.0%            |            |
| <b>Misys plc</b>                           |                |                  |                  | <b>Royalblue Group plc</b>           |                  |                  |                  | <b>Ultrasis Group plc</b>                  |                  |                  |            |
| Final - May 03                             | Final - May 04 | Comparison       | Interim - Jun 03 | Final - Dec 03                       | Interim - Jun 04 | Comparison       | Final - Jul 02   | Final - Jul 03                             | Final - Jul 03   | Comparison       |            |
| REV £10,550,000                            | £20,900,000    | +97%             | £27,857,000      | £10,550,000                          | £27,857,000      | +163%            | £548,000         | £548,000                                   | £548,000         | -2.7%            |            |
| PBT £60,900,000                            | £23,100,000    | -62%             | £3,847,000       | £9,245,000                           | £4,090,000       | -56%             | £1,656,000       | £2,864,000                                 | £2,864,000       | +73.0%           |            |
| EPS 8.00p                                  | 4.30p          | -46%             | 8.50p            | 23.40p                               | 8.80p            | +3%              | 0.0329418        | 0.0329418                                  | 0.0329418        | +0.0%            |            |
| <b>Mondas plc</b>                          |                |                  |                  | <b>Sage Group plc</b>                |                  |                  |                  | <b>Universe Group plc</b>                  |                  |                  |            |
| Final - Apr 03                             | Final - Apr 04 | Comparison       | Final - Sep 02   | Final - Sep 03                       | Final - Sep 03   | Comparison       | Final - Dec 02   | Final - Dec 03                             | Final - Dec 03   | Comparison       |            |
| REV £2,224,645                             | £2,974,732     | +34%             | £5,173,100       | £5,173,100                           | £5,173,100       | 0%               | £2,487,000       | £2,730,000                                 | £2,730,000       | +10.0%           |            |
| PBT £2,224,645                             | £1,779,554     | -20%             | £19,54,000       | £19,54,000                           | £19,54,000       | 0%               | £889,000         | £889,000                                   | £889,000         | +0.0%            |            |
| EPS -0.10p                                 | -6.60p         | -640%            | 6.99p            | 6.99p                                | 6.99p            | 0%               | 8.5p             | 2.54p                                      | 2.54p            | -70.0%           |            |
| <b>Morse plc</b>                           |                |                  |                  | <b>SDL plc</b>                       |                  |                  |                  | <b>Vega Group plc</b>                      |                  |                  |            |
| Interim - Dec 02                           | Final - Jun 03 | Interim - Dec 03 | Comparison       | Final - Dec 02                       | Final - Dec 03   | Comparison       | Final - Apr 03   | Final - Apr 04                             | Final - Apr 04   | Comparison       |            |
| REV £165,839,000                           | £35,134,000    | -79%             | £17,074,000      | £58,002,000                          | £64,378,000      | +111%            | £35,589,000      | £44,427,000                                | £44,427,000      | +24.0%           |            |
| PBT £4,819,000                             | £14,095,000    | +293%            | £6,788,000       | £1,584,817                           | £1,584,817       | 0%               | £8,733,000       | £19,819,000                                | £19,819,000      | +126.0%          |            |
| EPS -5.30p                                 | 13.00p         | +245%            | -6.20p           | -7.10p                               | -3.30p           | +50%             | -48.5p           | 5.74p                                      | 5.74p            | +12.0%           |            |
| <b>MSB International plc</b>               |                |                  |                  | <b>ServicePower Technologies plc</b> |                  |                  |                  | <b>Vianet Group plc</b>                    |                  |                  |            |
| Final - Jan 03                             | Final - Jan 04 | Comparison       | Final - Dec 02   | Final - Dec 03                       | Final - Dec 03   | Comparison       | Final - Sep 02   | Final - Sep 03                             | Final - Sep 03   | Comparison       |            |
| REV £84,062,000                            | £66,110,000    | -19%             | £4,483,000       | £4,483,000                           | £4,483,000       | 0%               | £13,124          | £33,714                                    | £33,714          | +158.0%          |            |
| PBT £10,000                                | £11,000        | +10%             | £355,000         | £355,000                             | £355,000         | 0%               | £2,056,476       | £2,056,476                                 | £2,056,476       | +0.0%            |            |
| EPS 0.10p                                  | 0.76p          | +660%            | -0.64p           | -0.64p                               | -0.64p           | 0%               | -6.30p           | -3.10p                                     | -3.10p           | +48.0%           |            |
| <b>NCC Group plc</b>                       |                |                  |                  | <b>Sirius Financial Systems plc</b>  |                  |                  |                  | <b>VI Group plc</b>                        |                  |                  |            |
| Final - May 03                             | Final - May 04 | Comparison       | Final - Dec 02   | Final - Dec 03                       | Final - Dec 03   | Comparison       | Final - Dec 02   | Final - Dec 03                             | Final - Dec 03   | Comparison       |            |
| REV £2,219,000                             | £5,316,000     | +140%            | £2,683,892       | £2,683,892                           | £2,683,892       | 0%               | £7,542,000       | £8,823,000                                 | £8,823,000       | +17.0%           |            |
| PBT £146,100,000                           | £140,300,000   | -4%              | £1,893,520       | £1,893,520                           | £1,893,520       | 0%               | £70,000          | £1,250,000                                 | £1,250,000       | +1643.0%         |            |
