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SYSTEMHOUSE

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

Round and Round

A tale of cycles, recycling, spirals, circles, divergence, convergence, ups and downs...

Richard Holway
Prince's Trust, November 2004

In 2002, I gave my first presentation for the Prince's Trust Technology Leadership Group that I had helped to form earlier in the year. It was entitled *'IT's all over now'* and introduced the 'IT as a mature industry' theme. I used the automobile sector as an analogy. One of the main conclusions I drew was that future growth in IT would be modest; more aligned to 1×GDP growth rather than the 3–4×GDP growth experienced throughout the previous 40 years.

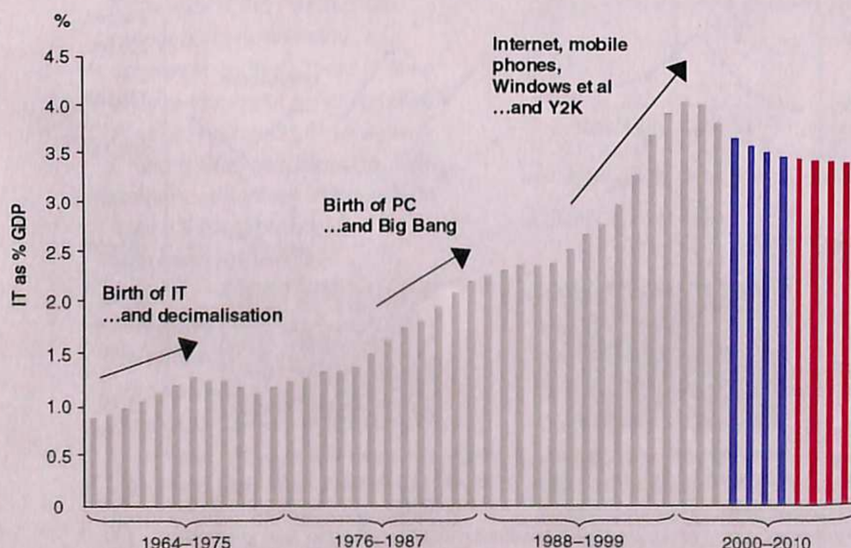
On 30 November 2004, I will be updating this theme in another Prince's Trust presentation; this time entitled *'Round and Round'*. Already most of the leading CEOs have booked their places in what promises to be the networking event of the year.

Reaction

I had more reaction to my predictions over IT's future modest growth prospects than anything I have ever done before (or since), including extensive press comment and debates at Intellect and Real Time Club.

Most opposed my view. I now think this was more because they hoped I was wrong. But, as I have said many times, 'hope is not a strategy'. Fooling yourself with false optimism is surely not in anyone's long-term best interest.

Figure 1 **IT's share of UK GDP will end the decade at c3.5% – compared with 4% in 2000**



Source: Ovum Holway

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INDICES
(changes in October 04)

Holway S/ITS	**+3.4%**	**4871**
Holway Internet	**+9%**	**5069**
FTSE IT (SCS)	**+4.5%**	**464**
techMARK 100	**+5%**	**1137**
Nasdaq Comp	**+4%**	**1975**

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I certainly haven't built my own reputation on telling people what they want to hear!

But in the 2+ years since, opinion has changed. Nicholas Carr's *'IT doesn't matter anymore'* in 2003, and comments made in the last year by IT leaders such as HP's Carly Fiorina and Oracle's Larry Ellison, have all led to acceptance that IT's glory growth days are well and truly over.

Only last month, the well respected *Times* commentator Robert Cole wrote *'No one outside fairyland can believe that demand will get back to the levels seen at the turn of the century. Demand may never do more than tick along at or slightly in advance of GDP'* (*The Times*, 1 September 2004).

What happened

Readers know only too well that rather than modest growth, our sector has seen real declines in 2002 and 2003. If GDP is 2.5% and inflation is 2%, for example, then in order to retain its share of GDP, IT has to have a headline growth of 4.5%. On this measure, IT has reduced its share of GDP every year since 2001 and will only manage to equal GDP if our current forecasts for 2005 are actually met.

Indeed, whereas IT started the decade with a c4% share of GDP, it will end it nearer 3.5% (see *Figure 1*).

By the way, this decline in GDP share is exactly what happened to the automobile sector since it entered its maturity phase in the 1960s – far more cars on the road, but much, much cheaper and more reliable; so we all spend less of our incomes on something which is a lot better!

Issues that shrink the size of the IT market

Everywhere I look there are now issues and technologies that actually shrink the size of the IT market.

Indeed, Larry Ellison got it right in his comment *'I think my industry is deflationary. The industry in total will shrink. People will spend less and less money on IT as it becomes more efficient and less expensive'* (*BusinessWeek*, 25 August 2003).

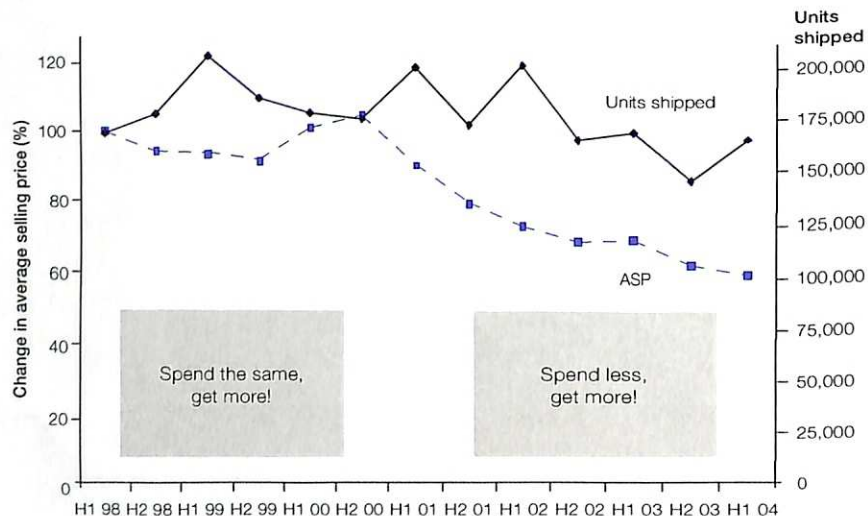
For example:

- **The 'more for less' syndrome.** Almost every CIO we have surveyed recently has reported reduced IT spend – not just this year but into the future budgets too. But they expect to get more IT for that reduced budget. There are many examples of this but perhaps the most compelling is in corporate PC land. For 20 years, CIOs not only bought an increasing number of PCs each year but their average spend per PC increased as they took advantage of the new power and facilities on offer. No more! In each of the last three years, the average price paid per corporate PC has reduced faster than the increase in units installed. Indeed, the average unit price at leading UK corporate reseller Computacenter is now 60% of that achieved in 2000 (see *Figure 2*).

- **The Linux effect**. Although accepting that it costs money even to install 'free' software, the move (or even the threat to move) to Linux has had a major effect on Microsoft's own growth expectations. Remember Microsoft is responsible both for itself and via its third-party suppliers for about one-third of Europe's software market. After achieving double-digit growth every year of its existence, Microsoft's growth in 2005 – even assuming it meets expectations – will be about 4%.

- **Offshore**. Already 10–15% of UK IT services (by revenue) is performed offshore. Wage rates are a fraction of those in the UK. Even allowing for added overheads, savings of 30%+ are usually achieved. This is yet

Figure 2 **Computacenter shipments and average selling prices (ASPs) of client devices sold to corporates**



**client devices is sum of desktops and notebooks, ASPs indexed to ASP in H1 1998 = 100*
Source: Computacenter strategy team analysis

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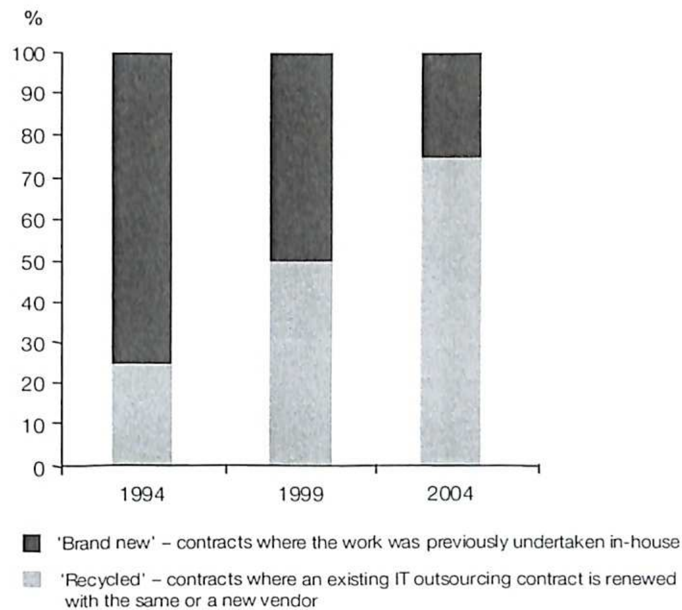
another factor which is reducing the size of the IT market in the developed world, and is a trend which can only accelerate in future.

- **Public sector IT spend will peak in 2006.** How many times in the last four years have we heard CEOs say '*Thank goodness for the public sector*'? Near double-digit growth here has compensated for private sector IT spend which has been in serious decline. But many of the really big public sector IT projects – the NPfIT for example – will be out of their high spending design-and-build phases and into their lower-cost run phase post-2006. From just 19% of total UK S/ITS spend in 2000, the public sector will represent 29% by 2006. No way can it continue at that percentage. But we have severe doubts as to whether the private sector can 'pick up the slack' when it does return to more normal levels.

- **IT outsourcing growth has peaked.** IT outsourcing was the main growth driver throughout the whole of the last 20+ years. Growth is now in low single digits. We believe that the days of the big mega-outsourcing contract are over, to be replaced by the much more practical multi-sourcing approach. Indeed, there is even early evidence of an associated in-sourcing trend (JP Morgan, Cable & Wireless, Network Rail, Santander's intent to bring IT in house if the Abbey bid succeeds and so on).

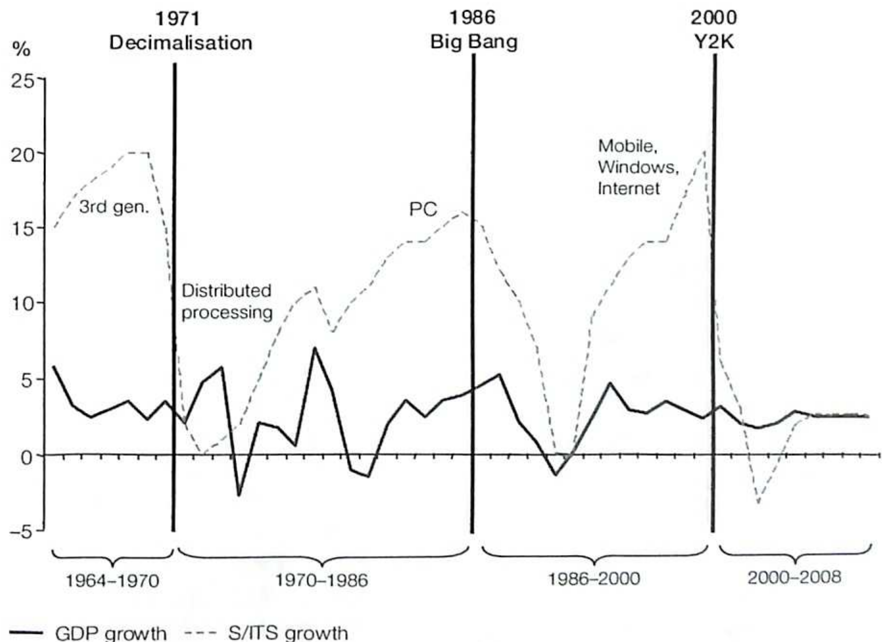
- **Recycled contracts = lower revenues.** 75% of the IT outsourcing contracts that we now report are 'recycled' – compared with just 25% ten years ago (see *Figure 3*). These were existing contracts where either the contract has been renewed with the existing supplier for a further term, or (increasingly) with a new supplier. In practically every case where we have the information, the renewed contract is at a lower value than before – often 20–30% lower. You really have to win a lot of virgin IT outsourcing contracts to make up that kind of shortfall.

Figure 3 **'Recycled' UK IT outsourcing contracts now at >75% of announcements (by revenue)**



Source: Ovum Holway

Figure 4 **Tech growth hasn't paid too much attention to the economic cycle...until now**



Source: Ovum Holway

All of this leads me to believe that, rather than our forecasts of GDP-type growth in the future being too gloomy, they might well prove to be too optimistic.

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Cycles

Over the last 40 years, IT has been affected by two main cycles:

- the Event Cycle – Decimalisation (1971), Big Bang (1986) and Y2K (2000) all had a profound effect on the IT sector as a major catalyst to IT change and renewal
- the Technology Cycle – Major new developments in technology also created major new demand; all the way from the IBM 360 in 1964 to the PC in 1981 and Windows, mobile phones and the Internet in the 1990s.

IT growth rates have closely followed these two cycles. They have tended to pay little attention to the third cycle – the Economic Cycle (see *Figure 4 on page 3*).

As I have reported for five years now, I see no new Technology Cycle – no new 'Next Big Thing'. Equally there is no event either. Even the introduction of the euro in the UK seems as far off now as it ever did and is unlikely to create a major spur to IT spend even if it did.

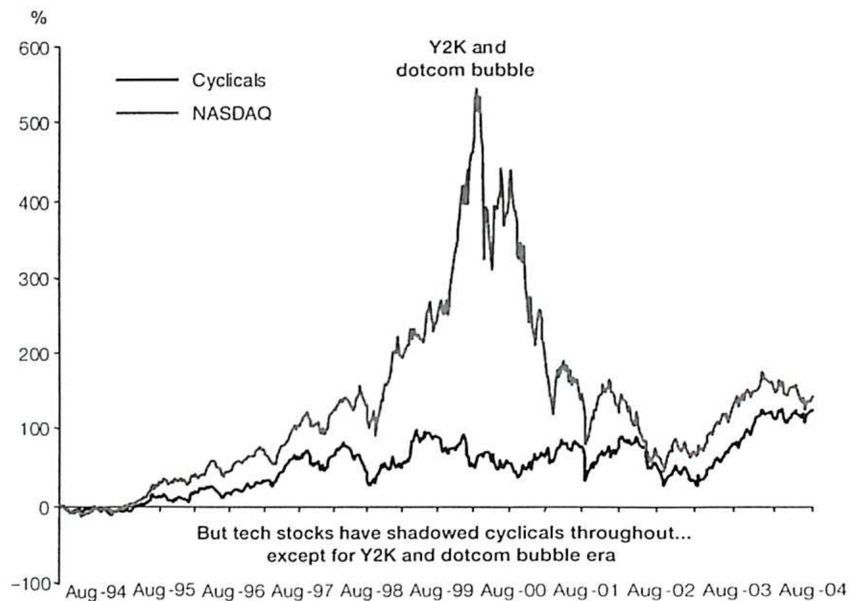
IT as the new cyclical stock

I believe that IT will join the list of 'cyclical stocks' (automobiles, construction, steel, airplanes, heavy machinery etc) where growth and stock market performance will be much more aligned to economic fortunes.

Indeed, since the end of the frenzied Y2K and dot.com bubble in the US, Nasdaq and the Morgan Stanley Cyclical Index have performed pretty much in tandem.

The problem with this is that IT companies are still valued with P/Es of >20 and provide dividend yields of <1%. Cyclical stocks are valued with P/Es of c10 and have yields of 5%+. If the capital appreciation is the same...well you can draw your own conclusions

Figure 5 **Tech – the new cyclical?**



Source: Ovum Holway

about what might happen both to relative valuations of IT stocks and their dividend policies. It is interesting to note that, not only is there a major move towards boosting dividends, even amongst companies like Microsoft and Sage which had been pretty lukewarm in the past, but the P/Es of market leaders like HP have indeed reduced to nearer the 10 more common in the other cyclical stocks.

