

# SYSTEMHOUSE

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

## IPO 'WINDOW OF OPPORTUNITY'

For the last two years, IPOs on the London Stock Exchange have been rarer than ice in the Sahara. Indeed, leavers have outnumbered joiners by four to one. Any joiners there have been were "tiddlers". Indeed, we haven't had a mainstream S/ITS IPO since Detica in April 2002.

On the other hand, we have seen nearly 40 companies disappearing. A quarter of these appointed the receivers and, to be blunt, many of the others were "rescued" at pretty much garage sale-type prices. We have also seen the disappearance of some well known and well established UK S/ITS players – starting with CMG (acquired by Logica) through Sherwood and Guardian IT (both acquired by Sungard), MMT (acquired by Microgen), Rolfe & Nolan (taken private in an MBO) to Terence Chapman (the main assets were sold before the company was liquidated)

But IPOs are just like London buses. You wait for years and then a whole fleet comes along at the same time. Starting with Civica (see review on p2) we now know of half a dozen firm IPO candidates and we would suspect that - "if

conditions remain favourable" - upwards of a dozen might take the plunge this year. The same upturn in IPOs is being experienced in other tech sectors (like the IPO of Cambridge Silicon Radio), in the US (like the significant IPO of Salesforce.com) and in mainland Europe (like ISP Iliad in Paris).

**IPOs are crucial to health of the sector**  
Let us immediately say that we are delighted by this prospect. A healthy IPO market is absolutely critical to the health of the

UK S/ITS industry. It's a bit like those yellow boxes at crossroads – unless investors can see an eventual route to exit they are reluctant to invest at all. So angel investors, start-up capital and development funds get frozen if there isn't a healthy IPO market on the horizon.

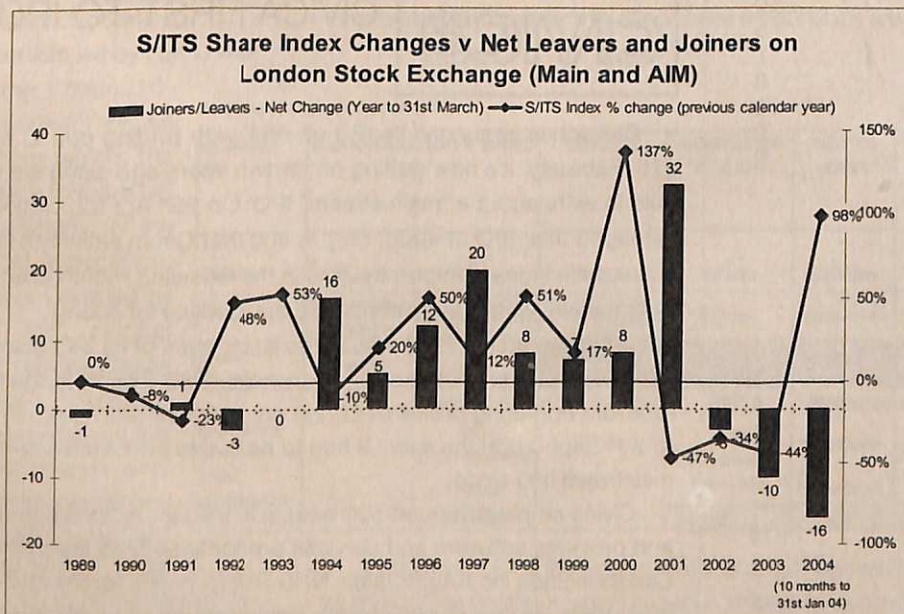
For every IPO there are probably a 100 trade sales (that was certainly the ratio monitored by Ovum Holway over the last 15 years). A healthy IPO market goes hand-in-hand with a healthy trade sale market.

Here there is already considerable evidence of an up-tick. Every M&A specialist/adviser we have spoken with in the last month has told us of a considerable increase in M&A activity – not just prospects but, most importantly for their bank balances, completed deals. Much of this up-tick is recent i.e.

in the last two or three months. Most of 2003 had continued to be "dire". This is a situation echoed in the private equity market (see pages 4 and 5).

Although, none of those planning IPOs or those involved in M&A would wish to admit this publicly to us, "in private" and "strictly NOT for

publication" etc., they all admit to a "Window of Opportunity". They are describing a time when markets have surged, investors have cash earning low interest rates and prices are acceptable once again for vendors (an important point recently when business owners have not wished to sell or float their life's work for a pittance – regardless of "market value"). Trade purchasers now see acquisitions as one of the few ways of boosting top line revenues and market share.



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**Window of Opportunity?**

However, as we have written many times before, we believe that the current surge in tech. share prices is fuelled by earnings growth on the back of cost cutting. It is NOT driven by top line revenue growth. Cost cutting has largely come to an end in S/ITS companies. Without a return to near double-digit top line revenue growth in 2004 (or certainly 2005), those earnings improvements will simply run out of steam. This, we fear, will result in a rash of earnings warnings in the second half of 2004 and a "correction" on the stock markets as a consequence. We would point out that the consensus view

of the analyst gurus is for tech indices to finish 2004 close to where they started. As the Holway S/ITS Index has risen by 14% alone in January alone, the potential for that "correction" mounts by the day.

**So the advice would be, if you're going to IPO or sell, do it NOW.** Don't wait until H2 2004 - both the opportunity and the current prices might have disappeared by then.

**Learning from history**

Unfortunately, the evidence of past cycles backs up this view. The chart on the front cover shows Net Joiners/Leavers on the London Stock Exchange (Main and AIM) against the calendar year fluctuations in our S/ITS Index.

We have had three peaks of IPO activity - 1993/1994, 1996/1997 and then the peak of all peaks in 2000 when 39 S/ITS companies took the plunge.

Conversely, we have had only one other period - 1991/1992 - when leavers exceeded joiners so the "net" went negative. But this was as nothing compared to the three consecutive negative years to date. So far **every** peak in IPO activity has coincided with "correction" in share prices and associated valuations. Some mild, like 1997 - some middling like 1994 and some huge, like the correction in 2001/2002. So, if we do get a S/ITS IPO peak in 2004, history would indicate that there will be a stock market decline in S/ITS stocks in H2 2004/2005.

**Let's sincerely hope that the correction is "mild" this time!**

*(Richard Holway)*

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INDICES (changes in Jan 04)		
Holway S/ITS	14%	5349
Holway Internet	21.8%	5080
FTSE IT (SCS)	8.2%	544.6
techMARK 100	7.6%	1092
Nasdaq Comp	3%	2066



**CIVICA FIRST TO IPO**

Civica has announced its IPO on AIM, with trading due to start on 27th February. It's now getting on for two years ago since we were last able to write about a "main stream" IPO. On 25<sup>th</sup> Apr 02, Detica managed their IPO at 400p; only to find that Ovum Holway's S/ITS share price index slumped by 20% in the following month dragging Detica down with it. Both continued that decline for a long time. Unfortunately, Civica was in the last stages of its IPO planned for June 02. It had expected a valuation in the "£80-£85m" range having reported operating profits of £6.2m on revenues of £73.5m in the year to 30<sup>th</sup> Sept 01. In the event it had to be pulled and we haven't seen a maistream IPO since.

Civica employs around 500 people in the UK, Australia and the USA and provides software and services predominantly to the public sector. Clients include local authorities, NHS Trusts, police forces and education authorities, as well as commercial organisations. In local government, Civica is well known for its revenue collection and parking solutions, which its supports with managed application services and hosting.

Civica has really performed extremely well in the intervening period with latest results showing revenues of £91m and operating profits of £9.2m in year to 30<sup>th</sup> Sept 03. **These results are in excess of the £89m and £8.7m operating profits published in the Investec trailer for the Prospectus on 17<sup>th</sup> May 2002.** It's a pretty rare company that can claim to have beaten both revenue and earnings expectations for forecasts published two years back!

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It is therefore an interesting commentary on the market that the £90m valuation Civica expects in its AIM IPO is little changed from 2002, even though operating profits are up nearly 50%. On the other hand, Detica has not only regained its IPO price of 400p but is now trading at **715p – ie an 80% premium**. As Detica's Tom Black told us in May 2002, he couldn't have got his IPO away if he had waited another month. So we wonder what Civica would now be worth if it had floated in April 2002 too? Civica is being priced 'reasonably' at a P/E of c13. This is much lower than its public sector benchmarks, Northgate, iSoft and Detica. So, just for once, this might be an IPO which leaves room for further share price growth. Something the Civica on-going management team will, of course, be hoping for as they are not selling any of their shareholding. The £40m to be raised by the IPO will go largely to repay the debt incurred in the 1999 buy-out of parent company Sanderson when it was taken private. Just like Detica, Civica has benefited from an up tick in public sector expenditure of late. Indeed their trading record, is just as "Boring"! Of course, the main beneficiary from all of this will be Alchemy. We

will be writing soon about the upcoming IPO of Alchemy-backed Phoenix. We know of two other Alchemy-backed S/ITS operations (making four in total) which hope to IPO this year if conditions remain favourable.

So, for the moment, there really is a "Window of Opportunity" for UK S/ITS IPOs and there seem to be a number of canny investors who want to take that opportunity – before the window closes again as it inevitably will. (*Richard Holway and Georgina O'Toole*)



## NHS IT: THE WINNERS AND THE LOSERS

January saw the eagerly awaited award of the final Local Service Provider (LSP) contract under the National Programme for IT in the NHS (NPfIT) bringing the total value of contracts awarded under the Programme to £5.58bn.

A consortium led by Fujitsu was awarded the £896m/10-year LSP contract for the UK's Southern region. The Fujitsu Alliance includes US player IDX Systems for the core clinical application; offshorer Tata Consultancy Services for clinical application implementation and data migration; PricewaterhouseCoopers for security and training; and BT for systems integration.

Fujitsu, which late last year lost out to CSC in its other LSP bid, must be thrilled to have been awarded this contract, despite having had to 'sharpen its pencil' to secure the deal. Together with Fujitsu's recent success at the Inland Revenue as part of the winning Aspire team, the contract (potentially) does much to improve the Japanese player's credibility as a major supplier to the UK public sector. Getting its

teeth stuck into these two major contracts may also help to bind the recently reunited Services and Consulting bits of Fujitsu back together in the UK. Fujitsu joins an 'elite' group of prime contractors that have been selected to implement the c£5bn NPfIT. BT, Accenture, CSC and SchlumbergerSema were awarded contracts late last year. But it isn't just these prime contractors that are celebrating – each of them will be working with a selection of consortium partners and a host of smaller subcontractors. Some of these relationships are illustrated below.