| EPS N/A                                    | N/A            | N/A              | 5.90p            | 5.90p                                | 5.90p            | 0%               | -0.74p           | -3.92p                                     | -3.92p           | Loss both        |            |
| <b>Nciphre Plc</b>                         |                |                  |                  | <b>Sirvis IT plc</b>                 |                  |                  |                  | <b>Warthog plc</b>                         |                  |                  |            |
| Final - Dec 02                             | Final - Dec 03 | Comparison       | Final - May 03   | Final - May 04                       | Final - May 04   | Comparison       | Interim - Sep 02 | Final - Mar 03                             | Interim - Sep 03 | Comparison       |            |
| REV £1,922,000                             | £2,988,000     | +56%             | £853,000         | £3,230,000                           | £3,230,000       | 0%               | £5,402,000       | £11,147,000                                | £11,147,000      | +104.0%          |            |
| PBT £3,770,000                             | £7,910,000     | +110%            | £2,880,000       | £3,100,000                           | £3,100,000       | 0%               | £14,393          | £790,705                                   | £790,705         | +5440.0%         |            |
| EPS -30.3p                                 | 3.30p          | +110%            | -2.43p           | 0.60p                                | 0.60p            | 0%               | 0.87p            | 5.37p                                      | 5.37p            | +513.0%          |            |
| <b>NetBenefit plc</b>                      |                |                  |                  | <b>Sophan plc</b>                    |                  |                  |                  | <b>Wealth Management Software plc</b>      |                  |                  |            |
| Interim - Jun 02                           | Final - Jun 03 | Interim - Jun 03 | Comparison       | Interim - Jun 03                     | Final - Dec 03   | Interim - Jun 04 | Comparison       | Interim - Jun 03                           | Final - Jun 04   | Interim - Jun 04 | Comparison |
| REV £2,809,000                             | £6,243,000     | +121%            | £5,531,000       | £5,531,000                           | £6,734,000       | +21%             | £3,969,000       | £7,300,000                                 | £3,069,000       | -22.7%           |            |
| PBT £303,000                               | £1,196,000     | +295%            | £1,050,000       | £5,718,000                           | £5,806,000       | +1%              | £208,000         | £5,000                                     | £148,000         | -28.8%           |            |
| EPS -190p                                  | 0.10p          | +105%            | 0.60p            | -6.90p                               | -6.30p           | +10%             | 0.62p            | -0.05p                                     | 0.39p            | -37.1%           |            |
| <b>Netcall plc</b>                         |                |                  |                  | <b>Spring Group plc</b>              |                  |                  |                  | <b>Workplace Systems International plc</b> |                  |                  |            |
| Final - Jun 02                             | Final - Jun 03 | Comparison       | Final - Dec 02   | Final - Jun 03                       | Final - Jun 03   | Comparison       | Final - Mar 03   | Final - Mar 04                             | Final - Mar 04   | Comparison       |            |
| REV £807,564                               | £2,387,203     | +195%            | £2,933,300       | £2,387,203                           | £2,387,203       | 0%               | £4,241,000       | £1,664,000                                 | £1,664,000       | -25.1%           |            |
| PBT £2,395,894                             | £3,117,777     | +30%             | £9,062,000       | £1,946,000                           | £1,946,000       | 0%               | £3,555,000       | £7,398,000                                 | £7,398,000       | +110.0%          |            |
| EPS -6.35p                                 | -0.60p         | +91%             | -6.00p           | -9.32p                               | -9.32p           | 0%               | -15.2p           | -4.80p                                     | -4.80p           | +68.0%           |            |
| <b>Netstore plc</b>                        |                |                  |                  | <b>StatPro Group plc</b>             |                  |                  |                  | <b>Xansa plc</b>                           |                  |                  |            |
| Interim - Dec 02                           | Final - Jun 03 | Interim - Dec 03 | Comparison       | Interim - Jun 03                     | Final - Dec 03   | Interim - Jun 04 | Comparison       | Final - Apr 03                             | Final - Apr 04   | Final - Apr 04   | Comparison |
| REV £1,880,000                             | £5,265,000     | +180%            | £672,000         | £4,065,000                           | £4,065,000       | 0%               | £1,570,000       | £3,120,000                                 | £3,120,000       | +97.0%           |            |
| PBT £1,880,000                             | £5,265,000     | +180%            | £672,000         | £4,065,000                           | £4,065,000       | 0%               | £1,570,000       | £3,120,000                                 | £3,120,000       | +97.0%           |            |
| <b>Northgate Information Solutions plc</b> |                |                  |                  | <b>Stilo International Plc</b>       |                  |                  |                  | <b>XKO Group plc</b>                       |                  |                  |            |
| Final - Apr 03                             | Final - Apr 04 | Comparison       | Final - Dec 02   | Final - Dec 03                       | Final - Dec 03   | Comparison       | Final - Mar 03   | Final - Mar 04                             | Final - Mar 04   | Comparison       |            |
| REV £83,297,000                            | £93,610,000    | +12%             | £1,847,000       | £1,847,000                           | £1,847,000       | 0%               | £45,400,000      | £45,400,000                                | £45,400,000      | +0.0%            |            |
|  |                |                  |                  |                                      |                  |                  |                  |  |                  |                  |            |