Don't be despondent...

If you accept these points, then at least you can start to do something about them. I'm a very keen fell-walker. Of course, I really prefer walking in bright sunshine but this is not always the case in my beloved Lake District! A forecast of wet and misty conditions doesn't stop me walking. I just vary my route and my protective clothing accordingly! And that's exactly what the IT sector needs to do.

Divergence

Although the average growth outlook might be modest, there is more diversity than at any other time. Being average is not good enough anymore.

In particular, we see the following sectors providing above-average growth prospects:

- Telecoms – Internet services, mobile (enterprise mobile/data in particular) and network management outsourcing
- IT services – BPO, BPM, projects designed to save IT budget over short timescales, and services to SMEs
- Software – security, and product consolidation.

Diversity of performance

The dichotomy is already evidenced in the diversity of performance by the main players. In telecoms, those with mobile activities, like mmo2 and Vodafone, have done well compared with those that only have fixed line activities like BT, Energis and Cable & Wireless. In IT services, BPO companies such as Vertex, Liberata and Capita have led the pack but those relying on new projects, such as Capgemini, have suffered. In software, security companies such as Symantec and storage companies like EMC and

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Veritas have outperformed, whereas tier 2 suppliers of general business software have declined.

Consolidation

In any modest or no-growth market, one of the only ways to boost revenues is by boosting market share.

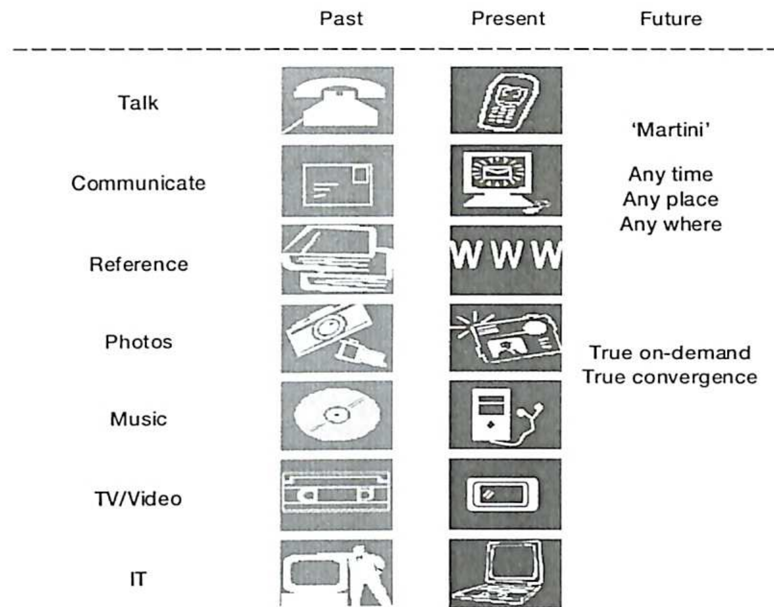
Buying customers through intense price competition, buying contracts by bidding low (even loss-making) prices, or buying 'captive' IT operations from parents are all increasingly being applied.

But it's consolidation by acquisition which is currently the hottest topic. Nowhere more so than in the software arena. Particularly in the ERP and FMS fields, there are a huge number of small to medium-sized suppliers. Research shows that the vast majority of systems used were installed many years ago. Once installed, users rarely change. The number of virgin opportunities in the mid and large companies has evaporated – indeed as user consolidation is also rife, the numbers decline! So everyone is targeting the SME – creating intense price competition there too.

Consolidation makes sense – even for users. Company A buys Company B and offers a painless upgrade path to users to Company A's product. R&D at Company B is eliminated together with duplicated HQ, sales and other functions. Even if the combined revenues of A+B are lower, earnings can be enhanced.

This model is rife at the moment and can be seen from the largest players (such as Oracle and PeopleSoft, PeopleSoft and JD Edwards) through to the smaller players (such as Azur buying Maxima and Weir or Cedar buying Walker, QSP, OpenAccounts etc).

Figure 6 **It's not what people do, but how and where they do it**



Source: Ovum Holway

Convergence

To me, the most exciting area at the moment revolves around what could be called the Martini effect. In the past, we used a variety of devices, like PCs, stereos, telephones, TV and videos for our IT and personal entertainment needs. They could all really only be used in one, fixed place.

Ever since I installed a GPRS card in my laptop in early 2003, I have become free. I can now do my e-mails, surf the Internet, download from iTunes, even listen to yesterday's episode of *The Archers*, anytime, anyplace, anywhere!

But this is far more than the convergence of fixed and mobile communications – as we are seeing in developments like BT's Bluephone. It extends into convergence of functions within the devices used. Rather than a different device for each function, a 'Converged Mobile Media Centre' combines functions such as TV, music on-demand, camera, MP3, digital recorder, GPS positioning, web surfing, e-mail...and voice calls too!

It also shows the enormous convergence going on between enterprise and consumer requirements. Indeed, most corporates now demand not industrial strength devices but consumer strength! And the new Martini devices – whether they are the Blackberrys of today or the small portable media centres of tomorrow, like the OQO or Flipstart – will be equally useful to both corporates and consumers.

Conclusion

Far from being gloomy, the future could be both exciting and rewarding.

Accept that the IT growth cycle is over and that average growth in the future, if there is any at all, will be pretty modest. But there will be huge diversity of performance – by sector, by industry, by company. Survival, and success, depends on being aligned to those higher growth sectors and/or boosting market share whilst increasing productivity and reducing cost.

Being average isn't good enough anymore.

HARVEY NASH BACK IN THE BLACK AT INTERIMS

IT staff agency **Harvey Nash**'s results for the six months to 31 July 2004 revealed a 23% increase in revenues and a return to profitability. Turnover for the period was £78.9m, compared to £64.3m in H104, and operating profits (after goodwill and exceptionals of £1.3m) were £660k, a huge improvement on the £3.9m operating loss reported in the same period last year. Harvey Nash also moved into profit at the pre-tax level, converting last year's £4.5m loss to a £292k profit. Diluted EPS came in at 0.18p compared to an 8.04p loss in H104.

Acquisitions in the US led revenues from across the pond to climb from £2.9m in H104 to £11.8m in H105 and operating profits to more than quadrupled to £664k.

Commenting on the outlook, David Higgins, CEO, said: *"Prospects for the Group are encouraging with strengthening market conditions across all regions."*

Comment: Harvey Nash hasn't provided details in its interim statement of organic revenue growth. But even allowing for the a welcome improvement in profitability. We were particularly pleased to see the turnaround in Europe, and to hear that revenues in this market have now begun to increase *"in line with the first signs of economic recovery"*. Relative to its peers, Harvey Nash seems to be doing particularly well in its key market of Germany where strong management and a portfolio of value added services have turned the business around.

Harvey Nash benefits from a broader geographic coverage than many of its competitors in

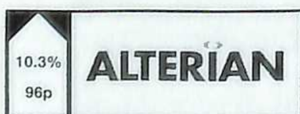
Harvey Nash Group plc FYE: 6 months to 31 July	Turnover £m			Operating profit £m			Margin	
	H1 05	H1 04	Change	H1 05	H1 04	Change	H1 05	H1 04
UK	40.6	34.3	18.4%	0.7	0.4	79.7%	1.7%	1.1%
Europe	26.5	26.8	-1.1%	0.5	0.2	141.6%	2.0%	0.8%
US	11.8	2.9	306.9%	0.7	0.1	377.7%	5.6%	4.8%
Asia-Pacific	-	0.3	-100%	-	0.2	-100%	-	-
TOTAL	78.9	64.3	22.6%	1.9	0.6	234.8%	2.4%	0.9%

In the UK, turnover increased by 18% to £40.6m and operating profits (before goodwill and exceptionals) grew by 80% to £690k. Revenues from the rest of Europe fell slightly (-1% to £26.5m) but operating profits more than doubled to £534k on the back of cost cutting last year.

impact of its US acquisitions – which had combined annual revenues of c$22.4m when they were acquired in October 2003 and January 2004 – it's clear the ITSA has grown revenues organically in the UK and probably in the US. But, more importantly, the Group has seen

the UK ITSA market and stands to benefit from growth in the US and any recovery in mainland Europe. Its strategy of focusing on value added services is also paying off with higher operating margins and strong cash generation.

(Tola Sargeant)



ALTERIAN CONTINUES TO IMPROVE IN Q2

Business intelligence software firm **Alterian** announced its Q2 and half-year results. In the six months to end of September 2004, revenues were £2.51m – up 38% compared to the first half of FY04. Growth in the US (46%) outpaced the UK (32%), but the UK still accounts for 57% of the company's business.

Total operating losses were reduced from £2.67m to £2.04m, with losses before tax trimmed from £2.45m to £1.81m. Loss per share was 3.6p (H1 of FY04: 5.4p).

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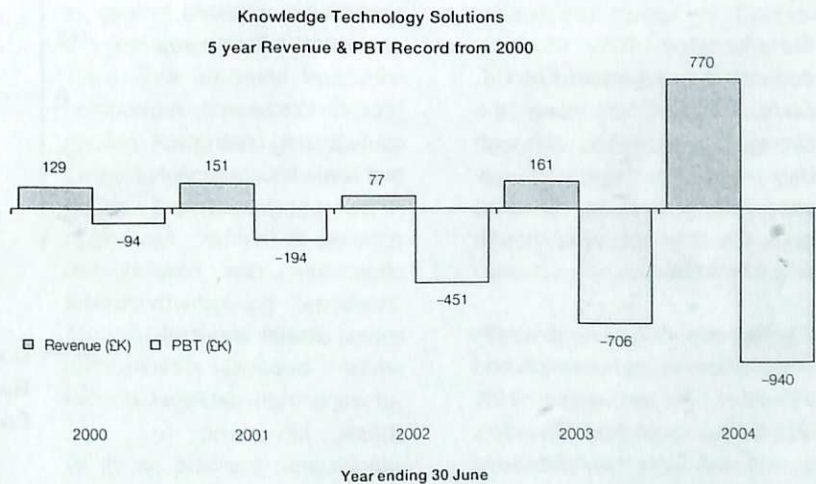
Comment: Back in June, when announcing that the company had almost halved pre-tax losses to £3.2m in FY04, Chief Executive David Eldridge stated that the principal financial objective for the year to March 2005 was *"to achieve approximate earnings neutrality"*. Based on its first half performance, Alterian's board has re-iterated this aim and says it expects to achieve it. The Q2 performance - where an FY04 loss after tax of £0.82m was reduced to a loss of £0.16m - is especially heartening.

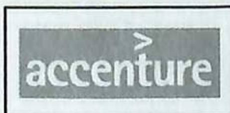
The reason for the improving numbers is pretty simple: Alterian is keeping costs under control (in fact Q2 costs were 8% down on the previous year) but booking more revenue from sales of software. There's also encouraging news for the longer term in the increasing proportion of recurring revenues, with over 70% of first-half revenues expected to recur in FY06. All in all it's been a good first half for Alterian, and the company now looks well placed to post the two improving quarters required for it to meet its objective for the year. *(Phil Codling)*

KNOWLEDGE TECHNOLOGY SOLUTIONS MUST NOW FOCUS ON PROFITABILITY

Knowledge Technology Solutions (KTS), provider of realtime market data services, has announced results for the year to 30 June 2004 revealing a period of significant revenue growth. Overall group turnover increased by 379% to 770K, while operating losses were 979K (2003: 715K) and pre-tax losses were 940K (2003: 706K). Diluted loss per share was 0.71p (2003: 0.73p).



Comment: KTS now offers two live financial data and news services to its client base - QuoteTerminal and MarketTerminal - and is seeing increased demand from its target clients including the stockbroking community. Losses have deepened as the company completed the development of MarketTerminal and strengthened its sales and technical teams. Now the focus has to be on profitability. With both services fully developed, a high proportion of any additional turnover will filter straight down to the bottom line. The signs are good. Sales of newly developed MarketTerminal are already underway and recurring revenues from QuoteTerminal now stand at £1.2m on an annualised basis. KTS makes no promises about when it will reach operating break-even but if turnover continues to increase at this rate, shareholders will be hoping that the company can also keep control of its cost base and make such substantial losses a thing of the past. *(Georgina O'Toole)*



ACCENTURE REPORTS CONTINUED STRONG GROWTH - BUT MARKETS AREN'T IMPRESSED

Accenture ended its 2004 financial year with impressive results that nevertheless disappointed investors. There's no doubt that the growth was impressive. But investors seemed spooked by a seeming slow-down in outsourcing growth. We don't think their fears are justified, but we agree that Accenture can't continuing gobbling market share at voracious rates forever.

For the full year to 31 August, net revenues grew 16% (9% in local currencies) to $13.67bn and operating profit grew 13% to $1.76bn, an EBIT margin of 13%. Net profit was up 39% at $691m,

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a 5.1% net margin. New bookings over the year were up 25% at $16.1bn

Consulting has clearly turned the corner, rising 12% (8% in local currencies) in Q4 to $2.14bn and rising 7% (though flat in local currencies) to $8.6bn for the year. Outsourcing rose 17% (13% in local currencies) in Q4, and by 35% (28% in local currencies) to $5.1bn for the year. The Q4 figure, while impressive, was well below other quarters this year. Indeed, each quarter showed a lower successive year-on-year growth.

Europe grew 10% in local currencies over the year. The UK, France and Spain were the strongest performers, although Italy and the Nordics saw improvements. North America grew 8% over the year, though only 1% in Q4.

For next year, Accenture forecasts net revenues up between 9% and 12% and EPS up between 10% and 14% – lower than this year's growth, and lower than Wall Street expected. Accenture's shares fell more than 11% soon after the figures were released.

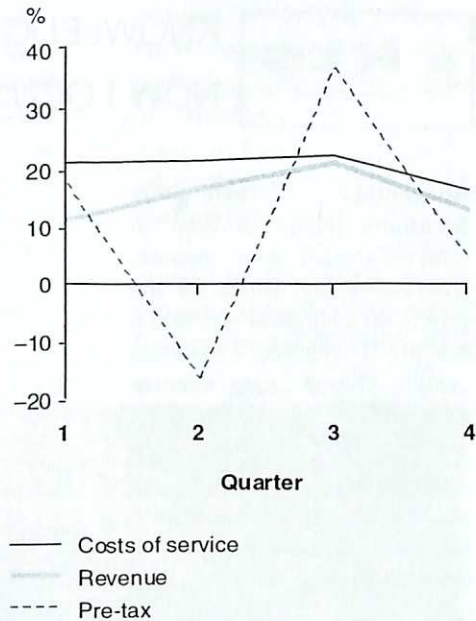
Comment: What's the problem? Revenue and profit growth are still strong, and consulting is clearly back from the dead. Pricing pressures are easing and Accenture's BPO portfolio is maturing, opening up new sales opportunities.

One issue is that Accenture's costs of services are rising faster than its revenues. Gross margins are declining, not rising, and Accenture warns that there's only 'modest' room for SG&A expenses reductions. It's also introducing some very generous variable pay schemes. That's far-sighted, but stores up big expenses for the future.

Is the outsourcing wave peaking? Investors fear so, noting that Accenture's year-on-year outsourcing growth (as opposed to quarterly revenues) declined through FY 2004. We don't see outsourcing tailing off for some time, although it's probably reaching a plateau in the UK. As Accenture's client base expands, its growth rates almost inevitably slow because it's growing from a bigger base. No need to panic, yet.

Still, Accenture's double-digit growth comes at the expense of other players – it's stealing market share at a rate that should almost be illegal. Can that continue forever? No, because as the easy targets get picked off, the fight gets even tougher.