National Programme winners

Contract	E-BOOKING	DATA SPINE	LONDON	SOUTHERN REGION	NORTH EAST	EASTERN REGION	NORTH WEST & WEST MIDLANDS
Value	£64.5m	£620m	£996m	£896m	£1099m	£934m	£973m
Prime	SchlumbergerSema	BT (Syntegra)	BT (Syntegra)	Fujitsu	Accenture	Accenture	CSC
Main Application	Cerner	n/a	IDX	IDX	iSoft	iSoft	iSoft
Examples of other sub-contractors		LogicaCMG Sun Microsystems	Perot Systems	PwC Tata Consultancy Services	Siemens Avanade Microsoft	Siemens Avanade Microsoft	Hedra SCC
		Oracle Mastek		BT	BT	BT	

To our minds, BT is the biggest winner of all the National Programme suppliers. Its share of the Southern region project is at least the second layer of icing on the cake for BT! It had already chalked up two major contracts worth £1.6bn as a prime contractor (the data spine and London region LSP contracts) and was providing network managed services to the Accenture consortium, which also won two LSP clusters. Together the contracts it has won under the NPfIT will propel it up our UK IT services rankings and give a new impetus to its IT services business.

Staff at US application provider IDX must also be over the moon. With the ink still drying on its contract with BT, the London region LSP, IDX also beat larger US rival Cerner to the Southern region deal. Quite a coup for a company

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with UK revenues of just c£1.5m in 2002 and almost nothing in the way of an installed base in the UK market.

These contract wins put IDX firmly at the centre of the UK IT healthcare market alongside UK incumbent iSoft, the main application provider for the other three LSPs and another clear winner under the National Programme. Bluntly if iSoft hadn't been chosen as the main application provider by at least one LSP it's wouldn't have survived long. As it is, this has to be the best possible outcome for iSoft. Not only was it chosen as the main application by three winning LSPs, but IDX will be supplying the other two regions. IDX is much less likely than its US rival Cerner to adopt a 'rip and replace' strategy for incumbent applications, providing iSoft with a much better chance of retaining its maintenance revenues IDX regions in the short to medium term.

Fellow US hopeful Cerner, on the other hand, will be bitterly disappointed. It had hoped to become LSP for the Eastern and North East regions as prime contractor and to end up as the main application provider in London or the South through its partnerships with IBM and Sema. On all these counts it was unsuccessful (although it did manage to secure a share of the £64.5m e-booking contract) and its long-term future in the UK market is now under threat.

In contrast, the NPfIT contract awards are positive news for offshore players hoping to break Fujitsu Alliance proved once again that the public sector is no longer a no go area for offshore players, particularly if they are

working as part of a consortium. Fellow offshorer Mastek had already been chosen by BT as a subcontractor on the NHS' data spine project.

At the other end of the spectrum, poor old EDS lost out again. Its joint venture with LogicaCMG, PlexusCare, was unsuccessful in its Southern cluster bid, as it had been in the Eastern region. SchlumbergerSema and its partner Cerner also lost out, but at least Sema and Cerner have the consolation prize of the £64.5m e-booking contract announced last autumn. EDS, on the other hand, must join IBM in walking away from the largest ever UK public sector IT procurement empty handed. What a turn up for the books!

(Tola Sargeant)



## A FUNDAMENTAL CHANGE IN THE TECH PRIVATE EQUITY MARKET

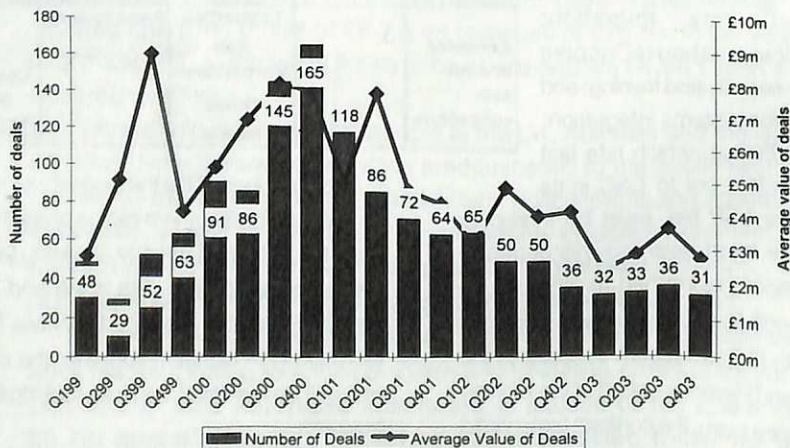
**Cobalt Corporate Finance** has just provided us with their latest data on private equity funding of technology companies in 2003. The figures reveal that over the year 132 companies received venture backing (compared to 201 in 2002), sharing just £405m of funds. This is a 51% drop on 2002 and well off the £4bn invested in the technology sector at the height of the boom in 2000. It also means that the average value of deals has fallen from £4.1m to £3.1m.

Software companies continued to attract an increasing share of the funds available to the technology sector with the proportion up from 24% to 32%. There is also an increasing interest in wireless software companies, which attracted 10% of the funds compared to 8% in

2002.

### Sole Investor vs. Syndicated Deals

The proportion of syndicated deals (as opposed to sole investor deals) increased for the 7<sup>th</sup> year in succession – up from 64% in 2002 to 69% in 2003. The trend away from sole investor deals has been a common theme throughout the late 90s and the early 2000s. If you were following the investment community back in 1997, you would have found most deals being undertaken by a sole



investor. This was very much due to the reluctance of investors to share their spoils. However, today's less buoyant market continues to encourage investors

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to share the risk associated with their investment decision.

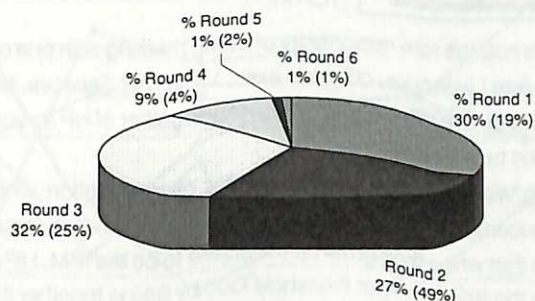
### Increase in early stage deals expected in 2004

An interesting indication of investor sentiment towards the technology sector is the proportion of 1<sup>st</sup> round deals versus later stage deals. In 2003 40 companies received 1<sup>st</sup> round funding. Although this is the same number as in 2002, it represents a much higher proportion of the funds – 30% compared to 19% in the previous year.

At the other end of the scale, more than 40% of deals involved companies receiving later stage (third round or later) funding. In the words of Paddy MccGwire, MD of Cobalt Corporate Finance, "A number of these deals would have been sticking plaster to get the company to a position where a sale was possible – a sale being both a realisation (an exit) and the source of further funding". MccGwire states that he saw an increase in the amount of activity in the M&A market in Q403 and believes this will become apparent once the M&A statistics are in for the first two quarters of this year.

With investors realising that a trade sale is now a very real possibility, later round funding in 2004 looks set to decrease, with exit being a preferred option. In addition, with "the combination of VC funds' requirement to invest and the more stable commercial environment, (Cobalt) expects the number of first and second round investments to increase". For those VC funds that have funds to invest, successful realisation will be the key to contributing to a change of sentiment.

Share of technology investments by round 2003 (2002)



**Cobalt Corporate Finance specialises in providing corporate finance advice to Technology and Media companies on fund raising, sales, acquisitions & MBOs, and financial strategy. We would like to thank Cobalt for providing us with the date on private equity funding in the technology sector.**

(Georgina O'Toole)



## MANAGED SERVICES DELIVERS THE GOODS

Computacenter's pre-close trading update this month provided useful guidance for the year to 31<sup>st</sup> Dec. 03. Although trading in Q3 was "slightly weaker", this was compensated for by a strengthening Q4. Overall PBT for the year will be in line with expectations.

Encouragingly, services revenues have "grown steadily" across all geographies (i.e. UK, Germany, France, Austria and Benelux), taking the group Managed Services contract base to c£225m. UK Managed Services revenues were up 11% in 03 - a figure many CEO's would be pleased with and comfortably ahead of market trends (we forecast the UK managed desktop services market grew 5.6% last year). But CEO, Mike Norris is not easily pleased – he would have

liked 15%!

In stark contrast to services, product revenues continued to fall (down 11% in the UK). Whilst product volumes were "satisfactory", revenues fell as a result of c20% price decline on desktops and laptops, and the impact of the weakened dollar.

Computacenter's overseas operations continue to deliver a mixed performance:

- The integration of CC Compunet (Germany) is going well, and Norris commented that they are making progress in getting the German services business on a longer-term footing.

- However, France produced a "poor financial performance" (and was loss-making in H1 03). Computacenter has cut 100 staff since Q1 03, and further headcount cuts are likely in FY04. Norris reported that the management approach adopted in Germany has been applied in France, and this has delivered improvements in H2. These measures are expected to ensure "substantial" margin improvement in FY04, although margins will still be "well below" the Group average. When asked whether France would be profitable in FY04, FD Tony Conophy was adamant that it would be. The outlook for 2004 is pretty good - even without any further Managed Services wins Computacenter is on course for 5% services growth. Given that that the pipeline is better than it was a year ago, we expect to see Computacenter deliver double-digit growth in 2004. Certainly Mike Norris will not be satisfied with less. (Heather Brice)



## HP'S LIVERMORE TAKES THE SERVICES BATTLE TO IBM

We had the rare opportunity of a long meeting with one of Carly Fiorina's top team, Ann Livermore, currently exec. VP for HP Services, but soon to head up Technology Solutions Group, a coming-together of HP's services and enterprise systems businesses.

We were much surprised by this reorganisation which had a low-key announcement mid-December (effective May 04). Having set themselves the dream that when they grow up they'd like to be like IBM, HP has seemingly shot itself in the little toe (if not the whole foot) by linking together its services business with its top-end hardware business. Livermore expounded the many logical reasons for this move (e.g. customer feedback; sales becoming more services-led; a more integrated company; etc etc) but we were far from convinced. Indeed, we bet Livermore a good lunch that within 18 months HP would once again set its services business free. We think perceptions count for a lot in the IT services market, more so when you are a hardware vendor. It will be that much more difficult for HP to convince the market that its services business is truly vendor-agnostic when it is joined at the hip to the tin-sales shop.

Putting that aside, Livermore was very bullish about challenging IBM (and EDS, CSC et al) for the top-end megadeals. Although HP has not announced any further contracts of the size of the landmark Procter & Gamble, Bank of Ireland and Ericsson deals that they won last year (all in the same week!), Livermore claims that other significant deals have been signed but not disclosed. What's more she believes that IBM will have a big problem in 2004 with "4,000 mainframes about to become obsolete" which would require "forklift upgrades" (i.e. complete replacement). This, she hopes, will open the door for HP to offer these companies an outsourcing deal and the chance to move away from IBM's proprietary platform. But of course, HP will not be the only player to have noted this opportunity.