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

|                               | SCS<br>Cat. | Share<br>Price<br>31-Aug-04 | Capitalisation<br>31-Aug-04 | Historic<br>P/E | PSR<br>Ratio<br>Cap/Rev. | S/ITS<br>Index<br>31-Aug-04 | Share price<br>move since<br>31-Jul-04 | Share price<br>% move<br>in 2004 | Capitalisation<br>move since<br>31-Jul-04 |
|-------------------------------|-------------|-----------------------------|-----------------------------|-----------------|--------------------------|-----------------------------|--|----------------------------------|---|
| AFA Systems                   | SP          | £0.14                       | £6.37m                      | Loss            | 0.99                     | 113                         | -6.25%                                 | -50.00%                          | -£0.71m                                   |
| AIT Group                     | CS          | £0.37                       | £18.31m                     | 2.8             | 0.93                     | 240                         | -14.81%                                | -39.67%                          | -£10.59m                                  |
| Alphameric                    | SP          | £0.79                       | £92.40m                     | Loss            | 1.47                     | 362                         | -14.71%                                | -9.20%                           | £7.60m                                    |
| Alterian                      | SP          | £0.83                       | £32.40m                     | Loss            | 5.72                     | 413                         | 1.90%                                  | 20.44%                           | £0.80m                                    |
| Anite Group                   | CS          | £0.49                       | £173.70m                    | Loss            | 0.92                     | 288                         | -7.08%                                 | -2.48%                           | £0.00m                                    |
| Argonaut Games                | SP          | £0.04                       | £3.29m                      | Loss            | 0.62                     | 36                          | -14.29%                                | -44.00%                          | -£2.43m                                   |
| Atlantic Global               | SP          | £0.49                       | £11.11m                     | Loss            | 5.7                      | 1644.1                      | -20.00%                                | -42.26%                          | £1.11m                                    |
| AttentiV Systems              | SP          | £0.63                       | £38.20m                     | 7.9             | 1.49                     | 926                         | -0.79%                                 | 14.55%                           | £0.00m                                    |
| Autonomy Corporation          | SP          | £1.65                       | £180.15m                    | 56.7            | 5.37                     | 50                          | -33.27%                                | -31.32%                          | -£3.55m                                   |
| Aveva Group                   | SP          | £5.25                       | £115.00m                    | 21.7            | 3.02                     | 2625                        | -4.93%                                 | 9.38%                            | -£1.10m                                   |
| Axon Group                    | CS          | £1.14                       | £59.30m                     | 18.1            | 1.18                     | 651                         | -5.49%                                 | -29.63%                          | -£3.40m                                   |
| Bond International            | SP          | £0.60                       | £15.00m                     | 27.4            | 2.13                     | 915                         | 6.32%                                  | 25.26%                           | £2.30m                                    |
| Brady                         | SP          | £0.76                       | £19.30m                     | N/a             | 9.23                     | 932                         | -2.47%                                 | -6.79%                           | -£0.80m                                   |
| Business Systems              | CS          | £0.12                       | £18.70m                     | 66.6            | 0.83                     | 99                          | 0.00%                                  | -11.32%                          | £8.81m                                    |
| Capita Group                  | CS          | £3.17                       | £2,098.00m                  | 22.2            | 1.94                     | 85692                       | -3.92%                                 | 30.45%                           | £70.00m                                   |
| Charteris                     | CS          | £0.24                       | £10.00m                     | Loss            | 0.82                     | 267                         | 11.11%                                 | -9.43%                           | -£0.50m                                   |
| Chelford Group                | CS          | £0.02                       | £13.26m                     | Loss            | 1.34                     | 348                         | 0.00%                                  | 166.67%                          | £2.36m                                    |
| Civica                        | CS          | £1.80                       | £81.20m                     | 15.9            | 0.90                     | 1025                        | 2.60%                                  | 2.57%                            | -£3.70m                                   |
| Clarity Commerce              | SP          | £0.67                       | £10.60m                     | 16.2            | 1.67                     | 532                         | 4.51%                                  | -5.67%                           | -£0.50m                                   |
| Clinical Computing            | SP          | £0.27                       | £8.51m                      | Loss            | 4.58                     | 218                         | 14.00%                                 | -29.87%                          | -£0.48m                                   |
| CMS Webview                   | CS          | £0.07                       | £5.60m                      | Loss            | 3.44                     | 500                         | -16.67%                                | -43.09%                          | £1.60m                                    |
| CODASciSys                    | CS          | £3.03                       | £76.80m                     | 13.6            | 1.13                     | 2345                        | -3.82%                                 | 2.54%                            | -£3.20m                                   |