A parting word on the Sainsbury's debacle: This looks at first sight a huge own goal not just for Accenture, but for large-scale outsourcing itself. Our view is that the primary cause was serious mistakes at the business (i.e. Sainsbury) end – the company was simply mistaken in its over-ambitious and over-complex strategy. The IT problems were mostly a consequence of this, not a cause. Nevertheless, this is not a get-out-of-jail free card for Accenture, because this was a business consulting engagement as much as it was an outsourcing and SI project. Accenture has some explaining to do, and must do it convincingly and quickly.
(Douglas Hayward)



UNISYS STEADIER AS IT PREPARES TO LEAVE 'WEINBACH ERA'

Unisys' revenues for the three months to end September 2004 were flat against Q3 of 2003, at $1.45bn. Excluding $23.5m of pension expenses and restructuring charges of $82.0m, the company made an operating profit in the period of $44.0m. Total loss before tax was $57.2m (Q3 03: profit of $84.0m), but a tax benefit of $68.2m helped EPS reach 7 cents (Q3 03: EPS of 17 cents).

Comment: Following Unisys' surprise profits warning at the

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end of Q2, these results show a rather steadier performance. Perhaps more importantly, Chairman and CEO Larry Weinbach has been able to re-iterate previous full-year guidance of *"earnings per share, excluding the impact of pension accounting, in the 68–72 cents range on flat to low single-digit revenue growth"*. Hardly an ambitious target one might think, but given the ups and downs of recent months, Weinbach – who is to relinquish his executive role from January – will be happy enough with that.

Unisys also announced Weinbach's successor in the CEO spot – he's current President and COO Joseph W. McGrath. This appointment-from-within was no surprise and should ensure that Unisys transitions smoothly out of the eight-year 'Weinbach era'.

A key challenge for McGrath will be raising Unisys' service margins. With services accounting for a shade under 80% of all business, the company is clearly going to struggle to make a decent living if it can't raise its gross margins in services above the Q3 level of 16% (compared to 20% a year ago). *(Phil Codling)*

TRACE FINDS PROFITS AGAIN

Trace Group, provider of software and services to industries including finance and property, has delivered slightly reduced (down 2%) revenues of £15.5m for the year to end May 2004. The company moved from operating losses of £2.8m (£1.1m excluding impairment of goodwill) to profits of £809K. Equally, pre-tax losses of £2.8m became profits of £822K. Diluted EPS was 4.69p (–16.17p last year). Cost cutting measures produced a 15% reduction in net operating expenses.

Chairman, Clive Ingham, said: *"We continue to believe that [our staff], together with our best of breed products, will allow us to outperform the growth in the software and IT services sector in general."*

Comment: After struggling through FY03, when Ingham described general market conditions as being *"as bad as I can recall"*, Trace claims it's now seeing the *"stirrings of spring"*. Cost cutting along the way has helped, and CEO Richard Wolfe must be relieved to see the company he founded 30 years ago back in the black.

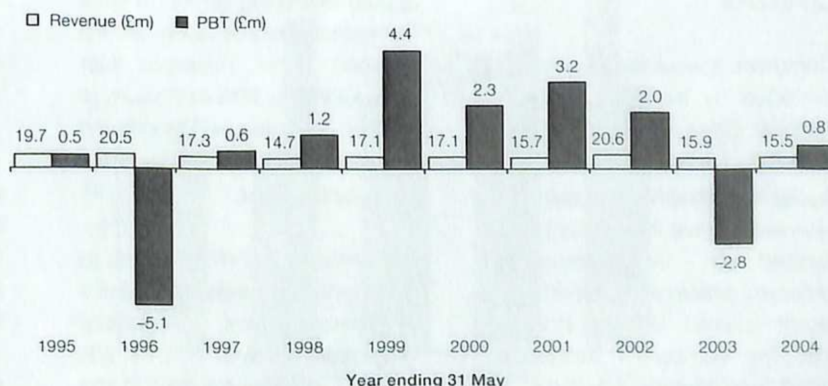
In general, Trace's performance this year was a bit of a mixed bag. Trace ISYS continued to be the company's strongest performing division. Sales and profits were similar to last year. Of note is that during the period the ISYS business, which develops reinsurance and wholesale insurance broking products, scooped two new clients from a competitor in what is a relatively restricted market.

Of its six business divisions, the weakest performance came from its Prospect (recruitment) business, which suffered from delayed decisions from clients and recruitment freezes. Its Datawise business turned a *"small profit"*, from a loss last year – largely due to cost cutting activities. Meanwhile its *"non-core"* payroll services business beat last year's revenue and contribution performance. Trace does not, however, breakout specific revenue performances.

The company has taken a bit of criticism from us over the years for having its fingers in so many pies. When we caught up with Wolfe in October, he claimed that Trace is actually less complex than it appears, specialising in three lines of business. Anything that can be run centrally is.

Trace Group plc

10 year revenue and PBT record relative to 1995



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Overall, Trace has a fairly solid financial base. It has money in the bank (£2.6m), net assets of almost £9m and recurring revenues that cover 55% of operating costs. And, of course, it is now profitable again. Gross margins (21.4%) are now back to a level last seen in 2001 buoyed by growth in package sales and an efficiency drive.

But the true measure of future success will be whether or not the company sees a return on the significant sum that is being invested in developing new 'best of breed' products. We won't be able to judge the results for a couple of years yet, but it goes without saying that this is critical to Trace's future well-being.
(Kate Hanaghan)

ITNET H1 PROFIT HIT BY CABINET OFFICE CHARGE

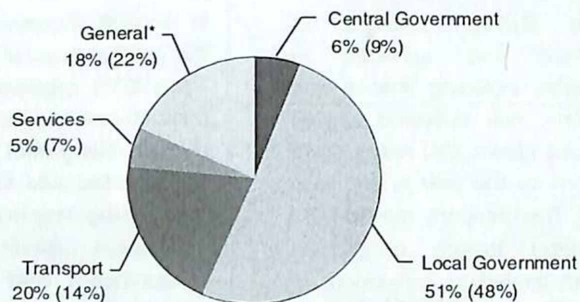
IT outsourcing and BPO player, **ITNET** has announced its results for the six months to 30 June 2004. Revenue increased 15% to £104.6m, with public sector revenues up 18% to £59.8m and commercial revenues up 16% to £44.8m. Operating profits were hit by an exceptional provision of £24.4m for the impairment of data centre assets and exit costs relating to the loss of the Cabinet Office contract. Last year's operating profit of £8.6m became a loss of £16.8m. Likewise, a pre-tax profit of £8.7m in H103 turned into a £16.6m loss. Diluted loss per share was 16.39p (EPS of 7.53p in H103).

In an outlook statement, ITNET said it did not expect any long-term impact from the loss of the Cabinet Office contract. The company also announced several contracts including a £7.4m extension with Cadbury Schweppes and a £6.13m extension with Birmingham City Council.

Comment: It would be easy to get distracted by the impact of the Cabinet Office on ITNET's H1 profitability. However, we're pleased to say that shareholders seem to have looked past this contract and focused on the company's underlying performance. Importantly recent contract signings indicate that the company's reputation hasn't been adversely affected.

ITNET H104 (H103) revenues by vertical sector

Total = £104.6m (£91.2m)



**clients include Cadbury Schweppes, Coca-Cola, Equitas, Credit-Lyonnais, QBE and Travelodge.*

ITNET's revenue growth over the last five years has consistently outperformed the market. The first half of 2004 was no exception. One of the key reasons for this is the company's leading position in the UK local government market. Indeed, this latest set of results reveals 19% growth from this sector (to £53.7m) – well above the market average. ITNET has also applied its winning formula to other fast-growing niches such as the transport sector. Revenues from this sector grew 60% to £20.5m. In addition, the company is continuing to win business in other areas of the commercial sector.

The one area that ITNET needs to consider is its position in the central government market. The Cabinet Office contract was ITNET's first major IT services contract in the sector. The majority of its central government business is consultancy-based and undertaken by the French Thornton management consultancy business. The big question is 'should ITNET continue to pursue infrastructure and applications outsourcing deals in the central government market?'.

If it wants to make a play for market share in this sector, it will be competing against experienced central government 'goliaths' such as EDS, IBM and Fujitsu Services. ITNET certainly doesn't have the scale of these competitors so needs to decide if the effort required to win contracts in this market will be matched by the rewards. Certainly there will be some interesting outsourcing opportunities in the central government market as a result of the Gershon Efficiency

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Programme and the Lyons Review (relocation outside London and the south east). However, our initial thought is that the company would be best off taking a partnering approach similar to the approach it is taking for the larger deals in the local government market. Partnering with IBM in the local government sector has recently led to ITNET attaining preferred supplier status for a major outsourcing contract at Bradford City Council.

All in all, ITNET's results gave us significant confidence in the company's performance and outlook. We will watch with interest as ITNET makes some important decisions about its strategy. *(Georgina O'Toole)*

ICM PROFITS DRIVEN BY BUSINESS CONTINUITY

ICM Computer Group, provider of support, project and business continuity services, has increased operating profits by 5% to £5.5m on virtually flat revenues of £77.5m. Operating margins increased marginally from 6.7% to 7%. For the year to the end of June 2004, PBT increased 19% to £4.4m while diluted EPS increased 14% to 14p. During the period, the company acquired ITM Support Services (to boost its IBM mid-range capabilities) for an initial consideration of £3.5m in cash.

Across its divisions, turnover was as follows:

- IT Support increased 17% to £32.4m (including 2.8m from the ITM acquisition)
- IT Solutions (which includes a range of activities such as consulting, hardware supply and network solutions) decreased 17% to £33.2m (partly due to the company's withdrawal of some lower margin business)
- Business Continuity increased 25% to £12m.

See chart for more on revenue splits.

Comment: ICM was placed just inside our top 15 ranking of support services players in 2003 with growth of 18.7%. It has continued to perform well in 2004 with support services revenues (IT support and BC) again growing 18.7% – organic growth was 11% – to £44.4m. The balance of ICM's sales comes from its solutions business (hardware supply and project services).

The concept ICM is plugging is what it terms 'IT Assurance'. This essentially means bundling together support, hardware and BC services. For the past two years almost a third of customers have taken all three services.

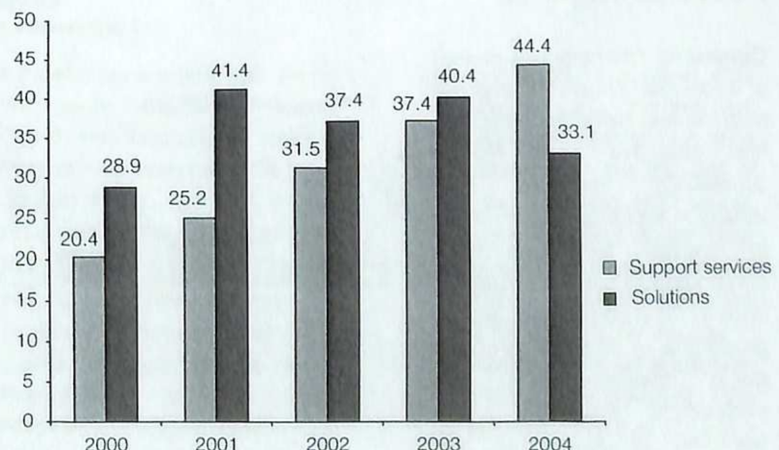
What's interesting is the parallel to be drawn with support services supremos, HP and IBM, who have a similar model. The major differences being that ICM is (obviously) a multi-vendor provider and operates in the SME market (its key space is 50-100 desktops).

It's also interesting to contrast the managed services activities of ICM with a much larger player such as Computacenter. ICM is operating lower down, where the market hasn't reached the same level of maturity. As a result, it isn't experiencing the same demands from customers for year-on-year savings. For the time being, the value of ICM's managed services contracts is not declining.

Business continuity – the jewel in the crown

With 17% growth (6% organic) in its support business and 25% growth in its BC business, it's not hard to see where the strong suit is. ICM is continuing to pump

ICM Computer Group plc
Revenue split (£m)



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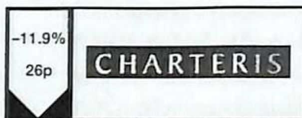
significant effort into getting a nation-wide business continuity network up and running. Between June 2003 and the end of this calendar year, ICM will have opened four recovery centres. This, of course, has required some significant investment, and related start-up losses have impacted on this year's operating profits. We understand ICM is aiming to establish three more centres to fill the gaps in its coverage, and while the company will not specify the locations, Scotland has got to be a very strong candidate. Importantly, the number of seats being sold is rising steadily and there is still plenty of room for more seat sales.

It is not clear just when the development of ICM's BC network will be complete, but certainly so far it has expanded at a rapid, yet sensible pace. A combination of pressure from global suppliers on ICM's mid-market clients to make contingency plans, and plain old increased awareness, will ensure this market provides lush grazing for ICM for some time.

(Kate Hanaghan)



CHARTERIS BOUNCES BACK INTO THE BLACK

Charteris, a business and IT management consultancy, increased revenues by 13% to 13.8m and moved into profits for the year to the end of July 2004. Operating profits were 482K from losses of £212K (excluding exceptional staff costs in 2003). PBT were £541K from losses of £625K in 2003. Diluted EPS was 0.81p compared with last year's loss of (–)1.26p.

Chairman, David Mann, said: *"In view of the strengthening of Charteris' position in segments where there are opportunities for growth, the directors believe that the company is well placed to continue making good progress in the current financial year."*

Comment: Charteris has plotted a three-year course to improve margins and has notched up the first objective – to restore profitability. Improved staff utilisation and a gradual increase in average fee rates have contributed to this. A recruitment drive in Q1 means that a greater proportion of revenues are now being generated by the company's own staff – as opposed to associates and subcontractors. This has led to a 16% reduction in external charges.

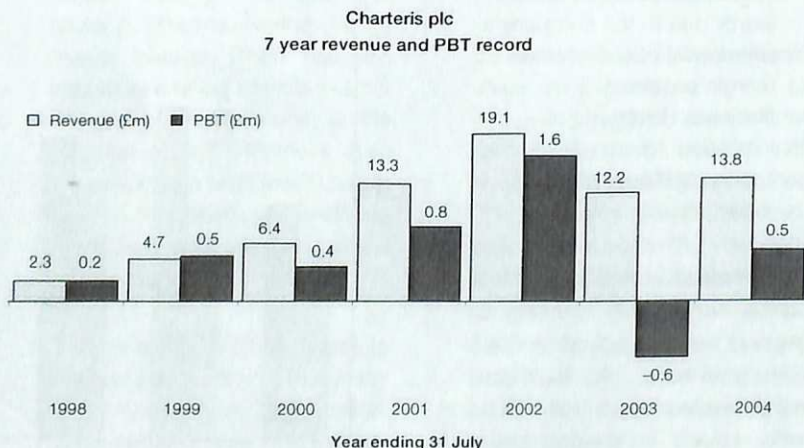
Now a third of the way through its three-year strategy, Charteris is showing real results of having a more balanced business base – and a reduced dependency on its financial services and media business (31% of turnover, down from 49% in 2003).

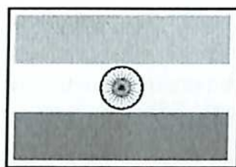
Across the company's other businesses:

- Retail, manufacturing and services accounted for 39% of turnover (up from 29%)
- Government and legal accounted for 30% (up from 22%).

The challenge now is to build on these initial achievements. And let's be clear, this will be a tough challenge given that the demand for 'stand alone' consultancy is stuck in the doldrums. In the short term, margins will be tempered by investments in recruitment, though we look forward to seeing how its strategy progresses in the first half.