Livermore took another pot-shot at IBM claiming that since they acquired PwC Consulting, IBM's services business has far too many 'expensive' consultants. She said HP is building up its offshore centre in India, which already has 10,000 staff in a publicly quoted JV company which they are shortly to delist and merge into the main business. Some 3,000 of these offshore staff are providing Finance & Admin BPO services within HP, and they expect to announce their first external customers "in the next few months".

We also had a 'lively' debate over HP's intentions with regards to 'consulting'. When HP tried to buy PwC Consulting way back when, we pilloried Carly Fiorina's strategy mercilessly. But over the past year or so, HP has gained a lot more

'street cred' in the IT services market. Indeed we think the time is about right for HP to look at making another (but hopefully better considered) move to build its 'front end' services capability. Livermore was pretty tight-lipped about HP's actual strategy, but left us with the strong impression that she would prefer to build this capability organically in low-cost countries. The trouble with that approach is two-fold. Firstly, it will take too long. Secondly, as the 'Big Indians' (i.e. TCS, Wipro and Infosys) have found, 'real' consultants need to be in their client's country, not offshore.

But while we 'agreed to disagree' with some pretty fundamental elements of HP's services strategy, we have to say that overall we came away quite impressed. Nonetheless, these next couple of years will crucially decide whether HP will be playing with the 'big boys' for the long haul – or whether they will be consigned to history as a 'three megadeal wonder'. Having 'services' attached to 'hardware' will make things just that little bit harder.

Footnote: We will be meeting the new head of HP Services in the UK, Gery Sheridan, in the next few weeks, and will bring you up to date how the local business is doing.

(Anthony Miller)



## BATTLE OF THE MARGINS

One of the achievements that HP Services chief Ann Livermore was most proud of was that HP Services was "more profitable" than IBM Global Services (IGS) in three quarters over the past year or so. Needless to say, we had to put her claim to the test. Indeed, we looked at the operating

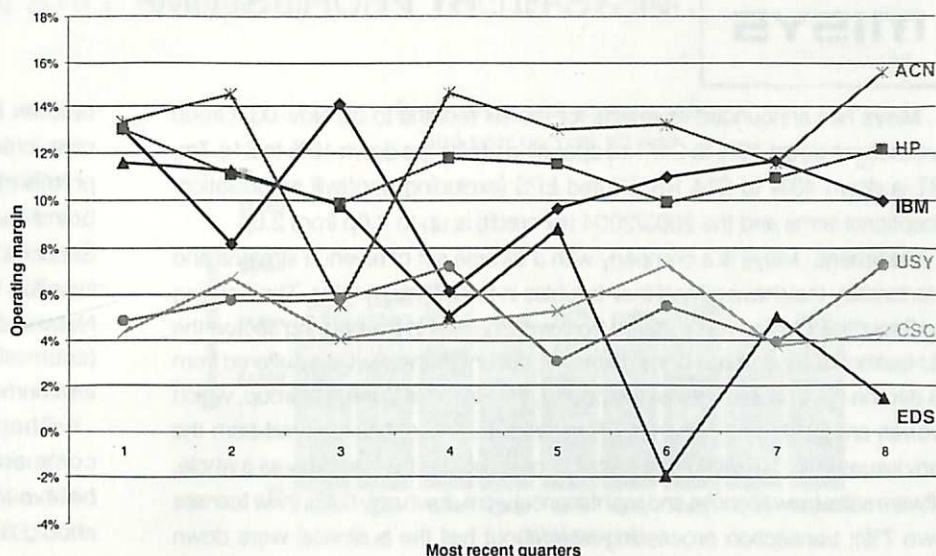
margins for all the major US IT service companies (IBM, Accenture, CSC, EDS and Unisys) over their most recent eight quarters.

From where we sit, we reckon HP's operating margins were indeed higher than IBM's for three of its most recent five quarters. Pretty impressive, you would say. But let's not forget that the bulk of HP's services revenues still come from support services (i.e. break/fix), which tends to have rather higher margins than outsourcing and managed services, which is IBM's strong suit (though of course Big Blue also has a substantial legacy maintenance business).

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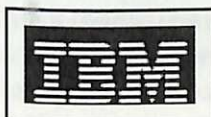
But even HP's margins look pretty modest compared to Accenture (ACN), which topped the rankings for seven of the eight previous quarters. Just goes to show how Consulting & SI can really help to boost margins – when you can get the business.

But the player that sticks out like the proverbial sore thumb is EDS. While all the other companies have show a margin trend that's broadly flat or slightly improving, EDS's operating margins seem to be on an inexorable downhill slide. Of course we will have to wait for EDS's Q4 03 results (due early Feb.) to see if they can arrest the decline, but losing out on all the recent UK public sector



megadeals is unlikely to help their margins going forward!

(Anthony Miller)



## IBM Q4 AND EXCHANGE RATES TEMPER STRONG FULL YEAR RESULTS

On the face of it IBM had a pretty good year in 2003. Total revenues for the twelve months ended 31st Dec.03 rose by nearly 10% (3% at constant currency) to \$89.1b, gross profit increased 9% to \$33b, and pre-tax income soared 45% to \$10.9b.

This means that while gross margins across the board trimmed a tad, from 37.3% to 37.0%, pre-tax margins broke into double digits, jumping from 9.3% to 12.2%. In other words, cost-cutting saved the day! In EMEA, revenues soared by 20% (but also only 3% at constant currency) to \$29.1b.

IBM Global Services (IGS) revenues for the full year rose 17% (9% at constant currency) to \$42.6b and was the fastest growing line among IBM's businesses. However, gross margins dropped from 26.3% to 25.2%. IBM's hardware business grew 3% (down 3% at constant currency) to \$28.2b, and software rose 9% (2% at constant currency) to \$14.3b. The services backlog at the end of the 2003 was some \$120b.

IBM chairman and CEO, Sam Palmisano, was rather upbeat in his view for 2004: "We enter 2004 with good momentum. The client buying environment is steadily improving. We are enthusiastic about our prospects for this year and beyond."

**Comment:** May be ... and may be not. Let's not forget that IBM's 2003 results include a full year's contribution from PwC Consulting - the acquisition was completed in Oct. 02. A better comparison, therefore, is Q4 03 with Q4 02, for which revenues at IBM Global Services grew 'just' 8% - but this was actually a 1% decline in constant currency. And gross margins in Q4 in IGS saw a sharper decline too, down from 26.3% to 24.8%.

So what does this indicate? Irrespective of Palmisano's optimism, there seems to be no let up in customers' demands for 'more for less'. But the very healthy

\$120b services backlog is good news – indeed, IGS signed over \$17b of new services contract signings in Q4 03. But of course much of this comes from long-term deals which will take time to filter through to the bottom line.

We have yet to get a firm grip on how IGS did in the UK in 2003. We think revenues will be about 5% up (including PwC Consulting) to around £2.65b, keeping them at the top spot in the UK S/ITS rankings.

But with their disappointing lack of success at the NHS, MoD, Barclays and, just recently, the National Assembly for Wales, it's hard to see how the "good momentum" will be maintained in 2004, at least in the UK.

Mind you, with EDS' dismal failure in all its recent public sector megadeals, may be IBM's position at the top of the table will remain secure for at least another year.

(Anthony Miller)



## MISYS HIT BY PROFIT SLUMP

Misys has announced its results for the six months to 30 Nov. 03. Group revenues are down 10% to £471m, operating profits are down 45% to £16.7m, PBT is down 43% to £14.1m. Diluted EPS (excluding goodwill amortisation, exceptional items and the 2003/2004 tax credit) is up to 4.0p from 2.6p

**Comment:** Misys is a company with a diverse set of revenue streams and unfortunately they have all had their troubles in the last six months. The Banking and Securities division has suffered from weaknesses in the banking sector; the US Healthcare division has done quite well, but unfortunately it has suffered from the decline in the dollar against the pound; the Financial Services Group, which revolves around Misys' Sesame IFA network business, has suffered from the many issues in the UK insurance sector. Looking across the company as a whole, software sales (new licences and maintenance) were down only 0.4% (new licenses down 7%); transaction processing fees (about half the business) were down 14%; and professional services – about 10% of business – down a dramatic 23%. The company attributed this primarily to reluctance by banks to use outside services at a time of staff reduction, which is somewhat counter to its optimism for professional services this time last year.

As the profit and sales downturn was presaged in the trading update issued in mid-December – when the stock fell by about a quarter – the stock has not suffered too badly today though it has fallen about 8% on the day. However, the company has optimism for the future. It believes that moves to play more strongly in retail banking, together with the launch of upgraded versions of its applications, will drive growth particularly if conditions ease in that sector (though the company says it does not expect that easing to show through until its next financial year). It thinks that acquisitions and enhancements to its offerings in the US healthcare sector, which is largely independent of the economic cycle and in a sector which

believes it needs IT to address its own internal issues, shows good promise and it is working to build brand recognition. In its Financial Services division it reiterated its intention to sell off the Sesame IFA Network business when conditions (such as a stable regulatory environment) allow.

Chairman Kevin Lomax commented that *'shareholders believe that this is a business we should no longer be in.'* It seems to us that a lot hinges on a return of confidence in the banking sector and even Misys is not overly confident about this. It looks like the next half – and therefore the full year – will not be great, and it will be the next financial year which will really show whether the recent changes – disposals, acquisitions, new product functionality – are going to reap the hoped-for benefits. (Phil Carnelley)



## ACCENTURE WAITS FOR THE UPTURN

Accenture's first quarter to 30 November 2003 shows net revenues were \$3.26 billion, up 11% up just 4% in local currencies (real money, in other words). Diluted EPS was 33 cents; compared with 27 cents last year, but this included a one-off gain of 6 cents a share - \$86 million - from unused restructuring provisions. Operating profit - excluding the one-off gain - was \$421 million, a 2% decline on last year. Net profit margin was 5% (\$174.3 million), up from 4% (\$126.9 million) last year.

Despite cutting both its effective tax rate and its selling, general and administrative costs, Accenture saw gross margins decline to 34.1%, from 39.4% last year. Part of this is the long-term shift in business mix towards outsourcing, which Accenture admits supplies lower gross margins than consulting. Not surprisingly, consulting revenues (accounting for 64% of total revenues) declined 9% while outsourcing revenues increased 37% (in local currencies).

Accenture needs growth, but it's in something of a bind. Consulting services, its traditional core activity, has higher margins than outsourcing (though only if consultant usage rates are high). But the consulting market is shrinking, creating intense pricing pressure and over-capacity. Even if Accenture keeps usage rates up, it can't grow consulting revenues fast enough to please hungry investors. So

revenue growth must come from the lower-margin – but growing – outsourcing market.

Accenture's response is a switch to 'business transformation consulting' – essentially bundling consulting with outsourcing, and cross-selling the two services into customer accounts. When will Accenture's market take off again? Eventually, Accenture's clients will have few costs left to cut, and will look instead to top-line growth to fuel bottom-line improvements. And that's an opportunity for Accenture to sell higher-value consulting services to customers.