| Cornino                       | SP          | £1.68                       | £23.30m                     | 17.6            | 0.95                     | 1288                        | -6.35%                                 | -16.87%                          | -£1.30m                                   |
| Compel Group                  | R           | £0.76                       | £25.20m                     | 61.1            | 0.48                     | 608                         | -5.81%                                 | -1.94%                           | -£1.70m                                   |
| Computacenter                 | R           | £3.28                       | £619.68m                    | 13.7            | 0.32                     | 490                         | -16.36%                                | -30.21%                          | £25.48m                                   |
| Computer Software Group       | SP          | £0.66                       | £22.50m                     | Loss            | 5.71                     | 557                         | 0.00%                                  | 54.12%                           | £5.40m                                    |
| Corpora                       | SP          | £0.28                       | £10.10m                     | Loss            | 35.00                    | 724                         | -14.49%                                | -8.33%                           | £5.97m                                    |
| DCS Group                     | CS          | £0.08                       | £2.07m                      | Loss            | 0.04                     | 138                         | -23.44%                                | -38.89%                          | -£1.00m                                   |
| Dealogic                      | SP          | £1.72                       | £120.00m                    | N/a             | 3.90                     | 748                         | -13.50%                                | -18.48%                          | -£1.00m                                   |
| Delcam                        | SP          | £2.23                       | £13.60m                     | 9.7             | 0.67                     | 856                         | -6.98%                                 | 34.04%                           | -£0.20m                                   |
| Detica                        | CS          | £5.60                       | £125.20m                    | 13.6            | 2.34                     | 1400                        | -0.87%                                 | -8.94%                           | -£2.80m                                   |
| Diagonal                      | CS          | £0.49                       | £45.00m                     | Loss            | 0.80                     | 716                         | 12.90%                                 | 21.60%                           | -£2.90m                                   |
| Dicom Group                   | R           | £6.99                       | £146.55m                    | 14.6            | 0.94                     | 2143                        | -1.28%                                 | 1.53%                            | -£14.85m                                  |
| Dimension Data                | R           | £0.29                       | £389.33m                    | Loss            | 0.30                     | 52                          | -11.11%                                | -22.67%                          | £13.43m                                   |
| DRS Data & Research           | SP          | £0.51                       | £16.50m                     | 11.4            | 1.22                     | 466                         | -16.53%                                | -18.65%                          | £0.30m                                    |
| Earthport                     | SP          | £0.02                       | £8.39m                      | Loss            | 16.4                     | 10.9                        | -37.50%                                | -48.28%                          | £0.00m                                    |
| Easyscreen                    | SP          | £0.22                       | £15.60m                     | Loss            | 7.07                     | 126                         | -33.33%                                | 2.38%                            | £1.00m                                    |
| Eidos                         | SP          | £1.03                       | £146.59m                    | 6.7             | 0.87                     | 5160                        | -10.02%                                | -26.25%                          | £9.49m                                    |
| Electronic Data Processing    | SP          | £0.72                       | £17.60m                     | 14.2            | 2.03                     | 2189                        | -1.71%                                 | 16.26%                           | £3.40m                                    |
| Empire Interactive            | SP          | £0.09                       | £5.94m                      | 4.9             | 0.24                     | 146                         | -10.00%                                | -27.08%                          | -£0.17m                                   |
| Epic Group                    | CS          | £0.85                       | £22.20m                     | 21.7            | 3.04                     | 810                         | -4.32%                                 | -11.46%                          | -£1.00m                                   |
| Eurolink Managed Services     | CS          | £0.34                       | £3.50m                      | Loss            | 0.48                     | 340                         | 1.47%                                  | 21.43%                           | -£0.09m                                   |
| Flashtill                     | SP          | £0.06                       | £11.40m                     | Loss            | 4.3                      | 50.0                        | -9.09%                                 | 7.14%                            | -£3.10m                                   |
| Financial Objects             | SP          | £0.42                       | £11.72m                     | Loss            | 1.12                     | 183                         | -2.41%                                 | 73.20%                           | £0.42m                                    |
| Flightstore Group             | SP          | £0.04                       | £4.02m                      | N/a             | 14.67                    | 364                         | -4.55%                                 | -63.64%                          | -£1.25m                                   |
| Flomerics Group               | SP          | £0.57                       | £8.28m                      | 15.5            | 0.81                     | 2173                        | -0.83%                                 | -6.61%                           | -£0.51m                                   |