(Kate Hanaghan)



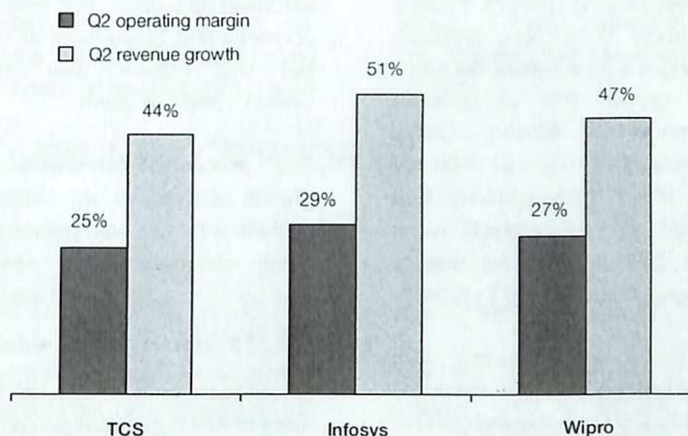


INDIAN LEADERS ACCELERATE IN Q2

India's leading IT firms have once again made many of their US and European counterparts envious by reporting rapid growth and juicy profits. Second quarter results (to end September 2004) from the subcontinent's "Big 3" of Tata Consultancy Services (TCS), Infosys and Wipro were highly impressive:

- In the first quarterly results since its IPO in the summer, TCS' revenues were up 44% to Rupees 24.3bn (or roughly £300m), with net profits before exceptionals up 52% year-on-year. Operating profits during the quarter were Rupees 6.2bn, giving an operating margin of 25%.
- Infosys' Q2 revenues were up 51% year-on-year. Operating profit growth of 60% pushed margins up to 29%. Pre-tax profit rose 47% to $115m (a 30% margin).
- Revenues at Wipro's Global IT Services unit were up 47% at Rupees 15.0bn (£185m). Operating profit rose by 90% to Rupees 4.0bn, lifting operating margin to 27%.

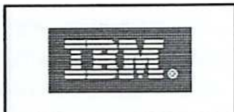
These impressive results are not an isolated blip. The leading Indian firms just keep on turning in profit and revenue growth, quarter after quarter, year after year. In Holway terms, some of these Indian players are genuinely "boring". It's also clear that firms like TCS, Wipro and Infosys are gaining market share in the UK, as well as in the US. And all this has continued against the backdrop of a US election campaign which many thought would herald a damaging backlash against Indian firms and offshoring more generally. As Ovum has been saying for many months, such a backlash just hasn't materialised. *(Phil Codling)*



LACKLUSTRE Q3 PERFORMANCE FROM AUTONOMY

Autonomy has reported its Q3 results, with revenues up 11% year-on-year to $14.5m (about £8m). Autonomy reports in US$ and around half its revenues derive from the US. PBT (according to GAAP rules) was almost constant at $1.5m – a margin of 11%.

Comment: These results are fairly pedestrian. Revenues would have been 4% lower at constant currency – 42% of revenues are from Europe (including the UK), whose currencies have risen 8% against the dollar since a year ago. Profits are hardly spectacular, either. Growth was much higher earlier in the year – revenues rose 37% (year-on-year) in Q1 and 18% in Q2. However in revenue terms this was the second-highest Q3 in Autonomy's history, and the company reported some good contract wins with blue-chip clients. Compliance solutions from Autonomy's 'Aungate' division have been rolled out at the NYSE and ABN, and Autonomy is naturally looking to build on that. Mike Lynch, Autonomy's CEO, commented: *"With significant investment in sales and marketing in the first half of 2004 and increased R&D spend, we remain confident in our long-term outlook."* Like us, the market wasn't overly impressed. Autonomy shares fell 4p (2%) on the day to 188p. While they're up significantly from a low of 146p in August of this year, they're 43% off their 2004 high – of 328p – reached back in February. *(Philip Carnelley)*



IBM REPORTS SOLID RESULTS IN Q3

IBM has announced a mildly encouraging set of results for the third quarter, with total revenue growth of 9% to $23.4bn in the three months ended 30 September 2004 but 5% growth at constant currency. Growth was driven primarily in the Americas (up 7% at constant currency to $10.1bn) and Asia-Pacific (up 6% to $5.3bn) while EMEA was essentially flat at $7.3bn.

Hardware once again led IBM's growth, jumping 12% (9% constant currency) to $7.5bn. Software revenues were essentially flat with a 5% growth (1% at constant currency) at $3.6bn. Global Services grew 10% to $11.4bn, but just 5% in local currency. IBM signed services contracts worth over $10bn during the quarter, bringing the backlog to $110bn.

In the results statement, IBM chairman and CEO Sam Palmisano said that IBM had delivered one of its strongest quarters in what is normally a challenging quarter for the technology industry, and reinforced his On Demand Business push. *"We continue to see robust growth in key initiatives – business performance transformation services grew more than 45% and we are seeing more and more clients move towards becoming on demand businesses."*

Comment: IBM's results are good overall but continue to disappoint in Europe: Eastern European countries, the Nordic countries and Spain were all up but UK, France, Italy and Germany were all down.

The company saw revenue growth across all its vertical sectors with the star performer being communications, which was up 16%, while public sector was up 11%.

Once again growth was led by sales of IBM's mainframe zSeries – up 12%. IBM's message of cheaper and cheaper mainframe MIPS really seems to be getting through to clients in the Americas. Sales of iSeries (the old AS400) continued on their way down by 26% but there was an encouragement in increased sales of xSeries, IBM's Intel platform, probably due to the revival in the telecoms market.

Global Services reported a 12% growth in strategic outsourcing, which now accounts for 40% of its overall business, with revenues up in all geographies. Integrated Technology Services, including maintenance, was up 10% and Business Consulting Services up 7%.

Software was a very mixed bag with improved revenues for WebSphere, Data Management and Tivoli but a sharp drop in sales from Lotus. IBM needs to get its *'on demand operating environment message'* working here to perk things up again. *(Ian Wesley)*

MICROSOFT BEGINS FY05 WHERE IT LEFT OFF – THOUGH DEFERRED REVENUE CAUSING CONCERN

Microsoft has reported its first quarter results, ended 30 September 2004. Revenues were up 12% year-on-year to $9.19bn. Operating income was $4.05bn, an increase of 29%, for an impressive operating margin of 44%.

The company raised its revenue forecast for the year to around $39bn – about 6% growth - from its previous estimate of around 5%. In after-hours trading following the announcement, the stock was trading at $28.17, down 53 cents (approximately 2%) mainly on concerns about a greater than expected fall in deferred revenue.

Comment: Another great quarter for Microsoft. Growth was fuelled by higher than expected corporate upgrades of PCs, leading to growth above that expected by the company. But this doesn't imply the IT sector is back to double-digit growth: the company's full-year forecast of around 6% growth is fairly subdued and well below the 14% it showed last year.

While there was nothing specifically about the UK in the announcements, we spoke with Alistair Baker, UK MD, and while he couldn't give us specifics it is clear that Microsoft UK – which is the largest country subsidiary – is very much performing in line with its parent.

Revenues for all business units

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were up. Of the big three business units, Servers and Tools was the star performer, growing revenues by 19% to $2.24bn and almost doubling operating income to $701m (it was almost profitless last year). Client (the Windows desktop operation) and Information Worker (dominated by Office) benefited from the PC shipments growth. Revenues for the Client business grew 7% to just shy of $3bn, with Information Worker increasing 11% to $2.56bn. And the company's near monopoly of desktop operating systems and personal productivity applications continues to drive Microsoft's profitability, with Client and Information Worker once again showing spectacular margins, of 80% and 74% respectively.

MSN continued on from its first year of profitability, benefiting from the growth in online advertising, with operating income of $77m on revenues which grew 10% to $540m. Microsoft's other business units continue to be unprofitable and cross-subsidised, although all showed growth in revenue and all cut their losses in comparison to the previous year. Microsoft Business Solutions' revenues grew a rather modest 9% to $160m (with a decrease in losses from $68m to $41m), which is not enough to meet the ambitious targets the company has set. Home and Entertainment halved its losses on revenues which grew from 9% $632m, whilst Mobile and Embedded Devices grew its revenues 30%, but from a comparatively tiny base, to $69m.

All in the Redmond garden is not completely rosy. Deferred revenue, e.g. from the Software Assurance programme, has decreased $395m from 30 June 2004, indicating that the value of new contract additions is not keeping pace with the rate at which revenue is being recognised. This is worrying for the company as it attempts to move its enterprise customers towards long-term, subscription-based contracts. Deferred revenue is sure to be the subject of much scrutiny in the next quarter. *(Neil Macehiter/Philip Carnelley)*

SIEBEL MOVES INTO Q3 PROFITS

In its Q3 conference call, **Siebel** delivered in full on the provisional results it announced earlier in the month. Licence revenues came in at $104.6m - down on Q3 2003 ($110.0m) but up on Q2 ($94.8m). Total service revenues were $212.5m (Q3 03: $211.4m). Though the total service revenues were very similar year-on-year, the proportion due to maintenance had increased to 57% in Q3 2004 against 52% a year earlier.

Europe revenues were 28% of total revenues, slightly down from 29% but effectively flat in dollar terms from Q2. In contrast the US grew to 67% from 64% while Asia-Pac/rest of the world shrank from 7% to 5%. CEO Mike Lawrie said that business conditions were getting better in terms of customer interest.

Total revenues were $317.1m, compared with the year earlier figure of $321.4m. After expenses and $6.2 million of restructuring costs, net profit was $17.9m, much improved on a loss (due to much larger restructuring costs) of $59.3m in 2003.

Comment: Two themes emerged from the call - how Siebel is going to continue to improve its financial performance, and what CEO Mike Lawrie called *"Siebel chapter two"*.

On financial performance, Lawrie said of Q3: *"I view this as just a start."* He is still engaged in his programme of revenue generation, accelerated profitability and enhancing the leadership team. On the first point, Lawrie pointed to failures of sales execution that he was looking to improve. On the last point, Lawrie has hired new chiefs for Siebel's manufacturing and communications vertical market businesses, and is looking to hire new people for most of the other verticals.

The big idea behind *"Siebel chapter two"* is to get into custom-built applications but using components of the existing Siebel application family tied together via web services. Nobody used the terms 'BPM' or 'service oriented architecture', but it can only be a matter of time. Siebel seems to expect this will help boost its professional services business, which is in long-term decline, as well as providing opportunities for partners. Nice trick if you can do it!

Siebel has the tremendous advantage of sitting on a growing cash pile of over $2bn. One financial analyst had the temerity to complain that this was a drag on some of Siebel's ratios! Siebel's CFO replied that he would rather have the cash than not - and who can blame him? *(David Bradshaw)*

SAP RETURNS TO GROWTH IN EUROPE

SAP has reported strong Q3 results with (new) software revenues up 13% year-on-year to euro 491m. Total revenues were euro 1.8bn – up 8% on 2003. At constant currency exchange rates, this would be an 11% increase. The company suffers from the weak dollar effect, with 33% of revenues from the US, but reported in euros. Operating income was euro 461m, up 12%, and thus operating margin was 26%, up 1 point.

Comment: Another impressive performance. The company continues to perform ahead of the market, taking share. The 'flight to safety' continues, helped no doubt by the continuing war between Oracle and PeopleSoft. What's particularly notable is that for SAP, growth has returned in Europe. Earlier in the year growth largely came from the US, and to some extent from Germany.

At constant currencies the growth would have been 17%. Growth in the US slowed from earlier quarters, to 4% – but this would have been 13% at constant currency. New licences in the Americas actually shrank 2%, though this was +6% in dollar terms. But this weaker performance was made up for in Europe where new licences grew a remarkable 24% year-on-year, to euro 249m (overall growth was 10%). Earlier in the year SAP's growth was mainly in the US. It seems that Europe is lagging behind the US by a couple of quarters.

SAP's German business had bucked the trend in Europe by growing while other countries did not. Now, however, Europe outside Germany has moved ahead, strongly: 14% compared to 6% for overall revenues and a remarkable 37% for new licences. Admittedly this is from a low base. Sequential growth of new licences in EMEA was negative: -6%. But overall, good news for SAP. The key question for SAP, and indeed for all software vendors operating in Europe, is: will the slowing down seen in the US also ripple back to Europe, and if so, when?
(Philip Carnelley)

UNILOG REDUCES UK LOSSES

Unilog released a strong first-half operating margin of 8% against 6.4% in 2003. Operating profits increased by 31% to euro 25m, half of which came from reduced losses in Germany (euro –2.3m versus – euro 4.3m) and the UK (euro –0.4m versus euro –1.2m). Net margin stands at 4.7%, a 31% improvement on last year.

Unilog had a strong performance in France (84% or revenues) where the company hit a record 10.5% operating margin versus 10% last year, on sales up 5% organically to euro 311m.

Conversely, Unilog is still struggling with its training activities, which recorded sales down by more than 20% and concentrated the totality of the losses recorded in Germany.
As of 30 June, Unilog had a net cash position of euro 61.2m, twice that of a year before. Overall, Unilog anticipates a *"satisfactory year"* in a market that is *"progressively more favourable"*.

Comment: This is a very strong set of results indeed, which gives Unilog the highest margin of the major players in the French IT service market, ahead of rival Sopra (8.3% operating margin in France). Unilog confirmed that it expects to see its international subsidiaries back in the black in 2004.

The improvement in the UK is welcome, and comes after the integration of the SAP consultancy Mezenet and what Unilog calls the *"successful repositioning of the subsidiary"*. But the UK is still sub-scale and loss-making, and we don't think the highly competitive SAP market is a great place to be right now.

The consolidation of newly acquired Vinci in Germany is expected to give new impetus to its stabilising German integration services. A similar acquisition in the UK to consolidate a still fragile position would be welcome. Unilog had sales of euro 7.8m in the UK and euro 78m in Germany in 2003. The eternal black spot remains Unilog's training activities in Germany. It was unquestionably the company's most expensive acquisition. *(François Dauriat)*

INVESTORS CONTINUE THEIR FLIGHT TO QUALITY

We recently received the latest data on UK & Ireland private technology funding from **Cobalt Corporate Finance**, revealing a slowdown during the summer months. For technology fundraisings above £1m, the figures reveal a total of 23 deals in the quarter to end Sep 04 raising a total of £109m. This compares to a total of 27 deals raising £129m in the comparable quarter in 2003.

Perhaps more revealing is a comparison of fundraising in the year to date. So far Cobalt has recorded 73 deals worth a total of £371m compared to 107 deals worth £392m in Q1-Q3 2003. This equates to an average deal value of £5.1m – well up on the average of £3.6m in the whole of 2003.

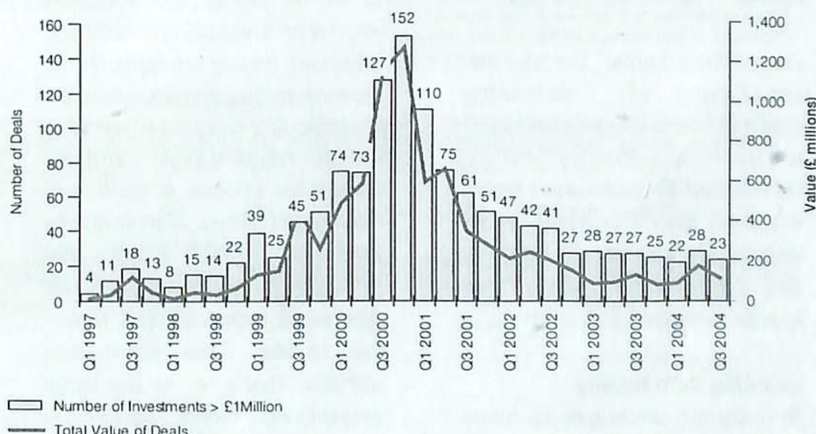
Paddy McCGwire, Cobalt's MD, commented, *"We are looking forward to a busy final quarter in 2004. The quality and size of investments has definitely increased. Feedback from the market and from our experience of the deals that we are working on suggests that the average size will at least maintain the £5m trend so far this year. This suggests total investment levels of deals to be around £500-550m in the UK & Ireland by the year end, which is 28–40% up on last year."*

Comment: There are really no surprises here. The level of fundraising activity in technology stocks in UK & Ireland is basically at a similar level to last year. However with average deal sizes increasing, fewer companies are benefiting. This means that it's more important than ever to have a strong story to tell investors. As McCGwire states, *"VCs are again prepared to invest significant amounts into companies with strong management teams, in interesting markets with compelling propositions"*. We hear from more than one source that VCs are currently awash with funds and are often offering better prices than can be achieved via an IPO or trade sale, but without the three elements highlighted by McCGwire, companies should think again about their prospects. *(Georgina O'Toole)*

Cobalt Corporate Finance

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.