(Douglas Hayward)



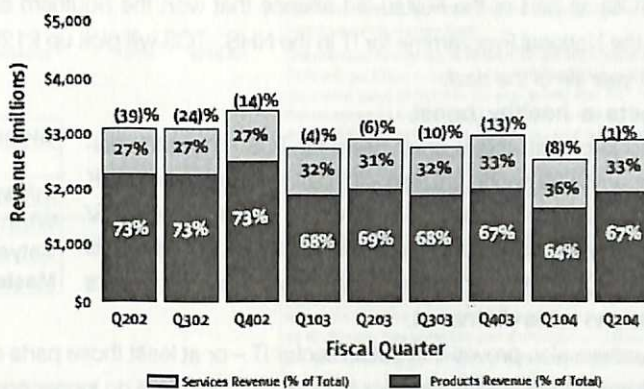


## SUN STILL STUMBLING IN THE DARK

Troubled IT giant Sun Microsystems has reported mixed results for the six months to 28<sup>th</sup> Dec. 03. Total revenues fell 4% to \$5.42bn, down from \$5.66bn in the comparable period the year before. However operating losses lessened to \$332m, an improvement on the previous year's \$2.7bn loss (when the results included \$2.1bn in goodwill impairment). Pre-tax losses also 'improved' to \$352m compared to losses of \$2.68bn in H2 FY03. Sun ended Q2 with cash and marketable securities worth \$5.16bn.

It will come as no surprise that it was product revenues that suffered – down 8% \$3.57bn – while services showed some growth, up 4% to \$1.85bn. No surprise either that margins remain under pressure. In Q204 Services gross margins were 1.5% lower than the year before at 39.3% - cost cutting is only slightly offsetting pressure from "unfavourable pricing and discounting". Interestingly, margins on Products fared slightly better than Services (up 2% quarter on quarter) thanks to component cost reductions and the 'systems

Product/services revenue split and year on year growth

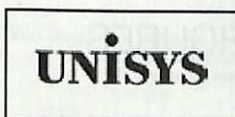


Source: Sun Microsystems

mix'. Not that costs have been cut across the board – R&D and SG&A expenses for the Group totalled £1.39bn in Q204, \$18m more than in Q203.

By geography, Europe's revenue performance for Q2 was up 19% sequentially but essentially flat year on year. All European country markets apart from Germany and Italy reported year on year growth, but the strongest growth came from Iberia, Belgium, Switzerland, The Netherlands and Scandinavia (no mention of the poor old UK!). US revenues declined by 4% year over year.

Overall Scott McNealy, Chairman, President and CEO, claimed "FY04Q2 was a quarter of progress for us" adding that "Sun is in a strong product position for calendar year 2004". But ultimately, there isn't much to say that we haven't said before. If it is to grow revenues, Sun needs to bang the services drum with ever more gusto. Instead, McNealy is making a big deal about the 20+ new products Sun has just launched and the strength of Sun's "product position". (Tola Sargeant)



## SERVICES MEAN UNISYS STAYS SOLID

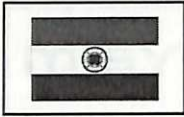
Unisys announced results for the year to end December 2003 in line with expectations. The Pennsylvania-based firm grew revenues by 5% from \$5.61bn in 2002 to \$5.91bn. Operating profits were up 1% at \$423.2m and PBT rose by 14% to \$380.5m. EPS was up from 69 cents to 78 cents.

Chairman and CEO Lawrence A. Weinbach expressed his satisfaction with the company's performance: "This was a very good year for Unisys, delivering consistent results in a volatile industry environment."

Weinbach is right to be chuffed - this is a solid performance from Unisys. But it says a lot about our industry that such low growth is cause for celebration. Indeed, on a constant currency basis, Unisys' revenues only grew by 1%. Revenues from technology products actually declined by 6% (in headline terms) to \$1.51bn. But services, which now account for 80% of Unisys' total turnover, saw 9% growth. BPO was a key driver of service revenues, with "double-digit growth". We don't yet have details of UK performance. But currency shifts did

help to push 'international' business up 7%, compared to 3% in the 'home' US market.

As for the outlook, Unisys – like most of its peers - expects 2004 to be a bit better than 2003. "We look for continued strong progress in 2004 as the market continues to improve", said Weinbach. Going on its respectable 2003 showing, there's no reason to believe that Unisys won't be a beneficiary of this year's slightly more favourable conditions. (Phil Codling)



## OFFSHORE ROUND-UP: MIXED FORTUNES

January saw a number of leading Indian IT firms announce quarterly results. But the real headline grabber for us was the success of **Tata Consultancy Services (TCS)** as part of the Fujitsu-led alliance that won the Southern area contract in the National Programme for IT in the NHS. TCS will pick up £120m over the 10-year life of the deal.

### TCS gets a healthy boost

First and foremost, this is great news for TCS. The Mumbai-based company is no spring chicken – it's been operating in the UK since the mid 70s and even made it into Ovum Holway's top 50 S/ITS players last year, with total UK revenues of £92m. But this win is a big step for TCS, not just in terms of its revenue base but also its profile and brand in the UK market.

TCS' success also proves that public sector IT – or at least those parts of it run by cost-conscious pragmatists like Richard Granger – are no longer no-go zones for the Indian players. To underline this point, another Indian player - Mastek – also benefited from the NHS contract awards when BT chose it as a subcontractor on the national data spine project.

### Quarterly updates from offshorers

In separate developments, a number of leading offshorers from the sub-continent announced financial results during January. Most impressive of these was **Infosys**, which put in a 29% jump in Q3 revenues to hit Rupees 12,353m (£149m). The Bangalore-based firm registered operating margins of 28%, with PBT up 28%, and even felt confident enough to raise earnings guidance for the full year to March.

**Wipro** has fared slightly less well in its Q3. It grew its global IT services business by 41% year-on-year (including the addition of US-based acquisition, Nervewire) to Rupees 11.5bn (£138m). But PBT rose by just 13%, reducing profit margins to 22%.

Meanwhile, partner of Capita and BT, **Mastek**, saw its Q2 revenues fall by 2% to Rupees 955m (£11.5m). Profits were down 75% to Rupees 41m (£0.49m).

But the UK's no. 4 offshorer, **Satyam**, managed to grow total revenues by 25% to Rupees 6.48bn (£78m) and its PBT was up by an impressive 36%.

Global results for 3 months to end Dec. 03		
	Rev growth	PBT growth
<b>Infosys</b>	29%	28%
<b>Wipro</b>	41%	13%
<b>Satyam</b>	25%	36%
<b>Mastek</b>	-2%	-75%

So the most recent results of the Indian players give a mixed picture. And that shouldn't be a surprise. It's no longer possible to generalise about 'the offshore sector'. These are all highly individual businesses with different strengths and different strategies. To our eyes, organically-driven Infosys has been looking like India's strongest publicly-quoted IT player for some time, while rival Wipro appears to have been slightly distracted by the handful of acquisitions it has made. Meanwhile, Satyam shows that there is plenty of life below India's industry-leading triumvirate of TCS, Infosys and Wipro. *(Phil Codling)*



## AUTONOMY RELEASES FULL YEAR FIGURES

**Autonomy** has released its figures for the year to 31<sup>st</sup> Dec. 03.

- Revenues have increased almost 8% to \$55m
- Operating profits remain almost static at \$3.2m
- PBT is up 18% to \$7.7m
- Diluted EPS is flat at \$0.05.
- The company has over \$100m in the bank.

Q4 has been particularly good for the company with revenues up 30% on the comparable period last year, operating profit and PBT both

doubling to \$1.5m and PBT and \$2.4m respectively.

**Comment:** The headline results look very good for the quarter: sales, margins, profits all up considerably. A couple of small words of caution: the results, being in dollars, have been helped by the weak dollar – 47% of Autonomy's sales are in other currencies, which have risen against the dollar; and the results are not pro-forma: thus, when compared with the previous year, the contribution from the Virage business (we believe about \$2.5m per quarter) should be factored in. Q4 2003 was the first full quarter to include Virage results. When both of these are taken into consideration, year-on-year growth (especially if presented in pounds) would look rather less impressive. While we have seen a revenue jump therefore – up some 30% year-on-year and the same is forecast for Q104 versus Q103 – revenue growth trends look modest.

These thoughts should not overly cloud a good set of results and a potentially sunny outlook. We think that there are plausible ways a steeper revenue increase