| Focus Solutions Group         | SP          | £0.41                       | £11.70m                     | Loss            | 2.17                     | 210                         | 3.26%                                  | 17.14%                           | -£1.90m                                   |
| GB Group                      | SP          | £0.15                       | £11.80m                     | Loss            | 0.99                     | 95                          | 0.00%                                  | -51.64%                          | -£1.70m                                   |
| Gladstone                     | SP          | £0.18                       | £7.81m                      | 9.5             | 0.91                     | 444                         | -6.94%                                 | 42.00%                           | £0.44m                                    |
| Glotel                        | A           | £1.09                       | £41.11m                     | 90.8            | 0.45                     | 564                         | -8.53%                                 | 9.60%                            | -£3.59m                                   |
| Gresham Computing             | CS          | £2.55                       | £126.02m                    | Loss            | 12.35                    | 2742                        | -21.10%                                | -23.54%                          | -£8.88m                                   |
| Harrier Group                 | CS          | £0.17                       | £7.81m                      | 12.5            | 0.86                     | 130                         | -15.19%                                | -22.09%                          | £2.90m                                    |
| Harvey Nash Group             | A           | £0.77                       | £46.50m                     | Loss            | 0.36                     | 437                         | -9.40%                                 | 1.32%                            | £5.50m                                    |
| Highams Systems Services      | A           | £0.07                       | £1.42m                      | Loss            | 0.13                     | 201                         | -38.46%                                | -40.82%                          | -£0.15m                                   |
| Horizon Technology            | CS          | £0.64                       | £47.40m                     | Loss            | 0.23                     | 236                         | -9.49%                                 | -1.91%                           | £2.90m                                    |
| IS Solutions                  | CS          | £0.14                       | £3.35m                      | Loss            | 0.56                     | 503                         | -2.17%                                 | 55.17%                           | £0.00m                                    |
| ICM Computer Group            | CS          | £3.05                       | £63.42m                     | 18.6            | 0.81                     | 1694                        | 1.72%                                  | 28.42%                           | £2.12m                                    |
| I-Document Systems            | SP          | £0.11                       | £20.00m                     | Loss            | 4.47                     | 14                          | 10.00%                                 | 2.33%                            | £0.00m                                    |
| In Technology                 | CS          | £0.80                       | £110.30m                    | Loss            | 0.70                     | 3180                        | -16.47%                                | 31.40%                           | £11.80m                                   |
| Innovation Group              | SP          | £0.28                       | £121.75m                    | Loss            | 2.08                     | 122                         | -25.95%                                | 1.82%                            | £16.25m                                   |
| Intelligent Environments      | SP          | £0.05                       | £7.48m                      | Loss            | 2.80                     | 56                          | -26.67%                                | -40.00%                          | -£0.36m                                   |
| Interactive Digital Solutions | SP          | £0.02                       | £4.25m                      | Loss            | 17.5                     | 840.0                       | -9.52%                                 | -25.00%                          | £0.50m                                    |
| Intercede Group               | SP          | £0.19                       | £6.45m                      | Loss            | 3.5                      | 316.7                       | -15.74%                                | 8.57%                            | -£0.26m                                   |
| Internet Business Group       | SP          | £0.04                       | £2.50m                      | Loss            | 1.8                      | 97.5                        | 3.45%                                  | 77.27%                           | £0.59m                                    |
| Invu                          | SP          | £0.12                       | £10.90m                     | Loss            | 5.46                     | 1237                        | 14.33%                                 | -12.96%                          | £3.74m                                    |
| iQ-Ludorum                    | SP          | £0.02                       | £1.60m                      | Loss            | 0.64                     | 27                          | 4.55%                                  | 11.11%                           | -£0.20m                                   |
| iSOFT Group                   | SP          | £3.60                       | £821.66m                    | 27.1            | 5.50                     | 3273                        | -15.70%                                | -2.90%                           | -£11.44m                                  |
| ITNET                         | CS          | £1.83                       | £134.00m                    | 10.1            | 0.71                     | 521                         | -2.08%                                 | -39.37%                          | -£4.40m                                   |
| iTrain                        | SP          | £0.10                       | £6.03m                      | Loss            | 7.0                      | 111.8                       | 2.38%                                  | -88.82%                          | -£0.79m                                   |
| K3 Business Technology        | SP          | £0.93                       | £9.48m                      | Loss            | 1.35                     | 711                         | -4.79%                                 | 55.00%                           | -£36.12m                                  |