UK & Ireland Technology Private Equity Deal Analysis



NO SIGNS OF AN M&A SLOW DOWN

The latest set of data from M&A advisor, **Regent Associates**, has revealed that during the first nine months of 2004 the number of acquisitions in the European tech sector increased a staggering 71% to 1,742. This means that for the year as a whole, the number of deals could reach levels last seen in 2000. Regent puts this down to *"the improving performance of the industry brought about by the cost-cutting exercises of the past few years"*. Another notable trend is that larger companies aren't making nearly the same level of divestment they were in early 2003. The number of companies looking to sell off under-performing or unwanted divisions now accounts for 37% of all transactions. In early 2003 the number was more like 50%, demonstrating that, for many companies, the time for cost-cutting and strategy realignment happened some time back.

The IT services sector was the most active across all technology-

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related companies. The IT services sector was the most active across all technology-related companies. It registered an 84% increase in the number of deals for the first nine months of the year compared with the same period in 2003. Within the sector, systems integrators and vertical solution suppliers saw a strong rebound. However, software product companies saw an increase of just 9% which is surprising given that many were expecting to see some notable activity in this sector.

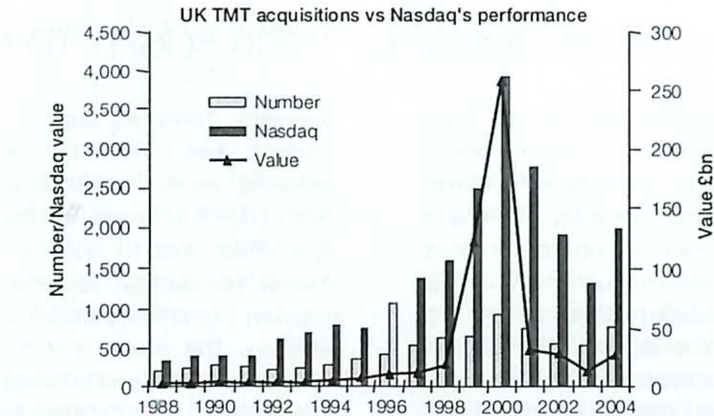
On a country-by-country basis, the UK, which as a buyer accounted for 28% of all European S/ITS deals, saw the number of acquisitions increase by 13% year-on-year and by 28% during the quarter. In contrast, France and Scandinavia – the next largest dealmakers in Europe – saw their number of deals decrease by 19% and 29% respectively. Previous activity levels in these areas are expected to resume within the next half year.

On related fronts, the median valuations of technology acquisitions held steady, as did IPO activity – though this was *"well up"* on last year. Regent added that in the short term IPO activity looks less certain – something *Hotnews* and *SystemHouse* readers have heard us say time and again.

Learning from history

To make any predictions for future activity, it is of course imperative we look to the past. In the period 2000–2002, Nasdaq lost 60% of its value. During the same timescale, the number of UK tech acquisitions declined by 40%, yet the value of those deals slumped 90%, from £258.9bn to £28.9bn. So while the number of deals does follow a similar pattern to Nasdaq (see chart) it does not mimic it.

The number of deals we're now seeing might be similar to those of four years ago, but the value of



Source: Regent Associates

those deals is anything but similar. As an illustration of how much times have changed (in terms of valuations), take the Vodafone/Mannesmann deal, valued at $183bn. That one deal was worth more than the total of all European TMT acquisitions in 2004 so far!

There is one reason in particular as to why the number of deals tends to remain slightly less impacted when shares, indices and company valuations go into a tailspin. When the markets become depressed it's harder to IPO (and the smaller you are, the harder it gets). So many companies choose a trade sale during such times. Hence activity levels are maintained. It's the Vodafone/Mannessmann deals that aren't happening just now – the smaller deals seem less affected. That's not to say mega acquisitions won't happen – especially with targets such as Capgemini on the scene.

But there are also industry-specific reasons for the pattern. Here is what we believe is driving the number of deals:

- Consolidation: In a zero growth market, the prime way to increase revenues and take market share is by eating your competitors (for example, Spring's purchase of Best International, which promoted it to the number one slot in our UK ITSA rankings).
- Realism: The crash erased hefty valuations but it also brought for many the feeling that if they hadn't managed to sell up, they had missed the boat. Many companies now have a more realistic view of their value – a view that is now more closely aligned with that of a potential buyer.
- Divestment: Most of the (over-priced) tech acquisitions made by non-tech companies during boom times have now come to be seen as an unwanted distraction to management. As a result, they're being offloaded. Though, as we alluded to at the start of this article, this is happening less and less.

All of which contributes to an increase in M&A activity.

That is not to say there is no correlation between the sentiment towards technology stocks and the level of activity, as shown by the performance of the Ovum S/ITS index vs the number of deals in the UK.

Alarm bells?

So we'd say that while the number of tech acquisitions across Europe as a whole is this year heading for the heights last seen during the bubble, do not be alarmed! This is not a sign that we are heading for an almighty slump.

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Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Computer Associates	Netegrity	Security software specialist that develops Windows- and Unix-based authentication technology	100%	$430m	This acquisition is a necessary - and costly - response from CA to moves by competitors. It is likely to see the merging of the Netegrity solutions with CA's web services management solutions (based on another acquisition of Adjoin), which reflects the growing convergence of web services security and management
Dicom	Neurascript Ltd	Develops tools to automate information extraction and indexing	100%	£8.3m, £5.3m of which is dependent on targets being met	This works out at a maximum PSR of 6, based on FY04 (to end March 04) revenues of £1.3m, and suggests Dicom is prepared to pay a decent premium for the complementary niche software and the development team it is acquiring.
Experian	QAS	Address management software supplier	100%	£106m	The QAS purchase is demonstrative of Experian's worldwide strategy to acquire complementary businesses that give it access to new products or data, or entry into new vertical or regional markets. By joining the Experian family, QAS will get greater exposure to the international markets it's already moving into. And, of course, Tony Bickford, QAS chairman and largest shareholder, will make a tidy sum from the sale.
K3 Business Technology	Alpha Landsteinar	Microsoft Navision software reseller	100%	£2.55m in cash and £2.9m in shares	This latest acquisition (K3 acquired the remaining part of warehousing and distribution management software company, PSE in April) is a key move. K3 needs to widen its portfolio to counter its declining, core ERP business
LogicaCMG	Edinfor	Electricidade de Portugal's IT services subsidiary	60%	N/a	Just a few years back, LogicaCMG wouldn't have been interested in a deal like this but the company is now heavily focused on reaching its target of 30% revenues from outsourcing. In addition the energy & utilities sector is a core vertical for the company.
Superscape	3D Wireless Games and OOO Dakor	Games developers	100% of 3DWG and certain assets of OOO Dakor	$250K	N/a
Tribal Group	Strategic Information Technology Services Group	Provider of student administration software systems and related services to UK higher education institutions	100%	£14m, part cash, part shares	SITS' offering is complementary to Tribal's existing business in the education sector. Within this area of the UK public sector, Tribal primarily targets further education colleges and local education authorities. This acquisition broadens the company's range of student administration systems for the post-16 education sector.

Recent IPOs

Name	Activity	S/ITS or Dotcom	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Oct 04	Premium/ Discount
eServ Global	Intelligent networking S/ITS to telecoms carriers	SITS	SP	AIM	25.5p	£26.9m	18-Oct-04	26.5p	4%
Orca Interactive	Software for IP service providers	SITS	SP	AIM	99.0p	£35.0m	13-Oct-04	123.5p	25%
smartFOCUS Group	S/ITS to direct marketers	SITS	SP	AIM	9.0p	N/A	20-Oct-04	9.4p	4%

Forthcoming IPOs

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Maxima	ERP systems for SME manufacturers	SITS	SP	AIM	N/a	£15.0m	Nov-04
Phoenix IT	Managed Services	SITS	CS	MAIN	235-290p	c£144m	Nov-04

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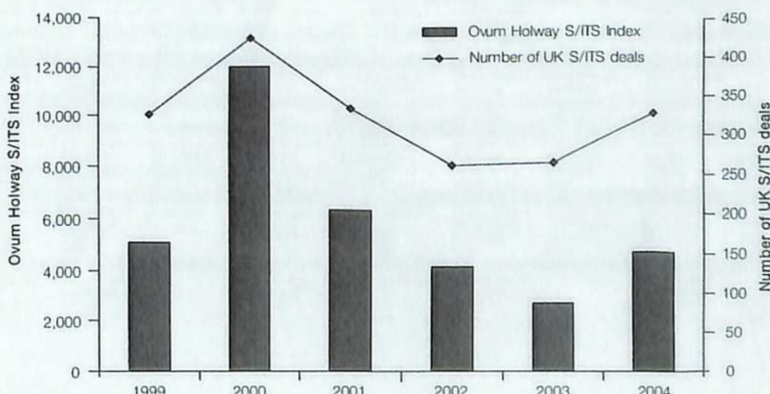
The time to head for the hills is when Nasdaq starts rising and rising (and that is clearly not happening right now) and when the value of deals hits silly money territory. Valuations are, for the time being, at comfortable levels. Provided there isn't a crash, there's no reason why M&A shouldn't remain fit and healthy for the time being. *(Kate Hanaghan)*

Number of UK S/ITS acquisitions and performance of the Ovum Holway S/ITS Index, 1999 to 2004



Note: 2004 figures relate to end September and Q3 for the Ovum HolwayS/ITS index and the number of UK S/ITS deals respectively.

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£6,013,000	£6,467,000	+7.6%
PBT	-£10,638,000	-£3,044,000	Loss both
EPS	-41.90p	-8.30p	Loss both

AIT Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£17,584,000	£19,648,000	+11.7%
PBT	-£39,349,000	£2,018,000	Loss to profit
EPS	-291.91p	7.49p	Loss to profit

Alphameric plc

	Interim - May 03	Final - Nov 03	Interim - May 04	Comparison
REV	£26,169,000	£62,897,000	£31,158,000	+19.1%
PBT	-£2,704,000	-£3,530,000	-£2,350,000	Loss both
EPS	-2.50p	-3.50p	-2.10p	Loss both

Alterian plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£4,784,000	£5,668,000	+18.5%
PBT	-£5,966,000	-£3,232,000	Loss both
EPS	-14.60p	-7.10p	Loss both

Anite Group plc

	Final - Apr 03	Final - Apr 04	Comparison
REV	£199,128,000	£188,763,000	-5.2%
PBT	-£112,480,000	-£28,763,000	Loss both
EPS	-34.20p	-8.60p	Loss both

Argonaut Games plc

	Interim - Jan 03	Final - Jul 03	Interim - Jan 04	Comparison
REV	£6,933,000	£5,317,000	£4,373,000	-36.9%
PBT	£1,096,000	-£10,882,000	£2,387,000	+117.8%
EPS	1.13p	-11.20p	-2.24p	Profit to Loss

Asite plc

	Final Dec 02	Final Dec 03	Comparison
REV	£1,575,000	£1,697,000	+7.7%
PBT	-£5,391,000	-£2,457,000	Loss both
EPS	-4.70p	-2.10p	-55.3%

Atlantic Global plc

	Interim - Jun 03	Final Dec 03	Interim - Jun 04	Comparison
REV	£907,000	£1,956,000	£988,000	+8.9%
PBT	£231,000	£496,000	£121,000	-47.6%
EPS	0.56p	1.35p	0.23p	-58.9%

AttentiV Systems Group

	Interim - Mar 03	Final - Sep 03	Interim - Mar 04	Comparison
REV	£13,004,000	£25,655,000	£14,375,000	+10.5%
PBT	£225,000	£1,130,000	£1,563,000	+594.7%
EPS	0.40p	5.90p	2.50p	+525.0%

Autonomy Corporation plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£33,998,600	£33,568,410	-1.3%
PBT	£3,924,000	£4,650,000	+18.5%
EPS	0.03p	0.03p	+0.0%

Aveva Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£36,008,000	£38,113,000	+5.8%
PBT	£5,580,000	£6,109,000	+9.5%
EPS	21.24p	22.42p	+5.6%

Axon Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£24,616,000	£50,210,000	£26,685,000	+8.4%
PBT	£2,036,000	£4,020,000	£2,923,000	+43.6%
EPS	2.40p	4.60p	3.40p	+41.7%

Brady plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£1,012,273	£2,386,644	£1,940,299	+91.7%
PBT	£157,053	£628,628	£823,300	+424.2%
EPS	0.70p	2.60p	2.55p	N/a

Bond International Software plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£3,370,000	£7,037,000	£4,239,000	+25.8%
PBT	£155,000	£451,000	£711,000	+358.7%
EPS	0.64p	2.19p	2.40p	+275.0%

Business Systems Group Holdings plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£26,475,000	£22,643,000	-14.5%
PBT	-£2,949,000	£139,000	Loss to profit
EPS	-3.44p	0.18p	Loss to profit

Capita Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£531,600,000	£1,080,600,000	£620,200,000	+16.7%
PBT	£37,300,000	£93,500,000	£48,100,000	+29.0%
EPS	3.13p	8.42p	4.37p	+39.6%

CES Software plc

	Interim - Jan 03	Final - Jul 03	Interim - Jan 04	Comparison
REV	£7,702,000	£12,174,000	£5,893,000	-23.5%
PBT	-£259,000	-£625,000	£34,000	Loss to Profit
EPS	-0.52p	-1.26p	0.00p	n/a

Charteris plc

	Interim - Jan 03	Final - Jul 03	Interim - Jan 04	Comparison
REV	£7,702,000	£12,174,000	£5,893,000	-23.5%
PBT	-£259,000	-£625,000	£34,000	Loss to Profit
EPS	-0.52p	-1.26p	0.00p	n/a

Chelford Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£4,339,000	£9,877,000	£5,603,000	+29.1%
PBT	-£623,000	-£373,000	£135,000	Loss to profit
EPS	-0.07p	-0.03p	-0.02p	Loss both

Civica plc

	Interim - Apr 03	Final - Sep 03	Interim - Apr 04	Comparison
REV	£44,111,000	£90,304,000	£52,474,000	+19.0%
PBT	£3,380,000	£9,317,000	£3,764,000	+11.4%
EPS	5.20p	11.30p	5.40p	+3.8%

Clarity Commerce plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£7,263,000	£6,335,000	-12.8%
PBT	£315,000	£511,000	+62.2%
EPS	1.84p	2.49p	+35.3%

Clinical Computing plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£1,150,000	£1,858,828	£728,000	-36.7%
PBT	-£397,000	-£1,236,892	-£631,000	Loss both
EPS	-1.60p	-4.50p	-2.00p	Loss both

CMS Webview plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£905,000	£1,629,000	£442,000	-51.2%
PBT	-£116,000	-£543,000	-£778,000	Loss both
EPS	-0.17p	-0.92p	-0.97p	Loss both

CODASciSys plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£34,223,000	£68,026,000	£34,039,000	-.5%
PBT	£1,319,000	£3,861,000	£1,904,000	+44.4%
EPS	3.10p	9.90p	4.50p	+45.2%