**Mergers & Acquisitions**

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Harvey Nash Group	SBS Group Inc.	US ITSA business of SBS Group plc (the AIM listed ITSA that appointed the receivers in Sep. 03)	100%	c£1.5m	Harvey Nash paid \$2.625m in cash, and plans to raise £1.7m in a share placing to fund the deal. In the year to 31st Aug. 03, SBS Inc. reported a loss before tax and goodwill amortisation of \$1.1m on revenues of \$17.8m. The acquisition is expected to make a positive contribution to earnings for the year to Jan. 05. Unlike most UK-based ITSA's Harvey Nash didn't pull out of the US market when the going got tough and now has a profitable US business. But to really succeed in the US, critical mass and geographical coverage are key. SBS has offices in New York and Connecticut, opening up the East Coast market to Harvey Nash.
MBO	US print and mail operations of Experian, the international BPO outfit owned by Great Universal Stores (GUS)	US print and mail operations	100%	c£15.4m	The management group is backed by Sterling Capital Partners. GUS will get \$28m in cash and loan notes for the business, which generated sales of \$87m in the year to end Mar. 03. The sell-off makes sense as Experian has been finding little synergy between its print and mail business and other areas where it operates in the US, such as business information, application processing, database management and customer relationship services. Experian retains, for now, its UK print and mail operation.
MBO	Synstar's French operation	Support, maintenance and business continuity (BC)	100%	£0.2m	The local interim management team paid £0.2m cash. However after legal, redundancy and other costs, and the write-off of goodwill through the P&L of £3.1m, Synstar will incur a loss on disposal of £14.5m. Losses in France deepened from £0.9m in FY02 to £3.3m in FY03, and with limited scope for business development and cost reduction, it makes good sense to get shot of the problem once and for all. Synstar has some key pan-European contracts so is retaining the new independent Synstar France as a local delivery partner.
Microgen plc	Image QA Ltd	IT consultancy services for software acceptance and managed risk-based testing	100%	£1.1m	Microgen paid £1.11m in cash. Imago has debt totalling £0.61m, which will be repaid by Microgen's recently acquired subsidiary, MMT Computing. For the year to 30th Sep. 03, Imago QA generated an operating profit of £43K on revenues of £6.8m. It will be integrated into Microgen's consultancy operations.
Misys	IQ Financial Systems (IQFS)	Commercial lending banking software. IQFS has 29 clients for its LOAN IQ software, which is targeted at top tier financial institutions and corporates.	100%	c£22m	Misys acquired US-based IQFS, a majority held subsidiary of Deutsche Bank, for \$40m (c£22m) in cash. IQFS will be integrated into Misys' Wholesale Banking Systems division, and is expected to make a positive EBIT contribution to the group (pre-goodwill) in the first year. In the year to 31st Dec. 03, IQFS had revenues of some \$22m giving a PSR of c1.8. The market for commercial loans s/w is a growing one and home to niche players, so the acquisition fits with Misys' strategy of building a leading position in the faster-growing segments of the banking s/w market. The addition of IQFS strengthens Misys' position in the US (the majority of IQFS' customers are North American) but the real opportunity is to take the product into Europe and AsiaPac.
Primus Knowledge Solutions Inc	Amacis Group	Electronic commerce management solutions	100%	n/a	NASDAQ-listed Primus acquired the privately-owned Amacis with shares. Amacis' customers include HSBC, Orange, Yahoo and Cable & Wireless.
SIRVIS IT (formerly Systems Integrated Research)	Linetex Computers Ltd	IT support, consultancy and systems installation	100%	£5.3m	SIRVIS undertook a placing raising £2.9m and took out a loan for £1m to fund the acquisition. Due to the relative size of the transaction this is a reverse takeover (Linetex turned over £6.5m in FY02, compared to SIRVIS' £853K in FY03).
Tribal	Succession Planning Associates (SPA)	Recruitment of senior staff in Central Government	100%	£3.1m	Tribal paid £1.7m paid on completion, with a deferred consideration of up to £1.4m payable over the next three years - based on SPA's growth in operating profit. SPA will operate as part of Tribal's current HR division, complementing its strength in local government, education and the NHS.
ukbetting	Eckoh Technologies' stake in Rivals Digital Media Ltd	Producer, publisher and distributor of sports content across digital platforms	40%	£0.7m	ukBetting paid half in cash and half in shares. In addition, potential loan commitments from Eckoh totalling £250K have been cancelled.
XKO Group	Disaster recovery business assets and activities from Datacenter Ltd	Disaster recovery facilities in the Channels Islands and Isle of Man	100%	£1.7m	XKO has acquired the disaster recovery operations of Datacentre, a private company, for £800K cash and has assumed c£900K debt. The business has contracted revenues of £1.6m, and a further £2.5m from sale of software and IT infrastructure design and build. XKO believes the acquisition will be immediately earnings enhancing, before integration costs (estimated to be in the order of £200K).

**Forthcoming IPOs**

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Civica	Software and managed services	SITS	CS	AIM	tbc	£90.0m	27-Feb-04

[continued from page ten]

rate can be achieved. Reasons to be cheerful include: 1/ The Virage product set is selling well; 2/ Profits are up (operating margin is up from a rather uninspiring 4.6% to a rather better 11%). If, as claimed, the cost base can be kept static while revenues grow, then there is considerable scope for better earnings; 3/ Autonomy now believes it has built a very defensible competitive position because it offers one integrated product that can intelligently search text, video and audio; 4/

About a fifth of Autonomy's revenues come from OEM licence deals, and OEM key licence partners, like CA and BEA, are reporting heightened interest from their customers. (Phil Carmelley)

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc				Computacenter plc				Glotel plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV £3,137,000	£6,010,000	£2,850,000	-9.1%	REV £976,958,000	£1,930,335,000	£1,255,539,000	+28.5%	REV £37,991,000	£75,900,000	£41,796,000	+0.0%
PBT -£2,163,000	-£10,636,000	-£1,728,000	Loss both	PBT £24,405,000	£55,061,000	£32,200,000	+31.2%	PBT -£46,000	-£134,000	£135,000	Loss to profit
EPS -8.50p	-41.90p	-5.00p	Loss both	EPS 8.60p	18.80p	11.60p	+34.9%	EPS -0.90p	-2.30p	0.0p	Loss to profit
AIT Group plc				Computer Software Group				Gresham Computing plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Aug 02	Final - Feb 03	Interim - Aug 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV £8,417,000	£17,584,000	£10,031,000	+19.2%	REV £180,000	£3,584,000	£2,533,000	+40.7%	REV £6,52,000	£1,578,000	£4,870,000	-20.8%
PBT -£37,809,000	-£41,227,000	£1,030,000	Loss to profit	PBT -£685,000	-£1,399,000	-£632,000	Loss both	PBT £2,674,000	£1,148,000	-£1,068,000	Profit to loss
EPS -1556.50p	-306.00p	3.59p	Loss both	EPS -5.00p	-9.7p	-2.70p	Loss both	EPS 4.87p	2.45p	-2.24p	Profit to loss
Alphameric plc				Corpora				Harrier Group plc			
Interim - May 02	Final - Nov 02	Interim - May 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV £27,373,000	£8,928,000	£27,254,000	-0.4%	REV £46,203	£285,581	£50,713	+3.7%	REV £5,721,206	£9,544,289	£4,254,722	-25.5%
PBT £1,097,000	£2,486,000	-£2,704,000	Profit to loss	PBT -£167,842	£43,1994	-£678,091	Loss both	PBT -£1,074,854	-£9,005,410	£2,812	Loss to profit
EPS 0.20p	0.00p	-2.50p	Profit to loss	EPS -23.00p	-8.50p	-0.50p	Loss both	EPS -3.88p	-59.8p	0.04p	Loss to profit
Altarian plc				DCS Group plc				Harvey Nash Group plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jul 02	Final - Jan 03	Interim - Jul 03	Comparison