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| Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation |     |             |                |          |           |           |             |             |                |
|--|-----|-------------|----------------|----------|-----------|-----------|-------------|-------------|----------------|
|  | SCS | Share Price | Capitalisation | Historic | PSR       | S/ITS     | Share price | Share price | Capitalisation |
|  | Cat | 31-Aug-04   | 31-Aug-04      | P/E      | Ratio     | Index     | move since  | % move      | move since     |
|  |     |             |                |          | Cap./Rev. | 31-Aug-04 | 31-Jul-04   | in 2004     | 31-Jul-04      |
| Kewill   | SP  | £0.63       | £49.50m        | 23.3     | 2.24      | 1245      | -15.45%     | 7.69%       | £5.70m         |
| Knowledge Technology Solutions                           | SP  | £0.05       | £7.03m         | Loss     | 43.9      | 950.0     | -24.34%     | -52.50%     | -£1.48m        |
| LogicaCMG  | CS  | £1.61       | £1,204.11m     | Loss     | 0.71      | 2198      | -10.25%     | -37.37%     | -£29.89m       |
| Lorien   | A   | £0.72       | £13.30m        | Loss     | 0.14      | 715       | -12.72%     | -16.86%     | -£0.80m        |
| Macro 4  | SP  | £1.78       | £37.13m        | Loss     | 1.15      | 718       | 1.44%       | 12.30%      | £0.33m         |
| Manpower SoftWare  | SP  | £0.33       | £14.48m        | Loss     | 4.07      | 338       | -0.76%      | 39.36%      | £0.08m         |
| Marlborough Stirling                                     | SP  | £0.48       | £108.80m       | 18.8     | 0.95      | 343       | -24.41%     | 9.09%       | £0.00m         |
| Microgen   | CS  | £0.56       | £48.20m        | Loss     | 1.82      | 237       | -5.37%      | 1.83%       | -£1.80m        |
| Minorplanet Systems                                      | SP  | £0.13       | £19.00m        | Loss     | 0.21      | 261       | -11.56%     | -61.79%     | -£3.70m        |
| Misys  | SP  | £1.75       | £922.87m       | 40.6     | 0.91      | 2174      | -7.32%      | -17.47%     | -£52.23m       |
| Mondas   | SP  | £0.19       | £4.84m         | Loss     | 1.22      | 247       | -10.64%     | -51.32%     | -£0.65m        |
| Morse  | R   | £1.01       | £131.71m       | Loss     | 0.37      | 402       | -14.23%     | -29.47%     | -£18.19m       |
| MSB International  | A   | £0.65       | £13.30m        | 69.1     | 0.20      | 342       | 0.00%       | -27.37%     | -£0.80m        |
| NCC Group  | CS  | £1.86       | £58.85m        | N/a      | 3.84      | 1111      | 0.00%       | 9.12%       | £4.41m         |
| Ncipher  | SP  | £1.63       | £42.70m        | Loss     | 3.29      | 652       | 3.45%       | 7.24%       | -£0.50m        |
| NetBenefit   | CS  | £0.64       | £12.18m        | 16.3     | 1.95      | 318       | -17.88%     | 64.94%      | £0.28m         |
| Netcall  | SP  | £0.15       | £9.50m         | Loss     | 4.0       | 292.9     | -12.50%     | -44.23%     | -£3.10m        |
| Netstore   | CS  | £0.34       | £31.80m        | Loss     | 2.24      | 223       | -11.54%     | -13.55%     | -£0.70m        |
| Northgate Information Solutions                          | CS  | £0.57       | £280.84m       | Loss     | 2.06      | 218       | -13.85%     | -1.73%      | £3.64m         |
| NSB Retail Systems                                       | SP  | £0.28       | £97.30m        | Loss     | 1.51      | 2413      | -0.98%      | 63.24%      | £8.80m         |
| OneclickHR   | SP  | £0.05       | £7.07m         | Loss     | 1.47      | 119       | 0.00%       | -42.42%     | -£1.30m        |
| Parity   | A   | £0.11       | £30.70m        | 10.5     | 0.17      | 1792      | -10.87%     | 0.00%       | £1.10m         |
| Patsystems   | SP  | £0.16       | £22.14m        | Loss     | 2.08      | 145       | -24.39%     | -11.43%     | -£0.76m        |
| PC Medics Group  | CS  | £0.01       | £2.01m         | Loss     | 3.5       | 272.7     | 33.33%      | 87.50%      | -£0.38m        |
| Pilat Media Global                                       | SP  | £0.44       | £21.93m        | 8.3      | 2.33      | 2175      | -19.10%     | 31.82%      | £3.73m         |
| Pibology   | SP  | £1.12       | £22.40m        | Loss     | 8.85      | 802       | -13.36%     | -22.76%     | -£1.60m        |
| Planit Holdings  | SP  | £0.27       | £24.30m        | Loss     | 1.19      | 1104      | -15.79%     | -7.02%      | £2.30m         |
| PSD Group  | A   | £2.55       | £64.10m        | Loss     | 1.70      | 1159      | -5.63%      | -13.56%     | -£1.20m        |
| QA   | CS  | £0.04       | £11.05m        | Loss     | 0.38      | 18        | -6.67%      | -5.88%      | £1.38m         |
| Quantica   | A   | £0.53       | £21.30m        | 13.2     | 0.82      | 423       | 0.89%       | 8.25%       | -£1.60m        |
| Raft International                                       | SP  | £0.10       | £6.29m         | Loss     | 0.73      | 151       | -26.00%     | -36.67%     | £0.17m         |
| Retail Decisions   | SP  | £0.15       | £42.10m        | 14.5     | 1.38      | 196       | 2.90%       | 13.73%      | -£9.50m        |