Comino Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£24,504,000	£24,507,000	+0.0%
PBT	£1,209,000	£1,713,000	+41.7%
EPS	8.90p	6.90p	-22.5%

Compel Group plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£52,880,000	£63,335,000	+19.8%
PBT	-£407,000	-£327,000	Loss both
EPS	1.30p	-0.90p	Profit to loss

Computacenter plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£1,255,599,000	£2,482,713,000	£1,255,436,000	-.0%
PBT	£32,020,000	£65,161,000	£33,218,000	+3.7%
EPS	11.60p	24.60p	12.30p	+6.0%

Computer Software Group plc

	Final - Feb 03	Final - Feb 04	Comparison
REV	£3,584,000	£3,941,000	+10.0%
PBT	-£1,399,000	-£343,000	Loss both
EPS	-0.97p	0.47p	Loss both

Corpora plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	N/a	£499,381	N/a
PBT	-£1,189,000	-£2,649,553	Loss both
EPS	N/a	-16.10p	Loss both

DCS Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£30,200,000	£52,800,000	£19,500,000	-35.4%
PBT	-£4,000,000	-£7,000,000	£2,800,000	Loss to profit
EPS	-17.16p	-31.07p	10.78p	Loss to profit

Dealogic Holdings plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£13,469,000	£30,966,000	£16,394,000	+21.7%
PBT	£5,313,000	£12,883,000	£4,878,000	-8.2%
EPS	N/a	N/a	N/a	N/a

Delcam plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£9,816,000	£20,451,000	£10,306,000	+5.0%
PBT	£504,000	£1,348,000	£662,000	+31.3%
EPS	6.40p	20.45p	8.60p	+34.4%

Detica Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£39,198,000	£53,523,000	+36.5%
PBT	£7,437,000	£8,775,000	+18.0%
EPS	24.10p	35.50p	+47.3%

Diagonal plc

	Interim - May 03	Final - Nov 03	Interim - May 04	Comparison
REV	£30,611,000	£56,312,000	£24,752,000	-19.1%
PBT	£324,000	-£2,815,000	-£300,000	Profit to loss
EPS	-0.28p	-3.42p	-0.73p	Loss both

Dicom Group plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£156,432,000	£156,197,000	-.2%
PBT	£8,801,000	£7,757,000	-11.9%
EPS	26.00p	18.20p	-30.0%

Dimension Data plc

	Final - Sep 02	Final - Sep 03	Comparison
REV	£1,489,600,000	£1,288,000,000	-13.5%
PBT	-£1,580,000	-£244,000	Loss both
EPS	-155.60p	-19.18p	Loss both

DRS Data & Research Services plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£7,750,000	£13,528,000	£9,728,000	+25.5%
PBT	£892,000	£2,104,000	£1,134,000	+27.1%
EPS	1.87p	4.50p	2.38p	+27.3%

Earthport Plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£282,000	£512,881	£416,000	+47.5%
PBT	-£3,994,000	-£12,932,259	-£2,279,000	Loss both
EPS	1.90p	-6.40p	0.70p	-63.2%

Easyscreen plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£2,654,514	£2,206,624	-16.9%
PBT	-£3,397,842	£3,237,428	Loss both
EPS	-5.60p	-5.08p	Loss both

Eidos plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£88,939,000	£169,048,000	£78,747,000	-11.5%
PBT	£6,668,000	£17,354,000	£7,826,000	+17.4%
EPS	3.60p	13.70p	4.60p	+27.8%

Electronic Data Processing plc

	Final - Sep 02	Final - Sep 03	Comparison
REV	£8,480,000	£8,686,000	+2.4%
PBT	-£1,394,000	£284,000	Loss to profit
EPS	-5.03p	3.97p	Loss to profit

Empire Interactive plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£22,575,000	£30,438,000	+34.8%
PBT	-£2,872,000	£611,000	Loss to profit
EPS	-2.72p	0.34p	Loss to profit

Epic Group plc

	Final - May 03	Final - May 04	Comparison
REV	£8,750,000	£7,296,000	-16.6%
PBT	£1,802,000	£1,364,000	-24.3%
EPS	6.60p	3.90p	-40.9%

Eurolink Managed Services plc

	Final- Mar 03	Final- Mar 04	Comparison
REV	£9,152,000	£7,365,000	-19.5%
PBT	£204,000	-£196,000	Profit to loss
EPS	1.22p	-1.36p	Profit to loss

Ffastfill Plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£1,372,000	£2,651,000	+93.2%
PBT	-£4,926,000	-£2,547,000	Loss both
EPS	-10.05p	-3.43p	Loss both

Financial Objects plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£5,663,000	£10,427,000	£4,589,000	-19.0%
PBT	-£1,175,000	-£12,055,000	£125,000	Loss to profit
EPS	-4.44p	-43.96p	0.45p	Loss to profit

Flightstore Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£112,178	£274,112	£36,963	-67.0%
PBT	-£563,651	-£1,020,176	-£563,424	Loss both
EPS	-0.70p	-1.17p	-0.62p	Loss both

Flomerics Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£4,430,000	£10,221,000	£4,881,000	+10.2%
PBT	-£144,000	£455,000	-£106,000	Loss both
EPS	-0.98p	2.74p	-0.71p	Loss both

Focus Solutions Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£6,583,000	£5,388,000	-18.2%
PBT	-£3,833,000	-£382,000	Loss both
EPS	-13.40p	-1.00p	Loss both

GB Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£11,243,000	£11,916,000	+6.0%
PBT	£813,000	-£10,000	Profit to loss
EPS	0.90p	0.00p	N/a

Gladstone Plc

	Interim - Feb 03	Final - Aug 03	Interim - Feb 04	Comparison
REV	£3,796,125	£7,935,138	£3,569,144	-6.0%
PBT	£50,315	£183,583	£231,620	+360.3%
EPS	0.12p	0.45p	0.54p	+350.0%

Glotel plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£75,900,000	£90,499,000	+19.2%
PBT	-£1,347,000	£754,000	Loss to profit
EPS	-2.30p	1.20p	Loss to profit

Gresham Computing plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£4,870,000	£10,245,000	£6,136,000	+26.0%
PBT	-£1,068,000	-£1,955,000	-£587,000	Loss both
EPS	-2.24p	-4.05p	-1.19p	Loss both

Harrier Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£4,255,000	£9,029,851	£6,096,000	+43.3%
PBT	£12,812	£200,381	£194,816	+1420.6%
EPS	0.52p	0.55p	0.04p	-92.3%

Harvey Nash Group plc

	Final - Jan 03	Final - Jan 04	Comparison
REV	£156,692,000	£130,911,000	-16.5%
PBT	-£7,490,000	-£4,536,000	Loss both
EPS	-14.91p	-8.75p	Loss both

Highams Systems Services Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£5,618,000	£11,096,000	£4,754,000	-15.4%
PBT	-£212,000	-£195,000	-£102,000	Loss both
EPS	-1.09p	-1.00p	-0.53p	Loss both

Horizon Technology Group plc

	Interim - Jun 03	Final Dec 03	Interim - Jun 04	Comparison
REV	£80,839,000	£168,434,440	£101,488,400	+25.5%
PBT	£199,000	£461,680	£1,839,310	+824.3%
EPS	0.13p	0.30p	1.97p	+1415.4%

I-Document Systems Plc

	Interim - Apr 03	Final - Oct 03	Interim - Apr 04	Comparison
REV	£1,903,078	£4,472,305	£3,283,879	+72.6%
PBT	-£459,182	-£595,060	-£192,000	Loss both
EPS	-0.33p	-0.42p	-0.03p	Loss both

ICM Computer Group plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£77,843,000	£77,542,000	-.4%
PBT	£3,673,000	£4,380,000	+19.2%
EPS	12.30p	14.00p	+13.8%

Innovation Group plc (The)

	Final - Sep 02	Final - Sep 03	Comparison
REV	£100,071,000	£223,509,000	+123.4%
PBT	-£391,114,000	-£24,088,000	Loss both
EPS	-173.78p	-7.67p	Loss both

InTechnology plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£156,899,000	£223,509,000	+42.5%
PBT	-£6,675,000	-£3,814,000	Loss both
EPS	-5.10p	-3.40p	Loss both

Intelligent Environments Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£2,672,065	£3,485,000	+30.4%
PBT	-£2,873,579	-£209,928	Loss both
EPS	-2.14p	-0.02p	Loss both

Interactive Digital Solutions plc

	Interim - Mar 02	Final - Sep 03	Interim - Mar 03	Comparison
REV	£46,323	£243,032	£165,741	+257.8%
PBT	-£717,494	-£1,220,305	-£545,498	Loss both
EPS	-0.48p	-0.73p	-0.33p	Loss both

Intercede Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£1,819,000	£1,605,000	-11.8%
PBT	-£1,123,000	-£661,000	Loss both
EPS	-5.60p	-2.90p	Loss both

Internet Business Group Plc

	Final - Oct 02	Final - Oct 03	Comparison
REV	£1,389,000	£2,663,774	+91.8%
PBT	-£537,000	-£333,262	-37.9%
EPS	-0.87p	-0.53p	-39.1%

iTrain plc

	Final - Dec 01	Final - Dec 02	Interim - Jun 03	Comparison
REV	£436,768	£856,381	£294,539	-32.6%
PBT	-£15,065	-£318,863	-£89,946	Loss both
EPS	n/a	-5.94p	n/a	n/a

INVU plc

	Interim - Jul 03	Final - Jan 04	Interim - Jul 04	Comparison
REV	£785,000	£1,997,000	£1,015,000	+29.3%
PBT	-£457,000	-£1,377,000	-£576,000	Loss both
EPS	-1.50p	-0.36p	-0.61p	Loss both

IQ-Ludorum plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£1,289,900	£2,502,000	£847,210	-34.3%
PBT	-£1,067,568	-£1,092,000	-£242,216	Loss both
EPS	-0.01p	-1.37p	0.01p	Loss both

iSOFT Group plc

	Final - Apr 03	Final - Apr 04	Comparison
REV	£91,495,000	£149,260,000	+63.1%
PBT	£18,880,000	£17,593,000	-6.8%
EPS	11.08p	6.57p	-40.7%

I S Solutions plc

	Interims - Jun 03	Final - Dec 03	Interims - Jun 04	Comparison
REV	£3,236,000	£5,985,000	£2,849,000	-12.0%
PBT	£119,000	-£188,000	-£151,000	Loss both
EPS	-0.21p	-0.89p	-0.61p	Loss both

ITNET plc

	Interim - Jun 03	Final Dec 03	Interim - Jun 04	Comparison
REV	£91,215,000	£188,478,000	£104,560,000	+14.6%
PBT	£8,730,000	£17,893,000	-£16,601,000	Profit to loss
EPS	7.53p	17.04p	-16.39p	Profit to loss

K3 Business Technology Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£8,088,000	£7,002,000	-13.4%
PBT	£266,000	-£199,000	Profit to Loss
EPS	0.70p	-0.60p	Profit to Loss

Kewill Systems plc

	Final - Mar -03	Final - Mar 04	Comparison
REV	£25,016,000	£22,147,000	-11.5%
PBT	-£5,987,000	£1,529,000	Loss to profit
EPS	-7.90p	2.70p	Loss to profit

Knowledge Technology Solutions Plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£44,652	£160,708	£289,323	+548.0%
PBT	-£321,585	-£705,651	-£432,585	Loss both
EPS	-0.39p	-0.73p	-0.38p	Loss both

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

K3 Business Technology Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£8,088,000	£7,002,000	-13.4%
PBT	£266,000	-£199,000	Profit to Loss
EPS	0.70p	-0.60p	Profit to Loss

Kewill Systems plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£25,016,000	£22,147,000	-11.5%
PBT	-£5,987,000	£1,529,000	Loss to profit
EPS	-7.90p	2.70p	Loss to profit

Knowledge Technology Solutions Plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£44,652	£150,708	£289,323	+548.0%
PBT	-£321,585	-£705,651	-£432,585	Loss both
EPS	-0.39p	-0.73p	-0.38p	Loss both

LogicaCMG plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£1,827,400,000	£1,706,600,000	-6.6%
PBT	-£731,800,000	-£33,000,000	Loss both
EPS	-102.90p	-6.30p	Loss both

Lorien plc

	Interim - May 03	Final - Nov 03	Interim - May 04	Comparison
REV	£44,503,000	£94,714,000	£57,372,000	+28.9%
PBT	-£28,000	-£425,000	-£227,000	Loss both
EPS	-1.00p	-3.20p	1.00p	Loss both

Macro 4 plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£32,394,000	£31,240,000	-3.6%
PBT	-£5,165,000	£1,042,000	Loss to profit
EPS	-21.20p	1.90p	Loss to profit

Manpower SoftWare plc

	Final - May 03	Final - May 04	Comparison
REV	£3,560,541	£5,146,663	+44.5%
PBT	-£802,388	£388,906	Loss to profit
EPS	-1.80p	1.00p	Loss to profit

Marlborough Stirling plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£55,986,000	£114,600,000	£49,764,000	-11.1%
PBT	-£3,118,000	£2,500,000	£4,779,000	Loss to profit
EPS	-1.70p	0.60p	-2.30p	Loss to profit

Microgen plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£11,058,000	£26,416,000	£21,130,000	+91.1%
PBT	-£717,000	-£2,356,000	-£2,642,000	Loss both
EPS	-1.80p	-3.20p	2.10p	Loss both

Minorplanet Systems Plc

	Interim - Feb 03	Final - Aug 03	Interim - Feb 04	Comparison
REV	£51,000,000	£88,600,000	£19,100,000	-62.5%
PBT	-£7,300,000	-£52,300,000	-£2,900,000	Loss both
EPS	-8.30p	-54.57p	-11.40p	Loss both

Misys plc

	Final - May 03	Final - May 04	Comparison
REV	£1,013,500,000	£899,900,000	-11.2%
PBT	£60,900,000	£23,100,000	-62.1%
EPS	8.00p	4.30p	-46.3%

Mondas plc

	Final - Apr 03	Final - Apr 04	Comparison
REV	£3,713,353	£3,974,732	+7.0%
PBT	-£2,224,645	-£1,779,554	Loss both
EPS	-10.10p	-6.60p	Loss both

Morse plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£351,343,000	£398,008,000	+13.3%
PBT	-£14,095,000	-£12,431,000	Loss both
EPS	-13.30p	-11.90p	Loss both

MSB International plc

	Interim - Jul 03	Final - Jan 04	Interim - Jul 04	Comparison
REV	£33,777,000	£67,297,000	£44,352,000	+31.3%
PBT	£103,000	£311,000	£272,000	+164.1%
EPS	0.30p	0.76p	0.89p	+196.7%

NCC Group plc

	Final - May 03	Final - May 04	Comparison
REV	£12,291,000	£15,316,000	+24.6%
PBT	£1,461,000	£1,403,000	-4.0%
EPS	N/a	N/a	N/a

Ncipher Plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£7,107,000	£12,988,000	£6,391,000	-10.1%
PBT	-£328,000	-£585,000	£73,000	Loss to profit
EPS	-1.75p	-2.80p	0.04p	Loss to profit

NetBenefit plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£6,245,000	£7,675,000	+22.9%
PBT	-£166,000	£412,000	Loss to Profit
EPS	0.10p	3.40p	Loss to Profit

Netcall plc

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

Netstore plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£14,197,000	£20,681,000	+45.7%
PBT	-£5,265,000	-£687,000	Loss both

Northgate Information Solutions plc

	Final - Apr 03	Final - Apr 04	Comparison
REV	£83,297,000	£93,611,000	+12.4%
PBT	£28,109,000	-£10,086,000	Profit to loss
EPS	10.33p	-2.86p	Profit to loss

NSB Retail Systems plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£32,907,000	£64,348,000	£21,632,000	-34.3%
PBT	-£14,658,000	-£28,755	£435,000	Loss to profit
EPS	-3.69p	-7.03p	0.01p	Loss to profit