REV £1,807,000	£4,784,000	£1,825,000	+10%	REV £37,800,000	£69,800,000	£30,200,000	-20.1%	REV £83,489,000	£56,692,000	£64,317,000	-23.0%
PBT -£4,485,000	-£5,966,000	-£2,449,000	Loss both	PBT -£7,700,000	-£14,200,000	-£4,000,000	Loss both	PBT -£6,576,000	-£7,490,000	-£4,448,000	Loss both
EPS -11.40p	-14.60p	-5.40p	Loss both	EPS -31.72p	-57.14p	-17.16p	Loss both	EPS -14.8p	-19.9p	-8.04p	Loss both
Anite Group plc				Delcam plc				Highams Systems Services Group plc			
Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV £111,541,000	£2,136,338,000	£95,623,000	-14.3%	REV £9,580,000	£19,913,000	£9,816,000	+3.1%	REV £5,618,000	£11,098,000	£4,754,000	Comparison
PBT -£43,405,000	-£12,480,000	-£4,199,000	Loss both	PBT £5,000,000	£10,107,000	£5,000,000	-9.7%	PBT -£2,000,000	-£2,000,000	-£10,000,000	Loss both
EPS -14.00p	-34.20p	-4.40p	Loss both	EPS 6.00p	13.80p	6.40p	+4.9%	EPS -1.09p	-1.09p	-0.53p	Loss both
Argonaut Games				Delica Group plc				Horizon Technology Group plc			
Final - Jul 02	Final - Jul 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £14,232,000	£5,317,000	-62.8%	REV £17,628,000	£39,198,000	£22,304,000	+26.5%	REV £19,973,584	£202,19,284	£25,205,070	+4.4%	
PBT £2,767,000	-£10,882,000	Profit to loss	PBT £2,847,000	£7,437,000	£3,960,000	+11.0%	PBT -£3,849,313	-£7,842,014	£2,174,556	Loss to profit	
EPS 2.87p	-11.20p	Profit to loss	EPS 9.30p	24.10p	10.00p	+7.5%	EPS -6.83p	-12.8p	0.14p	Loss to profit	
Autonomy Corporation plc				Diagonal plc				Host Europe plc			
Final - Dec 02	Final - Dec 03	Comparison	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £33,998,600	£33,568,410	-1.3%	REV £33,902,000	£63,619,000	£30,611,000	-9.7%	REV £6,488,000	£1,708,000	£8,162,000	+25.8%	
PBT £3,924,000	£4,650,000	+19.5%	PBT £1,607,000	-£2,254,000	£324,000	-79.8%	PBT -£2,699,000	-£505,000	-£657,000	Loss both	
EPS 0.03p	0.03p	+0.0%	EPS 0.77p	-4.56p	-0.27p	Profit to loss	EPS -0.02p	-0.0b	-0.04p	Loss both	
Aveva Group plc				Dicom Group plc				Hot Group plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Final - Jun 02	Final - Jun 03	Comparison	Interim - Feb 02	Final - Aug 02	Interim - Feb 03	Comparison	
REV £1,492,000	£6,008,000	£3,373,000	+2.3%	REV £149,527,000	£19,304,000	£8,801,000	+6.1%	REV £256,000	£1,554,000	£556,000	Comparison
PBT £1,234,000	£5,580,000	£1,363,000	+0.5%	PBT £3,510,000	£8,100,000	26.00p	+50.0%	PBT n/a	-£4,710,000	-£776,000	n/a
EPS 4.72p	21.44p	5.9p	+10.0%	EPS 3.50p	6.40p	+64.2%	EPS n/a	EPS -3.124p	-2.52p	n/a	
Axon Group plc				Dimension Data plc				I-Document Systems plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	Final - Oct 02	Final - Oct 02	Final - Oct 03	Comparison	
REV £21,348,000	£43,110,000	£24,616,000	+5.3%	REV £1,489,600,000	£1,288,000,000	-0.5%	REV £3,017,602	£3,017,602	£4,472,305	+6.2%	
PBT £1,222,000	£2,480,000	£2,036,000	+66.8%	PBT -£1,580,000	-£244,000	Loss both	PBT -£1,483,473	-£1,483,473	-£595,050	Loss both	
EPS 1.20p	2.70p	2.40p	+64.6%	EPS -1.10p	-0.20p	Loss both	EPS -1.10p	-1.10p	-0.42p	Loss both	
Baltimore Technologies plc				DRS Data & Research Services plc				ICM Computer Group plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jul 02	Final - Dec 02	Interim - Jul 03	Comparison	Final - Jun 02	Final - Jun 02	Final - Jun 03	Comparison
REV £22,095,000	£35,000,000	£9,660,000	-56.2%	REV £6,749,000	£2,782,000	£7,759,000	+5.0%	REV £68,871,000	£77,843,000	£77,843,000	+0.0%
PBT -£42,968,000	-£65,300,000	-£8,999,000	Loss both	PBT £761,000	£1,776,000	£892,000	+7.2%	PBT £4,778,000	£3,673,000	£3,673,000	-0.0%
EPS -85.10p	-125.20p	-8.80p	Loss both	EPS 155p	3.68p	187p	+20.6%	EPS 15.00p	12.30p	12.30p	-0.0%
Bond International Software plc				Easyscreen plc				Innovation Group plc (The)			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	
REV £3,197,000	£1,977,786	£1,550,000	Loss to Profit	REV £2,237,521	-£3,397,842	-£1,561,881	Loss both	REV £301,000	£24,088,000	£24,088,000	Loss both
PBT -£2,096,000	-£1,977,786	£1,550,000	Loss to Profit	PBT -£2,237,521	-£3,397,842	-£1,561,881	Loss both	PBT -£391,114,000	-£2,088,000	-£2,088,000	Loss both
EPS -0.7p	-0.79p	0.64p	Loss to Profit	EPS -4.30p	-5.60p	-2.70p	Loss both	EPS -173.78p	-7.67p	-7.67p	Loss both
Business Systems Group Holdings plc				Eldos plc				InTechnology plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Final - Jun 02	Final - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
REV £14,051,000	£26,475,000	£10,457,000	-25.6%	REV £28,619,000	£19,048,000	£17,354,000	+31.4%	REV £56,999,000	£78,729,000	£78,729,000	+3.6%
PBT -£446,000	-£2,949,000	-£407,000	Loss both	PBT -£5,290,000	-£1,350,000	-£1,350,000	Loss to profit	PBT -£4,683,000	-£5,675,000	-£3,642,000	Loss both
EPS -0.55p	-1.54p	-0.50p	Loss both	EPS -1.10p	-0.30p	-0.30p	Loss to profit	EPS -3.30p	-2.55p	-2.55p	Loss both
Capita Group plc				Electronic Data Processing plc				Intelligent Environments Group plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Final - Sep 02	Final - Sep 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £391,222,000	£897,504,000	£531,553,000	+35.9%	REV £8,480,000	£8,686,000	£284,000	+2.4%	REV £142,600	£2,672,065	£1,886,000	+32.3%
PBT £29,043,000	£78,069,000	£37,364,000	+28.7%	PBT -£1,394,000	£284,000	3.97p	Loss to profit	PBT -£1,904,000	-£2,873,579	£66,000	Loss to profit
EPS 2.50p	6.8p	3.9p	+25.2%	EPS -5.03p	0.75p	3.97p	Loss to profit	EPS -15.1p	-2.4p	0.8p	Loss to profit
Charteris plc				Empire Interactive plc				IQ-Ludorum plc			
Final - Jul 02	Final - Jul 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £1,987,000	£2,174,000	+9.3%	REV £1,126,000	£2,654,514	£1,075,001	+9.5%	REV £100,071,000	£1,980,719	£58,540,000	+4.1%	
PBT £1,588,000	-£625,000	Profit to loss	PBT -£115,000	-£18,100	£228,000	Loss to profit	PBT -£3,393,542	-£4,965,400	-£1,067,568	Loss both	
EPS 2.50p	-1.28p	Profit to loss	EPS -2.20p	-0.72p	0.34p	Loss to profit	EPS -4.16p	-6.23p	-1.27p	Loss both	
Chelford Group plc				Epic Group plc				ISOFT Group plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Final - May 02	Final - May 03	Comparison	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	
REV £3,343,000	£7,298,000	£4,339,000	+29.8%	REV £7,227,000	£8,750,000	£8,750,000	+21.1%	REV £35,277,000	£9,495,000	£40,551,000	+5.0%
PBT -£656,000	-£1,025,000	-£623,000	loss both	PBT £835,000	£1,802,000	£1,802,000	+16.8%	PBT £6,072,000	£1,880,000	£6,851,000	+9.5%
EPS -0.10p	-0.30p	-0.09p	loss both	EPS 3.10p	6.80p	6.80p	+12.9%	EPS 3.29p	1.00p	1.81p	+5.8%
Clarity Commerce plc				Eurolink Managed Services plc				IS Solutions plc			
Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	Final - Mar 02	Final - Mar 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
REV £3,399,000	£7,263,000	£4,853,000	+42.8%	REV £9,226,000	£9,820,000	£9,820,000	-8.1%	REV £3,621,000	£7,426,000	£3,236,000	-0.6%
PBT -£429,000	£35,000	£194,000	Loss to Profit	PBT £15,000	£204,000	£204,000	+31.6%	PBT -£879,000	-£1,368,000	£119,000	Loss to profit
EPS -3.08p	184p	1.2p	Loss to Profit	EPS 0.47p	1.22p	1.22p	+59.6%	EPS -3.44p	-5.0p	-0.2p	Loss both
Clinical Computing plc				Financial Objects plc				INET plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV £1,117,000	£2,391,565	£1,150,000	+3.0%	REV £8,780,000	£2,841,000	£5,683,000	-8.5%	REV £85,547,000	£178,992,000	£912,000	+6.6%
PBT -£598,000	-£983,004	-£397,000	Loss both	PBT -£1,103,000	-£2,839,000	-£1,175,000	Loss both	PBT £2,800,000	£7,336,000	£8,730,000	+21.8%
EPS -2.40p	-3.60p	-1.60p	Loss both	EPS -2.37p	-6.72p	-4.44p	Loss both	EPS 0.47p	3.0p	7.53p	+60.2%
CMS Webview				Flomerics Group plc				Jasmin plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV £583,000	£1,206,000	£905,000	+55.2%	REV £5,966,000	£11,711,000	£4,881,000	+9.2%	REV £3,559,000	£5,844,000	£4,622,000	+29.9%
PBT -£345,000	-£683,000	-£160,000	Loss both	PBT £10,000	£635,000	-£144,000	Profit to loss	PBT £333,000	-£686,000	-£593,000	Profit to loss
EPS -0.53p	-1.6p	-0.7p	Loss both	EPS 0.75p	3.20p	-0.86p	Profit to loss	EPS 3.30p	-2.54p	-2.54p	Profit to loss
CODASISys plc				Focus Solutions Group plc				K3 Business Technology Group plc			
Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	Interim - Sep 02	Final - Mar 03	Interim - Sep					