| RM   | SP  | £1.30       | £116.20m       | 12.2     | 0.54      | 3700      | -4.74%      | -2.26%      | £8.10m         |
| Royalblue Group  | SP  | £4.22       | £138.00m       | 18.0     | 2.44      | 2482      | -13.98%     | -16.93%     | -£7.00m        |
| Sage Group   | SP  | £1.64       | £2,093.38m     | 18.8     | 3.74      | 62885     | -7.37%      | -6.97%      | -£118.62m      |
| SDL  | CS  | £1.26       | £69.50m        | Loss     | 1.08      | 840       | -8.57%      | 49.11%      | £7.80m         |
| ServicePower   | SP  | £0.34       | £25.50m        | Loss     | 5.69      | 340       | -6.85%      | -13.92%     | £0.60m         |
| Sirius Financial   | SP  | £0.88       | £14.90m        | Loss     | 0.73      | 583       | 4.49%       | 17.45%      | £1.00m         |
| SIRVIS IT plc  | SP  | £0.07       | £7.41m         | 11.6     | 2.3       | 56.5      | -4.11%      | -13.33%     | -£0.58m        |
| Sopheon  | SP  | £0.24       | £26.62m        | Loss     | 3.95      | 338       | -19.23%     | 46.88%      | £2.82m         |
| Spring Group   | A   | £1.13       | £177.00m       | Loss     | 0.51      | 1256      | -8.19%      | -2.16%      | £10.20m        |
| StatPro Group  | SP  | £0.35       | £11.60m        | 17.7     | 1.38      | 438       | 6.94%       | 12.90%      | -£1.10m        |
| Stilo International                                      | SP  | £0.04       | £3.16m         | Loss     | 1.4       | 70.0      | -6.25%      | -42.62%     | -£0.22m        |
| Superscape VR  | SP  | £0.35       | £43.28m        | Loss     | 39.3      | 176.8     | 0.00%       | 25.00%      | £0.68m         |
| SurfControl (was JSB)                                    | SP  | £4.85       | £150.01m       | 24.7     | 3.25      | 2425      | -10.41%     | -35.38%     | -£18.99m       |
| Synstar  | CS  | £1.00       | £162.30m       | 26.8     | 0.73      | 605       | 6.76%       | 52.29%      | £33.70m        |
| Systems Union  | SP  | £0.87       | £91.90m        | 9.1      | 1.33      | 665       | -23.79%     | -15.20%     | £0.10m         |
| Tadpole Technology                                       | SP  | £0.10       | £29.70m        | Loss     | 5.58      | 241       | -29.03%     | -20.00%     | -£2.90m        |
| Telecity   | CS  | £0.11       | £27.90m        | Loss     | 1.19      | 14        | 0.00%       | -24.56%     | -£2.70m        |
| Tikit Group  | CS  | £1.33       | £16.40m        | 18.9     | 1.72      | 1152      | -1.85%      | 17.26%      | £0.00m         |
| Torex Retail   | SP  | £1.33       | £203.33m       | 6.8      | 20.54     | 3313      | -6.67%      | 231.25%     | £119.63m       |
| Total Systems  | SP  | £0.55       | £5.75m         | 11.1     | 1.5       | 1037.7    | -18.62%     | -4.35%      | -£0.42m        |
| Touchstone Group   | SP  | £0.97       | £9.91m         | 64.6     | 0.7       | 919.0     | 2.59%       | -4.46%      | -£0.29m        |
| Trace Group  | SP  | £0.79       | £11.98m        | Loss     | 0.8       | 632.0     | -3.13%      | 22.48%      | £0.18m         |
| Triad Group  | CS  | £0.68       | £10.30m        | Loss     | 0.3       | 503.7     | -2.16%      | 15.25%      | £0.00m         |
| Tribal Group   | CS  | £1.59       | £110.16m       | Loss     | 0.6       | 963.6     | -9.59%      | -51.96%     | -£20.44m       |
| Ultima Networks  | R   | £0.02       | £3.03m         | 16.6     | 1.5       | 36.6      | 0.00%       | -25.00%     | -£0.25m        |
| Ultrasis Group   | SP  | £0.00       | £3.51m         | Loss     | 4.0       | 8.2       | 0.00%       | -20.00%     | £0.48m         |
| Universe Group   | SP  | £0.25       | £15.30m        | Loss     | 0.4       | 1111.1    | -3.92%      | -1.96%      | £0.30m         |
| Vega Group   | CS  | £1.51       | £27.90m        | 20.9     | 0.8       | 1233.6    | -1.53%      | -14.00%     | -£1.90m        |
| Vi group   | SP  | £0.14       | £5.03m         | Loss     | 0.6       | 270.0     | -13.21%     | 1.89%       | £0.74m         |
| Vianet   | CS  | £0.06       | £7.88m         | Loss     | 239.7     | 52.4      | -11.76%     | -16.67%     | -£1.61m        |
| Warthog  | SP  | £0.01       | £3.12m         | Loss     | 0.3       | 23.3      | 0.00%       | -87.10%     | -£2.46m        |
| Wealth Management Software                               | SP  | £0.16       | £7.78m         | Loss     | 1.1       | 125.0     | -1.39%      | -9.72%      | -£0.71m        |
| Workplace Systems  | SP  | £0.14       | £25.30m        | Loss     | 2.4       | 0.0       | 5.77%       | 19.15%      | £0.50m         |
| Xansa  | CS  | £0.73       | £248.90m       | Loss     | 0.6       | 1878.2    | -19.02%     | -13.82%     | £24.60m        |
| XKO Group  | SP  | £0.72       | £19.93m        | Loss     | 0.5       | 480.0     | -11.76%     | -14.79%     | -£0.77m        |
| XN Checkout Holdings                                     | SP  | £1.06       | £22.70m        | Loss     | 1.6       | 1076.5    | 8.16%       | 7.65%       | £0.00m         |
| Xpertise Group   | CS  | £0.01       | £4.18m         | Loss     | 0.9       | 40.0      | 0.00%       | -20.00%     | £1.05m         |