OneclickHR plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£2,712,382	£4,797,967	£4,797,967	+76.9%
PBT	£64,829	-£1,523,443	-£730,170	Profit to loss
EPS	0.10p	-2.50p	-0.66p	Profit to loss

Parity Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£80,904,000	£175,952,000	£90,312,000	+11.6%
PBT	-£13,807,000	-£18,722,000	£14,000	Loss to profit
EPS	-7.39p	1.04p	-0.08p	Loss both

Patsystems plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£4,817,000	£10,673,000	£5,329,000	+10.6%
PBT	£1,521,000	-£2,369,000	£1,808,000	Loss both
EPS	-1.20p	-1.70p	-1.10p	Loss both

Pilat Media Global plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£2,977,898	£9,422,607	£5,607,249	+88.3%
PBT	-£1,244,612	£595,047	£434,918	Loss to Profit
EPS	-2.83p	0.64p	0.65p	Loss to Profit

PC Medics Group Plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£574,561	£1,160,363	+102.0%
PBT	-£824,548	-£134,991	Loss both
EPS	-0.49p	-0.04p	Loss both

Pixology plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£1,442,680	£2,528,038	£1,888,623	+30.9%
PBT	-£287,585	-£1,919,177	-£835,547	Loss both
EPS	1.64p	-12.70p	-3.16p	Loss both

Planit Holdings plc

	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
REV	£10,522,000	£20,417,000	£13,045,000	+24.0%
PBT	£642,000	-£571,000	£742,000	+15.6%
EPS	0.40p	-0.60p	0.40p	+0.0%

Prologic plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£7,823,000	£7,542,000	-3.6%
PBT	£624,000	£676,000	+8.3%
EPS	N/a	N/a	Profit to Loss

PSD Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£18,449,000	£37,604,000	£20,378,000	+10.5%
PBT	-£464,000	£249,000	£1,583,000	Loss to profit
EPS	-2.70p	-1.50p	3.70p	Profit to Loss

QA plc

	Final - Nov 02	Final - Nov 03	Comparison
REV	£32,823,000	£29,158,000	-11.2%
PBT	-£63,006,000	£3,346,000	Loss both
EPS	-67.70p	-4.40p	Loss both

Quantica plc

	Interim - May 03	Final - Nov 03	Interim - May 04	Comparison
REV	£11,527,000	£24,897,000	£13,789,000	+19.6%
PBT	-£215,000	£779,000	£763,000	Loss to profit
EPS	-0.53p	1.29p	1.15p	Loss to profit

Raft International plc

	Interim - Apr 03	Final - Oct 03	Interim - Apr 03	Comparison
REV	£4,175,000	£8,562,000	£3,164,000	-24.2%
PBT	£498,000	-£999,000	£969	Loss both
EPS	-0.76p	-1.47p	-1.48p	Loss both

Retail Decisions plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£27,685,000	£30,426,000	+9.9%
PBT	-£9,379,000	£2,947,000	Loss to Profit
EPS	-3.64p	0.50p	Loss to Profit

RM plc

	Interim - Mar 03	Final - Sep 03	Interim - Mar 04	Comparison
REV	£85,363,000	£215,494,000	£106,755,000	+25.1%
PBT	-£1,820,000	£6,219,000	£766,000	Loss to Profit
EPS	-1.80p	7.90p	0.00p	N/a

Royalblue Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£27,857,000	£56,489,000	£28,459,000	2%
PBT	£3,847,000	£9,425,000	£4,090,000	0.06316603
EPS	8.50p	23.40p	8.80p	0.03529418

Sage Group plc

	Final - Sep 02	Final - Sep 03	Comparison
REV	£551,731,000	£560,345,000	+1.6%
PBT	£129,154,000	£151,037,000	+16.9%
EPS	6.99p	8.14p	+16.5%

SDL plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£31,003,000	£64,378,000	£30,670,000	-1.1%
PBT	-£1,004,000	-£804,000	-£311,000	Loss both
EPS	-2.85p	-3.30p	-1.47p	Loss both

ServicePower Technologies plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£996,000	£2,638,000	£780,000	-21.7%
PBT	-£1,146,000	-£1,624,000	-£1,586,000	Loss both
EPS	-2.21p	-2.67p	-2.34p	Loss both

Sirius Financial Systems plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£22,683,192	£20,523,966	-9.5%
PBT	£1,893,520	-£581,160	Profit to Loss
EPS	5.90p	-3.90p	Profit to Loss

Sirvis IT plc

	Final - May 03	Final - May 04	Comparison
REV	£853,000	£3,230,000	+278.7%
PBT	-£288,000	£321,000	Loss to profit
EPS	-2.49p	0.60p	Loss to profit

Sopheon plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£5,123,000	£6,734,000	£2,083,000	-59.3%
PBT	-£5,718,000	-£5,806,000	-£1,261,000	Loss both
EPS	-6.90p	-6.30p	-1.20p	Loss both

Spring Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£145,749,000	£360,197,000	£229,194,000	+57.3%
PBT	-£4,538,000	-£18,946,000	£1,548,000	Loss to profit

StatPro Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£4,065,000	£8,426,000	£4,258,000	+4.7%
PBT	-£78,000	£146,000	-£108,000	Loss both
EPS	-0.03p	0.60p	0.00p	Loss both

Stilo International Plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£1,034,000	£2,279,000	£1,231,000	+19.1%
PBT	-£827,000	-£1,445,000	-£368,000	Loss both
EPS	-1.57p	-2.61p	-0.52p	Loss both

Superscape plc

	Final - Jan 03	Final - Jan 04	Comparison
REV	£855,000	£1,100,000	+28.7%
PBT	-£9,198,000	-£6,969,000	Loss both
EPS	-17.10p	-7.10p	Loss both

SurfControl plc

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

Synstar plc

	Interim - Mar 03	Final - Sep 03	Interim - Mar 03	Comparison
REV	£111,517,000	£222,978,000	£107,818,000	-3.3%
PBT	£3,797,000	£8,716,000	-£14,534,000	Profit to loss
EPS	1.60p	3.60p	-9.40p	Profit to loss

Systems Union Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£34,016,000	£78,427,000	£51,016,000	+50.0%
PBT	£1,989,000	£6,124,000	£1,464,000	-26.4%
EPS	1.90p	5.30p	1.20p	-36.8%

Tadpole Technology plc

	Interim - Mar 03	Final - Sep 03	Interim - Mar 04	Comparison
REV	£2,803,000	£5,318,000	£1,476,000	-47.3%
PBT	-£7,516,000	-£9,570,000	-£1,515,000	Loss both
EPS	-3.60p	-4.30p	-0.60p	Loss both

Telecity plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£11,827,000	£23,536,000	£12,235,000	+3.4%
PBT	-£2,935,000	-£9,522,000	-£2,745,000	Loss both
EPS	-1.40p	-4.70p	-1.20p	Loss both

Tikit Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£3,880,000	£9,558,000	£5,890,000	+51.8%
PBT	£235,000	£713,000	£429,000	+82.6%
EPS	0.80p	2.90p	2.90p	+262.5%

Torex Retail

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£31,751,000	£67,600,000	£28,940,000	-8.9%
PBT	£1,033,000	£9,920,000	£1,962,000	+89.9%
EPS	0.08p	8.04p	0.43p	+437.5%

Total Systems plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£3,927,749	£3,843,856	-2.1%
PBT	£596,643	£715,938	+20.0%
EPS	4.12p	4.94p	+19.9%

Touchstone Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£14,249,000	£14,256,000	+0.0%
PBT	£1,526,000	£555,000	-63.6%
EPS	9.20p	1.50p	-83.7%

Trace Group plc

	Final - May 03	Final - May 04	Comparison
REV	£15,865,000	£15,472,000	-2.5%
PBT	-£2,776,000	-£822,000	Loss both
EPS	-16.17p	-4.69p	Loss both

Triad Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£27,756,000	£36,534,000	+31.6%
PBT	-£4,980,000	-£759,000	Loss both
EPS	-27.20p	-27.20p	Loss both

Tribal Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£105,659,000	£185,744,000	+75.8%
PBT	£7,855,000	£5,322,000	-32.2%
EPS	5.50p	-1.40p	Profit to loss

Ultima Networks plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£2,026,000	£1,770,000	-12.6%
PBT	£165,000	£169,000	+2.4%
EPS	0.10p	0.09p	-10.0%

Ultrasis Group plc

	Final - Jul 02	Final - Jul 03	Comparison
REV	£563,000	£548,000	-2.7%
PBT	-£13,656,000	-£12,864,000	Loss both
EPS	-1.00p	-0.53p	Loss both

Universe Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£18,967,000	£42,129,000	£20,349,000	+7.3%
PBT	£206,000	-£2,730,000	-£224,000	Profit to Loss
EPS	0.50p	-7.00p	-0.38p	Profit to Loss

Vega Group plc

	Final - Apr 03	Final - Apr 04	Comparison
REV	£35,589,000	£44,127,000	+24.0%
PBT	-£8,739,000	£1,918,000	Loss to profit
EPS	-48.51p	5.74p	Loss to profit

Vianet Group plc

	Final - Sep 02	Final - Sep 03	Comparison
REV	£13,124	£33,714	+156.9%
PBT	-£1,955,446	-£2,056,476	Loss both
EPS	-6.30p	-3.10p	Loss both

VI Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£4,365,000	£8,823,000	£5,053,000	+15.8%
PBT	-£227,000	-£1,250,000	-£99,000	Loss both
EPS	-0.78p	-3.92p	-0.60p	Loss both

Warthog plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£11,417,138	£5,674,899	-50.3%
PBT	-£790,705	-£9,242,673	Loss both
EPS	-0.87p	-12.85p	Loss both

Wealth Management Software plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£3,969,000	£7,300,000	£3,069,000	-22.7%
PBT	£208,000	£5,000	£148,000	-28.8%
EPS	0.62p	-0.05p	0.39p	-37.1%

Workplace Systems International plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£14,241,000	£10,664,000	-25.1%
PBT	-£3,555,000	-£7,398,000	Loss both

Xansa plc

	Final - Apr 03	Final - Apr 04	Comparison
REV	£453,900,000	£419,500,000	-7.6%
PBT	-£157,000,000	-£31,200,000	Loss both
EPS	-57.09p	-12.67p	Loss both

XKO Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£43,627,000	£45,400,000	+4.1%
PBT	-£545,000	-£2,323,000	Loss both
EPS	-2.90p	-9.70p	Loss both

XN Checkout Holdingsplc

	Interim - Jun 03	Final - Dec 02	Interim - Jun 04	Comparison
REV	£7,501,000	£13,803,000	£9,111,000	+21.5%
PBT	-£1,151,000	-£5,481,000	£907,000	Loss to profit
EPS	N/a	N/a	N/a	N/a

Xpertise Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£5,535,000	£10,767,000	£6,227,000	+12.5%
PBT	-£1,190,000	-£2,140,000	-£311,000	Loss both
EPS	-0.54p	-0.70p	-0.07p	Loss both

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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat	Share Price 29-Oct-04	Capitalisation 29-Oct-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 29-Oct-04	Share price move since 30-Sep-04	Share price % move in 2004	Capitalisation move since 30-Sep-04
AIT Group	CS	£0.34	£17.70m	3.3	0.90	222	4.65%	-44.21%	£1.50m
Alphameric	SP	£0.76	£88.60m	-	1.41	347	-0.98%	-12.93%	-£0.85m
Alterian	SP	£0.96	£37.60m	-	6.63	480	10.34%	40.15%	£3.48m
Anite Group	CS	£0.54	£191.30m	-	1.01	317	8.50%	7.43%	£15.05m
Argonaut Games	SP	£0.04	£3.04m	-	0.57	39	7.14%	-40.00%	-£0.25m
Atlantic Global	SP	£0.43	£9.72m	-	5.0	1440.7	-10.53%	-49.40%	-£1.13m
AttentiV Systems	SP	£0.64	£38.50m	7.4	1.50	934	0.00%	15.45%	-£0.00m
Autonomy Corporation	SP	£1.80	£196.10m	-	5.84	55	-5.15%	-25.05%	-£10.60m
Aveva Group	SP	£5.80	£127.00m	23.8	3.33	2900	8.41%	20.83%	£9.80m
Axon Group	CS	£1.35	£70.10m	17.8	1.40	769	-3.24%	-16.98%	-£2.20m
Bond International	SP	£0.75	£18.90m	34.2	2.69	1154	-11.24%	57.89%	-£2.45m
Brady	SP	£0.85	£21.70m	-	9.09	1049	8.28%	4.94%	£21.50m
Business Systems	CS	£0.14	£11.80m	72.0	0.52	118	7.69%	5.66%	£0.90m
Capita Group	CS	£3.52	£2,328.00m	24.9	2.15	95085	6.91%	44.75%	£150.82m
Charteris	CS	£0.26	£10.90m	-	0.90	289	-11.86%	-1.89%	-£1.45m
Chelford Group	CS	£1.46	£9.64m	-	0.97	25304	-27.25%	94.00%	-£3.56m
Civica	CS	£2.27	£102.50m	20.0	1.14	1294	9.95%	29.43%	£9.32m
Clarity Commerce	SP	£0.65	£10.30m	15.7	1.63	516	0.78%	-8.51%	£0.10m
Clinical Computing	SP	£0.29	£9.15m	-	4.92	234	13.73%	-24.68%	£1.11m
CMS Webview	CS	£0.05	£3.90m	-	2.39	350	11.36%	-60.16%	£0.36m
CODASciSys	CS	£3.14	£79.80m	12.9	1.17	2434	-2.64%	6.44%	-£2.10m
Comino	SP	£2.14	£29.70m	22.6	1.21	1646	-7.96%	6.20%	-£2.55m
Compel Group	CS	£0.94	£31.10m	-	0.49	748	6.86%	20.65%	£2.07m
Computacenter	R	£3.11	£587.10m	12.0	0.30	464	-7.93%	-33.88%	-£50.51m
Computer Software Group	SP	£0.58	£25.70m	-	6.52	496	-6.80%	37.06%	£4.20m
Corpora	SP	£0.23	£8.25m	-	16.53	592	-15.09%	-25.00%	-£1.46m
DCS Group	CS	£0.08	£2.07m	-	0.04	138	0.00%	-38.89%	£0.00m
Dealogic	SP	£1.53	£106.70m	-	3.47	663	1.67%	-27.73%	£1.79m
Delcam	SP	£2.17	£13.20m	9.5	0.65	833	-2.48%	30.42%	-£0.31m
Detica	CS	£7.03	£157.00m	17.1	2.93	1756	8.91%	14.23%	£12.82m
Dicom Group	R	£7.83	£164.00m	43.0	1.05	2399	7.27%	13.65%	£11.10m
Dimension Data	R	£0.30	£402.70m	-	0.31	53	-4.00%	-20.00%	-£16.79m
DRS Data & Research	SP	£0.49	£15.60m	9.7	1.15	441	2.11%	-23.02%	£0.38m
Earthport	SP	£0.01	£6.57m	-	12.8	8.8	0.00%	-58.62%	£0.31m
Easyscreen	SP	£0.19	£13.80m	-	6.26	112	8.57%	-9.52%	£1.01m
Eidos	SP	£0.89	£125.70m	6.4	0.74	4423	-12.81%	-36.79%	-£18.45m
Electronic Data Processing	SP	£0.72	£17.60m	14.0	2.03	2189	3.62%	16.26%	£0.59m
Empire Interactive	SP	£0.11	£7.30m	32.4	0.29	179	7.50%	-10.42%	£0.51m
Epic Group	CS	£0.88	£22.90m	22.0	3.14	833	7.36%	-8.85%	£1.55m
Eurolink Managed Services	CS	£0.36	£3.74m	-	0.51	360	5.88%	28.57%	£0.20m
Ffastfill	SP	£0.07	£13.20m	-	5.0	56.3	3.85%	20.54%	£0.52m
Financial Objects	SP	£0.44	£12.10m	-	1.16	189	8.75%	79.38%	£0.97m
Flightstore Group	SP	£0.03	£3.14m	-	11.46	295	-7.14%	-70.45%	-£0.37m
Flomerics Group	SP	£0.56	£8.13m	15.6	0.80	2135	0.00%	-8.26%	-£0.00m
Focus Solutions Group	SP	£0.41	£11.60m	-	2.15	208	0.00%	15.71%	£0.00m
GB Group	SP	£0.20	£15.90m	-	1.34	129	33.33%	-34.43%	£3.90m
Gladstone	SP	£0.22	£9.43m	11.5	1.10	538	11.69%	72.00%	£0.98m
Glotel	A	£1.02	£39.00m	85.0	0.43	530	-3.32%	3.03%	-£1.28m
Gresham Computing	CS	£3.36	£166.20m	-	16.29	3613	26.32%	0.75%	£34.82m
Harrier Group	CS	£0.17	£4.91m	12.5	0.54	130	0.00%	-22.09%	£0.00m
Harvey Nash Group	A	£0.75	£45.70m	-	0.35	429	-11.76%	-0.66%	-£5.99m
Highams Systems Services	A	£0.06	£1.79m	-	0.16	160	-0.86%	-53.06%	-£0.06m
Horizon Technology	CS	£0.65	£47.60m	-	0.24	237	-4.44%	-1.53%	-£2.13m
I S Solutions	CS	£0.14	£3.53m	-	0.59	533	0.00%	64.37%	-£0.01m
ICM Computer Group	CS	£3.25	£67.60m	19.3	0.87	1806	10.17%	36.84%	£6.22m
I-Document Systems	SP	£0.12	£20.90m	-	4.68	15	-4.17%	6.98%	-£0.90m
In Technology	CS	£0.82	£113.20m	-	0.72	3260	-2.40%	34.71%	-£2.69m
Innovation Group	SP	£0.34	£145.70m	-	2.49	146	22.94%	21.82%	£27.20m
Intelligent Environments	SP	£0.06	£8.57m	-	3.21	64	14.29%	-31.43%	£0.91m
Interactive Digital Solutions	SP	£0.02	£4.72m	-	19.4	920.0	9.52%	-17.86%	£0.61m
Intercede Group	SP	£0.17	£5.86m	-	3.2	288.3	-3.89%	-1.14%	-£0.25m
Internet Business Group	SP	£0.04	£2.47m	-	1.8	95.0	11.76%	72.73%	£0.25m
Invu	SP	£0.14	£12.70m	-	6.36	1421	-1.82%	0.00%	-£0.24m
IQ-Ludorum	SP	£0.02	£1.40m	-	0.56	24	-10.00%	0.00%	-£0.20m
iSOFT Group	SP	£3.72	£849.10m	27.7	5.69	3382	-4.62%	0.34%	-£41.05m
ITNET	CS	£2.26	£165.90m	12.8	0.88	646	14.43%	-24.92%	£20.88m
iTrain	SP	£0.10	£6.03m	-	7.0	111.8	0.00%	-88.82%	-£0.00m
K3 Business Technology	SP	£1.13	£11.50m	-	1.64	863	14.72%	88.33%	£1.46m
Kewill	SP	£0.71	£56.00m	23.1	2.53	1408	13.10%	21.79%	£6.48m
Knowledge Technology Solutions	SP	£0.05	£7.59m	-	47.4	1050.0	16.67%	-47.50%	-£0.58m
LogicaCMG	CS	£1.77	£1,324.00m	-	0.78	2417	1.88%	-31.12%	£24.38m
Lorien	A	£0.60	£11.20m	-	0.12	600	-14.89%	-30.23%	-£1.91m