**Quoted Companies - Results Service**

Note: Highlighted Names indicate results announced this month.

London Bridge Software Holdings plc				Pilat Media Global plc				Systems Union Group plc						
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
PBT	£32,282,000	£62,077,000	£28,428,000	-19%	£2,470,000	£7,347,000	£2,978,000	£2,978,000	+20%	£37,459,000	£74,631,000	£34,076,000	£34,076,000	-9.2%
EPS	-£2,799,000	-£5,144,000	-£2,728,000	Loss both	-£1,337,000	-£236,000	-£1,245,000	-£1,245,000	Loss both	£16,000	£4,300,000	£1,989,000	£1,989,000	+6.2%
EPS	-170p	-303p	-0.64p	Loss both	-4.8p	0.09p	-2.83p	-2.83p	Loss both	160p	370p	170p	170p	+6.2%
<b>Lorien plc</b>				<b>Planit Holdings plc</b>				<b>Tadpole Technology plc</b>						
REV	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison	REV	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	REV	Final - Sep 02	Final - Sep 03	Comparison	
PBT	£60,449,000	£10,588,000	£44,503,000	-26.4%	£10,522,000	£20,417,000	£13,045,000	£13,045,000	+24.0%	£1,724,000	£5,316,000	£5,316,000	-68.2%	
EPS	-£6,346,000	-£5,978,000	£204,000	Loss to profit	£642,000	-£57,000	£742,000	£742,000	+6.6%	£11,000,000	-£9,570,000	-£9,570,000	Loss both	
EPS	-36.80p	-32.50p	0.40p	Loss to profit	0.40p	-0.60p	0.40p	0.40p	+0.0%	-5.70p	-4.30p	-4.30p	Loss both	
<b>Macro 4 plc</b>				<b>PSD Group plc</b>				<b>Telety plc</b>						
REV	Final - Jun 02	Final - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
PBT	£39,405,000	£2,394,000	-17.8%	£22,845,000	£44,282,000	£10,449,000	£10,449,000	-19.2%	£2,170,000	£24,954,000	£11,827,000	£11,827,000	-2.8%	
EPS	-£8.80p	-£5.65,000	-2120p	Loss both	£15,000	£879,000	-£464,000	-£464,000	Profit to loss	-£1,918,000	-£40,604,000	-£2,935,000	-£2,935,000	Loss both
EPS	-8.80p	-2120p	-2120p	Loss both	0.40p	2.0p	-2.70p	-2.70p	Loss both	-8.40p	-20.20p	-150p	-150p	Loss both
<b>Manpower Software plc</b>				<b>QA plc</b>				<b>Tikitt Group plc</b>						
REV	Interim - Nov 02	Final - May 03	Interim - Nov 03	Comparison	REV	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
PBT	£866,866	£3,560,541	£2,463,669	+84.4%	£16,059,999	£32,800,000	£14,062,000	£14,062,000	-12.4%	£3,731,000	£8,231,000	£3,880,000	£3,880,000	+4.0%
EPS	-£132,620	-£80,388	£259,925	Loss to profit	-£36,012,000	-£63,000,000	-£870,000	-£870,000	Loss both	£81,000	£305,000	£235,000	£235,000	+50.1%
EPS	-2.99p	-180p	0.58p	Loss to profit	-39.30p	-67.70p	-0.90p	-0.90p	Loss both	0.00p	130p	0.80p	0.80p	n/a
<b>Marlborough Stirling plc</b>				<b>Quantica plc</b>				<b>Total Systems plc</b>						
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison	REV	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
PBT	£60,655,000	£2,108,000	£55,986,000	-7.7%	£10,421,000	£28,427,000	£15,527,000	£15,527,000	-4.1%	£2,026,589	£3,927,749	£2,000,586	£2,000,586	-13%
EPS	£2,795,000	-£34,478,000	-£4,985,000	Profit to loss	£584,000	-£3,443,000	£554,000	£554,000	Profit to loss	£280,033	£596,643	£36,061	£36,061	+36.1%
EPS	0.20p	-49.00p	-2.70p	Profit to loss	0.74p	-9.07p	0.53p	0.53p	Profit to loss	184p	4.2p	2.50p	2.50p	+35.9%
<b>MERANT plc</b>				<b>Raft International plc</b>				<b>Touchstone Group plc</b>						
REV	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	REV	Final - Oct 02	Final - Oct 03	Comparison	REV	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£38,701,000	£78,592,000	£36,764,000	-5.0%	£6,666,000	£8,562,000	£6,920,000	£6,920,000	-28.4%	£6,920,000	£1,249,000	£6,920,000	£6,920,000	+0.6%
EPS	-£1,204,000	-£2,798,000	£558,000	Loss to profit	-£2,10,000	-£999,000	-£147p	-£147p	Loss both	£61,000	£152,000	£69,000	£69,000	-74.0%
EPS	-12.80p	-2.40p	0.70p	Loss to profit	-3.10p	-1.47p	-1.47p	-1.47p	Loss both	3.70p	9.20p	0.00p	0.00p	-100.0%
<b>Microgen plc</b>				<b>Retail Decisions plc</b>				<b>Trace Group plc</b>						
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Final - May 02	Final - May 03	Comparison	
PBT	£2,271,000	£25,332,000	£11,058,000	-9.9%	£4,301,000	£28,427,000	£14,921,000	£14,921,000	-4.3%	£20,630,80	£10,659,000	£10,659,000	£10,659,000	-23.6%
EPS	-£0.70p	-£1,964,000	-£1,810p	Profit to loss	£1,873,000	-£9,379,000	-£3.64p	-£3.64p	Loss to profit	£2,045,620	£7,855,000	-£2,776,000	-£2,776,000	Profit to loss
EPS	-0.70p	-4.20p	-1.80p	Profit to loss	0.69p	-3.64p	0.0p	0.0p	Loss to profit	8.65p	1.06p	-8.17p	-8.17p	Profit to loss
<b>Minorplanet Systems plc</b>				<b>Reversus</b>				<b>Triad Group plc</b>						
REV	Final - Aug 02	Final - Aug 03	Comparison	REV	Interim - Dec 01	Final - Nov 02	Interim - Dec 02	Comparison	REV	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£96,800,000	£88,600,000	-8.5%	£35,528,000	£5,751,000	£1,808,000	£1,808,000	-48.8%	£1,091,000	£27,756,000	£5,573,000	£5,573,000	+7.6%	
EPS	-£23,400,000	-£52,300,000	Loss both	-£259,000	-£7,346,000	-£5,143,000	-£5,143,000	Loss both	-£2,527,000	-£4,980,000	-£8,490,000	-£8,490,000	Loss both	
EPS	-28.76p	-54.57p	Loss both	-0.40p	-11.72p	-7.6p	-7.6p	Loss both	-7.9p	-27.20p	-5.60p	-5.60p	Loss both	
<b>Misys plc</b>				<b>RM plc</b>				<b>Tribal Group plc</b>						
REV	Interim - Nov 02	Final - May 03	Interim - Nov 03	Comparison	REV	Final - Sep 02	Final - Sep 03	Comparison	REV	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£520,800,000	£10,500,000	£47,100,000	-9.8%	£202,58,000	£2,494,000	£2,494,000	+6.9%	£38,275,000	£105,859,000	£78,680,000	£78,680,000	+15.6%	
EPS	£24,900,000	£59,800,000	£4,100,000	-4.4%	-£5,914,000	£6,219,000	£2,000,000	£2,000,000	Loss to Profit	£42,000	£7,855,000	£2,041,000	£2,041,000	+395.4%
EPS	2.60p	7.80p	4.00p	+53.8%	-5.10p	5.20p	0.20p	0.20p	Loss to Profit	-1.74p	5.50p	-0.2p	-0.2p	Loss
<b>Mondas plc</b>				<b>Royalblue Group plc</b>				<b>Ultima Networks plc</b>						
REV	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Sep 02	Final - Dec 02	Interim - Sep 03	Comparison
PBT	£1,452,000	£3,703,353	£1,947,000	+27.2%	£29,315,000	£57,006,000	£27,857,000	£27,857,000	-5.0%	£1,180,000	£2,026,000	£810,000	£810,000	-27.6%
EPS	-£152,674	-£2,224,645	-£1,090,568	Loss both	£3,984,000	£10,058,000	£3,847,000	£3,847,000	-3.4%	-£12,000	£18,000	-£5,000	-£5,000	Loss both
EPS	-7.30p	-1.0p	-4.1p	Loss both	8.50p	32.90p	8.50p	8.50p	+0.0%	0.06p	0.0p	0.0p	0.0p	-83.3%
<b>Morse plc</b>				<b>Sage Group plc</b>				<b>Universe Group plc</b>						
REV	Final - Jun 02	Final - Jun 03	Comparison	REV	Final - Sep 02	Final - Sep 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison		
PBT	£485,800,000	£35,193,000	-24.5%	£55,173,000	£1,513,000	£1,513,000	+15.9%	£17,308,000	£34,487,000	£34,487,000	£34,487,000	+6.6%		
EPS	-£4,000	-£14,095,000	Loss both	£9,64,000	£6,999	£6,999	+6.7%	£232,000	£889,000	£206,000	£206,000	-11.2%		
EPS	-6.10p	-3.30p	Loss both	6.99p	6.99p	6.99p	6.99p	5.5p	2.54p	0.50p	0.50p	0.50p	-9.1%	
<b>MSB International plc</b>				<b>SDL plc</b>				<b>Vega Group plc</b>						
REV	Interim - Jul 02	Final - Jan 03	Interim - Jul 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
PBT	£47,619,000	£84,062,000	£33,777,000	-29.1%	£28,010,000	£58,002,000	£31,003,000	£31,003,000	+10.2%	£17,390,000	£35,589,000	£2,093,000	£2,093,000	+213%
EPS	0.00p	n/a	£103,000	n/a	-£2,002,000	-£3,548,487	-£1,004,000	-£1,004,000	Loss both	-£8,662,000	-£8,739,000	£763,000	£763,000	Loss to profit
EPS	0.00p	-2.32p	0.30p	n/a	-4.02p	-7.10p	-2.85p	-2.85p	Loss both	-48.5p	2.40p	2.40p	2.40p	Loss to profit
<b>Myratech.net plc</b>				<b>ServicePower Technologies plc</b>				<b>VI Group plc</b>						
REV	Final - Dec 01	Final - Dec 02	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
PBT	£2,755,000	£1,684,000	-5.3%	£1,252,000	£968,000	£555,000	£1,146,000	£1,146,000	+10%	£3,200,000	£7,000	£4,365,000	£4,365,000	-36.4%
EPS	-9.90p	-190p	Loss both	-2.45p	-2.45p	-0.64p	-2.2p	-2.2p	Loss both	-104p	-0.74p	-227,000	-227,000	Loss both
<b>Nclphor Plc</b>				<b>Sirius Financial Systems plc</b>				<b>Warthog plc</b>						
REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
PBT	£6,037,000	£1,192,000	£7,070,000	+7.7%	£10,698,000	£22,683,82	£10,404,000	£10,404,000	-2.7%	£5,402,000	£1,147,38	£4,955,746	£4,955,746	-8.3%
EPS	-£2,654,000	-£3,352,000	-£328,000	Loss both	£1,359,000	£1,893,520	£38,000	£38,000	-97.2%	£14,393	-£790,705	-£2,624,064	-£2,624,064	Profit to loss
EPS	-2.4p	-2.6p	-1.7p	Loss both	4.60p	5.90p	0.0p	0.0p	-97.8%	0.0p	-0.87p	-5.37p	-5.37p	Profit to loss
<b>NetBenefit plc</b>				<b>Sopheon plc</b>				<b>Wealth Management Software plc</b>						
REV	Final - Jun 02	Final - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison	
PBT	£6,079,000	£6,245,000	+2.7%	£6,510,000	£2,353,000	£5,23,000	£5,23,000	-21.3%	£5,077,000	£1,997,000	£3,969,000	£3,969,000	+34.7%	
EPS	-£1,169,000	-£1,600,000	Loss both	-£8,961,000	-£1,910,000	-£5,78,000	-£5,78,000	Loss both	£5,000	£1,061,000	£208,000	£208,000	+286.7%	
EPS	-6.90p	0.0p	Loss to profit	-9.90p	-9.40p	-6.90p	-6.90p	Loss both	0.04p	-2.74p	0.5p	0.5p	+175.0%	
<b>Netstore plc</b>				<b>Spring Group plc</b>				<b>Workplace Systems International PLC</b>						
REV	Final - Jun 02	Final - Jun 03	Comparison	REV	Interim - Jun 03	Final - Dec 02	Interim - Jun 03	Comparison	REV	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison	
PBT	£6,643,961	£1,070,000	-13.7%	£18,378,000	£293,330,000	£145,749,000	£145,749,000	-18%	£6,576,000	£14,241,000	£6,245,000	£6,245,000	-5.0%	
EPS	-£6,944,000	-£5,265,000	Loss both	-£9,491,000	-£8,840,000	-£3,903,000	-£3,903,000	Loss both	-£2,910,000	£3,555,000	£747,000	£747,000	Loss both	
EPS	-7.5p	-5.33p	Loss both	-6.39p	-5.93p	-2.67p	-2.67p	Loss both	-16p					