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## A FLAT END TO THE SUMMER

The weather in August couldn't possibly have been any worse, but the performance of Software and IT services shares could have been, without the mini rally over the last two weeks. In fact, the forecast is pretty dreary all round after the mini boom in the first half of the year.

Many IPOs have been put on hold while M&A activity, which experienced a 'heat wave' in Q1 is now similarly affected. For a closer summary of the S/ITS industry so far this year, see *Holway Comment* on p3.

As far as our own Index of S/ITS shares is concerned, it's all looking rather flat on last month. July saw a decline of c7%, while August was down 0.36%.

The biggest drop was by IT staff agency (ITSA), Highams Systems Services Group (down 38%), which last month reported a downturn in business. Fellow ITSA, Lorien lost 12%, despite announcing at the end of July that it had moved into profits. We have nine ITSAs in our Index and this month it was the sector with the worst performing shares – down c10% on July.

One of the better performing shares was Diagonal, up 12%. With its acquisition finalised, new owner Morse will have its work cut out to firstly get the SAP consultancy back in shape and to then make it earnings enhancing. The balancing act Chief Executive, Duncan McIntyre and team have to deal with is integrating the CSTIM and Diagonal acquisitions so Morse evolves into an organisation that is more than the sum of its parts and a genuine services company. Morse was down 12% on last month's share price.

As for the rest of the year, our views are unchanged – expect some turbulent times. Indeed, they could start in the first week of September when Intel gives a trading update. A gloomy outlook statement from the bellwether could send shock waves through other stocks – whether they are in any way related to Intel's market or not! Umbrella's at the ready! (Kate Hanaghan)

|           |                     |         |
|-----------|---------------------|---------|
| 31-Aug-04 | S/ITS Index         | 4693.46 |
|           | FTSE IT (SCS) Index | 418.50  |
|           | techMARK 100        | 1034.50 |
|           | FTSE 100            | 4459.30 |
|           | FTSE AIM            | 868.50  |
|           | FTSE SmallCap       | 2469.94 |

SCS Index = 1000 on 15th April 1989

| Changes in Indices           | S/ITS Index | FTSE 100 | techMARK 100 | FTSE IT SCS Index | FTSE AIM Index | FTSE Small Cap |
|------------------------------|-------------|----------|--------------|-------------------|----------------|----------------|
| Month (02/08/04 to 31/08/04) | -0.36%      | +1.05%   | -2.74%       | -1.71%            | +0.35%         | -0.40%         |
| From 15th Apr 89             | +369.35%    | +117.15% |              |                   |                |                |
| From 1st Jan 90              | +410.10%    | +88.79%  |              |                   |                |                |
| From 1st Jan 91              | +563.04%    | +106.41% |              |                   |                |                |
| From 1st Jan 92              | +349.20%    | +78.87%  |              |                   |                |                |
| From 1st Jan 93              | +194.52%    | +56.66%  |              |                   |                | +78.03%        |
| From 1st Jan 94              | +181.12%    | +30.45%  |              |                   |                | +32.18%        |
| From 1st Jan 95              | +213.07%    | +45.47%  |              |                   |                | +41.43%        |
| From 1st Jan 96              | +107.81%    | +20.87%  | +31.07%      |                   | -8.91%         | +27.21%        |
| From 1st Jan 97              | +75.30%     | +8.27%   | +13.10%      |                   | -11.02%        | +13.14%        |
| From 1st Jan 98              | +54.64%     | -13.17%  | +8.44%       | -58.15%           | -12.45%        | +6.77%         |
| From 1st Jan 99              | +19.08%     | -24.20%  | -28.95%      | -71.06%           | +8.35%         | +19.27%        |
| From 1st Jan 00              | -59.08%     | -35.65%  | -72.63%      | -88.74%           | -55.06%        | -20.27%        |
| From 1st Jan 01              | -43.94%     | -28.34%  | -59.68%      | -78.53%           | -39.60%        | -22.41%        |
| From 1st Jan 02              | -2.18%      | -14.53%  | -29.75%      | -50.43%           | -3.26%         | -4.23%         |
| From 1st Jan 03              | +73.01%     | +13.17%  | +59.45%      | +23.01%           | +44.05%        | +35.67%        |
| From 1st Jan 04              | +0.37%      | -0.39%   | +1.92%       | -16.90%           | +3.96%         | -0.21%         |

| End Aug 04            | Move since 1/1/99 | Move since 1/1/00 | Move since 1/1/01 | Move since 1/1/02 | Move since 1/1/03 | Move Since 1/1/04 | Move in Aug 04 |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| System Houses         | 4.0%              | -59.5%            | -45.5%            | -1.8%             | 95.6%             | 2.0%              | -4.9%          |
| IT Staff Agencies     | -66.1%            | -70.5%            | -53.1%            | -15.3%            | 27.4%             | -16.5%            | -10.3%         |
| Resellers             | 62.8%             | -21.6%            | 3.7%              | 15.6%             | 55.1%             | -18.5%            | -8.1%          |
| Software Products     | 59.7%             | -61.6%            | -72.1%            | -10.2%            | 48.8%             | -8.3%             | -7.9%          |
| Holway Internet Index | 342.5%            | -46.2%            | -20.9%            | 43.1%             | 118.5%            | 6.2%              | -2.7%          |
| Holway S/ITS Index    | 19.1%             | -59.1%            | -43.9%            | -2.2%             | 73.0%             | 0.4%              | -0.4%          |

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