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 29-Oct-04	Capitalisation 29-Oct-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 29-Oct-04	Share price move since 30-Sep-04	Share price % move in 2004	Capitalisation move since 30-Sep-04
Macro 4	SP	£1.86	£38.70m	-	1.24	748	-1.85%	17.03%	-£0.74m
Manpower SoftWare	SP	£0.34	£14.90m	-	2.90	348	3.05%	43.62%	£2.41m
Marlborough Stirling	SP	£0.45	£100.90m	23.9	0.88	318	-9.18%	1.14%	-£10.17m
Mediasurface	CS	£0.10	£7.84m	-	1.31	754	-14.58%	-26.79%	-£1.41m
Microgen	CS	£0.57	£57.90m	-	2.19	244	8.57%	4.59%	£4.56m
Minorplanet Systems	SP	£0.05	£7.81m	-	0.09	108	-37.65%	-84.18%	-£4.83m
Misys	SP	£2.15	£1,128.00m	13.4	1.11	2678	9.82%	1.65%	£98.49m
Mondas	SP	£0.24	£6.27m	-	1.58	320	45.45%	-36.84%	£1.96m
Morse	R	£1.17	£173.40m	-	0.44	466	3.56%	-18.25%	£5.92m
MSB International	A	£0.80	£16.30m	48.9	0.25	418	11.97%	-11.17%	£1.73m
NCC Group	CS	£1.99	£64.90m	-	4.24	1192	2.58%	17.06%	£1.61m
Ncipher	SP	£1.96	£52.60m	-	4.05	782	10.76%	28.62%	£5.07m
NetBenefit	CS	£0.78	£14.90m	13.3	1.94	388	9.93%	101.30%	£1.32m
Netcall	SP	£0.17	£11.00m	-	4.6	338.4	8.06%	-35.58%	£0.82m
Netstore	CS	£0.30	£28.70m	-	2.02	202	-0.82%	-21.94%	-£0.28m
Northgate Information Solutions	CS	£0.61	£301.90m	-	2.21	235	-3.17%	5.63%	-£9.92m
NSB Retail Systems	SP	£0.27	£93.10m	-	1.45	2304	4.95%	55.88%	£4.34m
OneclickHR	SP	£0.05	£6.88m	-	1.43	119	0.00%	-42.42%	-£0.19m
Parity	A	£0.09	£26.00m	8.7	0.15	1500	5.88%	-16.28%	£1.42m
Patsystems	SP	£0.16	£22.90m	-	2.15	145	-7.46%	-11.43%	-£1.91m
PC Medics Group	CS	£0.01	£2.01m	-	1.7	272.7	0.00%	87.50%	£0.31m
Pilat Media Global	SP	£0.42	£21.00m	9.7	2.23	2075	1.22%	25.76%	£0.30m
Pixology	SP	£1.26	£25.20m	-	9.96	903	0.80%	-13.10%	£0.20m
Planit Holdings	SP	£0.27	£24.30m	-	1.19	1104	-3.64%	-7.02%	-£0.94m
Prologic	CS	£0.79	£7.90m	-	1.05	952	0.00%	-4.82%	£0.00m
PSD Group	A	£2.54	£63.70m	-	1.69	1152	-0.59%	-14.07%	-£0.33m
QA	CS	£0.03	£6.80m	-	0.23	11	-28.57%	-41.18%	-£3.20m
Quantica	A	£0.52	£20.90m	12.9	0.80	415	-5.50%	6.19%	-£1.20m
Raft International	SP	£0.09	£5.96m	-	0.70	143	0.00%	-40.00%	£0.00m
Red Squared	CS	£0.17	£3.32m	-	1.44	907	-9.34%	-13.16%	-£0.35m
Retail Decisions	SP	£0.20	£57.40m	21.9	1.89	267	41.07%	54.90%	£16.75m
RM	SP	£1.50	£134.10m	14.1	0.62	4271	4.91%	12.83%	£6.28m
Royalblue Group	SP	£4.25	£139.00m	18.0	2.46	2500	-0.70%	-16.34%	-£0.46m
Sage Group	SP	£1.84	£2,350.00m	21.0	4.19	70577	13.10%	4.41%	£272.41m
SDL	CS	£1.17	£64.20m	-	1.00	777	-4.51%	37.87%	-£3.02m
ServicePower	SP	£0.31	£23.00m	-	5.13	310	-10.14%	-21.52%	-£2.55m
Sirius Financial	SP	£0.81	£13.70m	-	0.67	537	-1.23%	8.05%	-£0.13m
SiRViS IT plc	CS	£0.07	£7.41m	11.7	2.3	56.5	-4.41%	-13.33%	-£0.34m
Sopheon	SP	£0.21	£23.30m	-	3.46	295	-6.82%	28.13%	-£2.15m
Spring Group	A	£1.02	£29.90m	-	0.09	1133	-6.42%	-11.69%	£28.19m
StatPro Group	SP	£0.32	£10.60m	16.2	1.26	400	-9.86%	3.23%	-£1.10m
Stilo International	SP	£0.04	£3.38m	-	1.5	75.0	7.14%	-38.52%	£0.22m
Superscape VR	SP	£0.58	£71.40m	-	64.9	290.4	38.55%	105.36%	£20.06m
SurfControl (was JSB)	SP	£5.60	£171.80m	30.0	3.59	2800	-1.75%	-25.38%	-£4.31m
Synstar	CS	£1.00	£162.20m	26.7	0.73	603	-0.25%	51.91%	-£0.10m
Systems Union	SP	£1.06	£112.10m	11.1	1.62	812	14.67%	3.43%	£14.50m
Tadpole Technology	SP	£0.13	£37.10m	-	6.97	302	31.58%	0.00%	£8.91m
Telecity	CS	£0.13	£34.00m	-	1.44	16	2.04%	-12.28%	£2.01m
Tikit Group	CS	£1.43	£17.80m	15.7	1.86	1239	-0.70%	26.11%	£0.02m
Torex Retail	SP	£0.67	£112.30m	8.3	11.34	1675	25.23%	67.50%	£22.68m
Total Systems	SP	£0.57	£5.91m	11.4	1.5	1066.0	-8.13%	-1.74%	-£0.52m
Touchstone Group	SP	£1.01	£10.40m	67.3	0.7	961.9	0.00%	0.00%	£0.03m
Trace Group	SP	£0.81	£12.30m	-	0.8	648.0	-3.57%	25.58%	-£0.50m
Triad Group	CS	£0.63	£9.47m	-	0.3	463.0	-12.59%	5.93%	-£1.37m
Tribal Group	CS	£1.84	£127.50m	-	0.7	1115.2	3.08%	-44.41%	£3.77m
Ultima Networks	R	£0.02	£3.78m	22.2	1.9	46.3	0.00%	-5.00%	-£0.05m
Ultrasis Group	SP	£0.01	£4.17m	-	4.7	10.2	25.00%	0.00%	£0.95m
Universe Group	SP	£0.18	£11.00m	-	0.3	800.0	-2.70%	-29.41%	-£0.31m
Vega Group	CS	£1.55	£31.60m	20.9	0.9	1270.5	2.99%	-11.43%	£1.00m
VI group	SP	£0.15	£5.40m	-	0.6	290.0	20.83%	9.43%	£0.93m
Vianet	CS	£0.07	£9.01m	-	273.9	58.7	7.69%	-6.67%	£0.64m
Warthog	SP	£0.01	£4.02m	-	0.7	29.1	150.00%	-83.87%	£2.58m
Wealth Management Software	SP	£0.16	£7.66m	-	1.0	123.1	-8.57%	-11.11%	-£0.71m
Workplace Systems	SP	£0.14	£25.70m	-	2.4	0.0	3.64%	21.28%	£0.90m
Xansa	CS	£0.90	£306.20m	-	0.7	2301.3	6.85%	5.59%	£20.76m
XKO Group	SP	£0.74	£20.50m	-	0.5	493.3	-5.13%	-12.43%	-£1.04m
XN Checkout Holdings	SP	£1.07	£25.30m	-	1.8	1086.7	0.95%	8.67%	£2.60m
Xpertise Group	CS	£0.01	£2.93m	-	0.6	30.0	-16.67%	-40.00%	-£0.36m

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

CLOCKS GO BACK, INDICES GO UP

The companies in the SYSTEMHOUSE index have enjoyed another month of growth. On average, share prices of UK S/ITS companies gained 3.4%, which compares pretty favourably with related indices. For instance, the FTSE IT Index increased 4.5%, Nasdaq gained 4% and the techMARK100 gained 5%.

And it's no huge surprise that once again, ITSAs (IT staff agencies) were the poorest performing sector. Down 3% for the second consecutive month, companies including Spring (–6%), Glotel (–3%) and PSD Group (–1%) all took a knock. But worst hit was Harvey Nash, which lost 12% despite reporting a 23% increase in sales and a return to profitability for the six months to 31 July.

Another notable faller was Computacenter (CC), which lost 8% during October. Early in the month, reports that (once again) HP was apparently attempting to go direct to some customers delivered a blow to CC's share price, which promptly fell 9%. This possibility has been a feature of CC's landscape for the past few years – it's nothing new – and CEO Mike Norris claims he is yet to see significant evidence of customers actually deciding to deal directly with HP.

But as the indices as a whole show, October – generally speaking – brought more good than bad news. Xansa gained 7% after sealing a c£250m JV with the Department of Health. It beat off Atos Origin, EDS, Accenture and Capita predominantly because of the experience it has of both joint ventures and F&A BPO.

Elsewhere, ICM Computer gained 10% on the back of positive results. Likewise, Sage saw shares increase 13% after a preliminary revenue and profit statement for its year-ending 30 September indicated that sales for the year would be up 23% (29% at constant currencies) to £688m while pre-tax profits would grow 20% to £181m. So for another year, Sage will retain the coveted Holway boring Award! For more on these and other S/ITS news, see *Hotnews* online. *(Kate Hanaghan)*

29-Oct-04	
S/ITS Index	4871.12
FTSE IT (SCS) Index	464.07
techMARK 100	1136.50
FTSE 100	4624.20
FTSE AIM	963.90
FTSE SmallCap	2601.11

SCSI 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 (01/10/04 to 29/10/04)	+3.36%	+1.17%	+4.96%	+4.48%	+4.90%	+1.75%
From 15th Apr 89	+387.11%	+125.18%				
From 1st Jan 90	+429.41%	+95.77%				
From 1st Jan 91	+588.14%	+114.04%				
From 1st Jan 92	+366.20%	+85.48%				
From 1st Jan 93	+205.67%	+62.45%				+87.49%
From 1st Jan 94	+191.76%	+35.27%				+39.20%
From 1st Jan 95	+224.92%	+50.85%				+48.94%
From 1st Jan 96	+115.68%	+25.34%	+44.00%		+1.10%	+33.97%
From 1st Jan 97	+81.93%	+12.28%	+24.25%		-1.25%	+19.15%
From 1st Jan 98	+60.50%	-9.96%	+19.13%	-53.59%	-2.83%	+12.44%
From 1st Jan 99	+23.59%	-21.39%	-21.94%	-67.91%	+20.25%	+25.60%
From 1st Jan 00	-57.54%	-33.27%	-69.93%	-87.52%	-50.13%	-16.03%
From 1st Jan 01	-41.82%	-25.69%	-55.70%	-76.19%	-32.96%	-18.29%
From 1st Jan 02	+1.52%	-11.37%	-22.83%	-45.03%	+7.36%	+0.85%
From 1st Jan 03	+79.56%	+17.35%	+75.17%	+36.40%	+59.88%	+42.87%
From 1st Jan 04	+4.16%	+3.29%	+11.97%	-7.85%	+15.38%	+5.09%

End Oct 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 Oct 04
System Houses	8.2%	-57.9%	-43.3%	2.1%	103.5%	6.1%	0.6%
IT Staff Agencies	-68.0%	-72.1%	-55.6%	-20.0%	20.4%	-21.0%	-2.8%
Resellers	79.9%	-13.4%	14.6%	27.6%	72.5%	-10.0%	-0.2%
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