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Jan-04	Capitalisation 30-Jan-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Jan-04	Share price move since 31-Dec-03	Share price % move in 2004	Capitalisation move since 31-Dec-03	Capitalisation move (€m) in 2004
AFA Systems	SP	£0.26	£12.20m	Loss	1.67	215	-4.44%	-4.44%	£2.16m	£2.16m
AIT Group	CS	£0.81	£40.50m	Loss	1.57	529	33.06%	33.06%	£12.84m	£12.84m
Alphameric	SP	£0.92	£108.00m	Loss	1.64	422	5.75%	5.75%	£6.47m	£6.47m
Alterian	SP	£0.87	£34.10m	Loss	5.62	435	27.01%	27.01%	£7.22m	£7.22m
Anite Group	CS	£0.54	£189.00m	Loss	0.81	318	7.52%	7.52%	£13.30m	£13.30m
Argonaut Games	SP	£0.08	£7.42m	Loss	1.14	79	21.60%	21.60%	£1.34m	£1.34m
Autonomy Corporation	SP	£2.85	£318.00m	n/a	7.93	87	19.00%	19.00%	£51.89m	£51.89m
Aveva Group	SP	£5.23	£89.90m	24.6	2.30	2615	8.96%	8.96%	£7.23m	£7.23m
Axon Group	CS	£1.44	£74.90m	53.3	1.95	823	-11.11%	-11.11%	£9.38m	£9.38m
Baltimore Technologies	SP	£0.34	£18.30m	Loss	0.61	349	-13.92%	-13.92%	£2.90m	£2.90m
Bond International	SP	£0.55	£8.07m	Loss	1.09	846	15.79%	15.79%	£1.10m	£1.10m
Business Systems	CS	£0.16	£13.30m	Loss	0.42	133	19.25%	19.25%	£2.10m	£2.10m
Capita Group	CS	£2.57	£1,710.00m	37.7	1.80	69472	5.76%	5.76%	£91.37m	£91.37m
Charteris	CS	£0.30	£12.60m	Loss	0.91	333	13.21%	13.21%	£1.50m	£1.50m
Chelford Group	CS	£0.02	£12.90m	Loss	0.59	348	166.67%	166.67%	£8.56m	£8.56m
Clarity Commerce	SP	£0.70	£10.80m	38.0	1.50	560	-0.71%	-0.71%	£0.08m	£0.08m
Clinical Computing	SP	£0.36	£10.60m	Loss	5.06	286	-7.79%	-7.79%	£1.50m	£1.50m
CMS Webview	CS	£0.13	£10.60m	Loss	8.47	950	8.13%	8.13%	£0.35m	£0.35m
CODASciSys (was Science Systems)	CS	£3.53	£89.50m	21.7	1.13	2736	19.66%	19.66%	£14.60m	£14.60m
Comino	SP	£2.10	£29.20m	23.6	1.14	1615	4.22%	4.22%	£1.21m	£1.21m
Compel Group	R	£0.82	£25.40m	63.0	0.45	656	5.81%	5.81%	£1.40m	£1.40m
Computacenter	R	£4.56	£859.00m	23.0	0.46	681	-2.98%	-2.98%	£26.03m	£26.03m
Computer Software Group	SP	£0.42	£13.10m	Loss	3.70	353	-2.35%	-2.35%	£0.17m	£0.17m
Corpora	SP	£0.45	£6.29m	Loss	21.80	1184	50.00%	50.00%	£2.09m	£2.09m
DCS Group	CS	£0.15	£3.69m	Loss	0.05	247	9.63%	9.63%	£0.31m	£0.31m
Delcam	SP	£1.92	£11.60m	13.9	0.53	738	15.66%	15.66%	£1.60m	£1.60m
Detica	CS	£7.15	£160.00m	29.7	3.51	1788	16.26%	16.26%	£22.51m	£22.51m
Diagonal	CS	£0.53	£46.90m	Loss	0.57	763	29.63%	29.63%	£10.66m	£10.66m
Dicom Group	R	£7.55	£158.00m	29.0	0.92	2315	9.66%	9.66%	£14.71m	£14.71m
Dimension Data	R	£0.43	£570.00m	Loss	0.39	75	13.33%	13.33%	£66.79m	£66.79m
DRS Data & Research	SP	£0.63	£21.60m	16.9	1.68	568	-0.79%	-0.79%	£0.13m	£0.13m
Easyscreen	SP	£0.32	£21.80m	Loss	5.09	188	52.38%	52.38%	£8.30m	£8.30m
Eidos	SP	£1.42	£199.00m	10.4	1.16	7097	1.43%	1.43%	£3.10m	£3.10m
Electronic Data Processing	SP	£0.72	£17.40m	18.0	1.75	2189	16.26%	16.26%	£2.20m	£2.20m
Empire Interactive	SP	£0.12	£8.14m	Loss	0.28	200	0.00%	0.00%	£1.20m	£1.20m
Epic Group	CS	£1.05	£27.40m	15.9	2.86	1000	9.38%	9.38%	£2.40m	£2.40m
Eurolink Managed Services	CS	£0.27	£2.81m	22.1	0.32	270	-3.57%	-3.57%	£0.10m	£0.10m
Financial Objects	SP	£0.29	£8.00m	Loss	0.52	126	19.59%	19.59%	£1.31m	£1.31m
Flomerics Group	SP	£0.86	£12.60m	Loss	0.76	3308	42.15%	42.15%	£3.73m	£3.73m
Focus Solutions Group	SP	£0.43	£12.10m	Loss	1.51	218	21.43%	21.43%	£2.17m	£2.17m
GB Group	SP	£0.34	£26.90m	Loss	2.16	218	10.82%	10.82%	£2.61m	£2.61m
Gladstone	SP	£0.13	£5.45m	8.1	0.63	313	0.00%	0.00%	£0.00m	£0.00m
Gloiel	A	£1.13	£42.60m	9.9	0.49	587	14.14%	14.14%	£5.10m	£5.10m
Gresham Computing	CS	£4.01	£205.00m	Loss	14.18	4312	20.24%	20.24%	£40.74m	£40.74m
Harrier Group	CS	£0.26	£7.68m	5.5	0.66	205	22.33%	22.33%	£1.39m	£1.39m
Harvey Nash Group	A	£0.96	£57.30m	Loss	0.27	549	27.15%	27.15%	£14.94m	£14.94m
Highams Systems Services	A	£0.15	£2.89m	Loss	0.22	411	20.82%	20.82%	£0.49m	£0.49m
Horizon Technology	CS	£0.60	£44.50m	4.7	0.22	221	-8.40%	-8.40%	£0.30m	£0.30m
Host Europe	CS	£0.02	£20.90m	Loss	1.33	636	20.00%	20.00%	£2.70m	£2.70m
Hot Group (was RexOnline)	CS	£0.18	£27.80m	Loss	8.58	214	-1.37%	-1.37%	£3.50m	£3.50m
ICM Computer Group	CS	£2.98	£61.80m	24.2	3.69	13	25.47%	25.47%	£45.30m	£12.40m
I-Document Systems	SP	£0.10	£15.80m	Loss	0.53	3400	-4.19%	-4.19%	£67.92m	£0.70m
In Technology	CS	£0.85	£111.00m	Loss	1.98	159	40.50%	40.50%	£4.65m	£27.28m
Innovation Group	SP	£0.36	£150.00m	Loss	4.53	129	32.00%	32.00%	£137.90m	£34.35m
Intelligent Environments	SP	£0.12	£17.80m	Loss	0.37	31	38.29%	38.29%	£16.36m	£5.70m
IQ-Ludorum	SP	£0.02	£1.80m	Loss	5.01	3145	27.78%	27.78%	£456.50m	£0.36m
iSOFT Group	SP	£3.46	£783.00m	31.2	0.29	503	-6.68%	-6.68%	£780.84m	£324.70m
IS Solutions	CS	£0.14	£3.35m	Loss	0.63	1656	55.17%	55.17%	£46.05m	£1.19m
ITNET	CS	£3.14	£230.00m	41.7	1.23	897	4.32%	4.32%	£9.47m	£9.47m
Jasmin	SP	£0.45	£2.13m	Loss	0.41	300	-10.00%	-10.00%	£0.24m	£0.24m
K3 Business Technology	SP	£0.15	£7.77m	Loss	0.76	117	27.50%	27.50%	£1.65m	£1.65m
Kewill	SP	£0.79	£61.20m	Loss	1.78	1561	35.04%	35.04%	£16.25m	£16.25m
LogicaCMG	CS	£2.88	£2,160.00m	Loss	1.05	3944	12.39%	12.39%	£239.03m	£239.03m
London Bridge Software	SP	£0.70	£120.00m	Loss	1.46	1750	32.08%	32.08%	£29.45m	£29.45m
Lorien	A	£0.82	£15.20m	Loss	0.14	815	-5.23%	-5.23%	£0.80m	£0.80m

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**Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation**

	SCS	Share Price	Capitalisation	Historic	PSR	S/ITS	Share price	Share price	Capitalisation	Capitalisation
	Cat	30-Jan-04	30-Jan-04	P/E	Ratio	Index	move since	% move	move since	move (€m)
					Cap./Rev.	30-Jan-04	31-Dec-03	in 2004	31-Dec-03	in 2004
Macro 4	SP	£1.65	£34.30m	Loss	1.02	665	4.10%	4.10%	£1.23m	£1.23m
Manpower SoftWare	SP	£0.28	£12.30m	Loss	2.92	287	18.30%	18.30%	£1.92m	£1.92m
Marlborough Stirling	SP	£0.48	£109.00m	Loss	0.82	345	9.77%	9.77%	£9.70m	£9.70m
MERANT	SP	£1.53	£159.00m	33.6	1.75	739	16.79%	16.79%	£21.08m	£21.08m
Microgen	CS	£0.65	£56.10m	Loss	1.86	276	18.35%	18.35%	£8.90m	£8.90m
Minorplanet Systems	SP	£0.33	£26.90m	Loss	0.31	664	-2.99%	-2.99%	-£0.80m	-£0.80m
Misys	SP	£2.26	£1,259.00m	29.0	1.17	2812	6.73%	6.73%	£77.55m	£77.55m
Mondas	SP	£0.48	£12.40m	Loss	2.68	633	25.00%	25.00%	£2.47m	£2.47m
Morse	R	£1.69	£219.00m	Loss	0.53	676	18.60%	18.60%	£33.85m	£33.85m
MSB International	A	£0.94	£19.20m	Loss	0.22	492	4.47%	4.47%	£0.77m	£0.77m
Myratech.net	CS	£0.04	£1.22m	Loss	0.42	32	36.67%	36.67%	£0.42m	£0.42m
Ncipher	SP	£1.49	£37.60m	Loss	3.25	596	-1.97%	-1.97%	-£1.15m	-£1.15m
NetBenefit	CS	£0.50	£8.16m	50.0	1.01	250	29.87%	29.87%	£1.88m	£1.88m
Netstore	CS	£0.38	£36.10m	Loss	2.59	250	-3.23%	-3.23%	-£0.64m	-£0.64m
Northgate Information Solutions	CS	£0.69	£339.00m	6.6	1.95	263	18.61%	18.61%	£173.16m	£173.16m
NSB Retail Systems	SP	£0.29	£92.60m	Loss	0.73	2478	67.65%	67.65%	£38.83m	£38.83m
OneclickHR	SP	£0.10	£5.82m	0.8	1.01	250	21.21%	21.21%	£1.06m	£1.06m
Parity	A	£0.13	£36.10m	Loss	0.17	2083	16.28%	16.28%	£5.03m	£5.03m
Patsystems	SP	£0.21	£30.10m	Loss	2.39	194	18.86%	18.86%	£4.60m	£4.60m
Pilat Media Global	SP	£0.45	£19.60m	Loss	1.98	2225	34.85%	34.85%	£5.06m	£5.06m
Planit Holdings	SP	£0.28	£25.20m	Loss	1.28	1146	-3.51%	-3.51%	-£0.93m	-£0.93m
PSD Group	A	£3.30	£82.90m	Loss	1.67	1500	11.86%	11.86%	£8.80m	£8.80m
QA	CS	£0.08	£7.16m	Loss	0.12	34	76.47%	76.47%	£3.21m	£3.21m
Quantica	A	£0.50	£20.00m	Loss	0.75	399	2.06%	2.06%	£0.40m	£0.40m
Raft International	SP	£0.15	£10.10m	Loss	1.15	243	2.00%	2.00%	£0.26m	£0.26m
Retail Decisions	SP	£0.21	£60.80m	Loss	1.30	284	64.71%	64.71%	£23.91m	£23.91m
Reversus (was Transeda)	SP	£0.01	£0.88m	Loss	0.12	24	20.00%	20.00%	£0.18m	£0.18m
RM	SP	£1.45	£130.00m	27.9	0.55	4143	9.43%	9.43%	£11.18m	£11.18m
Royalblue Group	SP	£5.73	£187.00m	17.4	2.94	3371	12.80%	12.80%	£19.36m	£19.36m
Sage Group	SP	£1.96	£2,501.00m	24.0	4.01	75385	11.52%	11.52%	£253.41m	£253.41m
SDL	CS	£1.24	£67.00m	Loss	0.79	827	46.75%	46.75%	£21.23m	£21.23m
ServicePower	SP	£0.47	£26.70m	Loss	5.00	470	18.99%	18.99%	£4.30m	£4.30m
Sirius Financial	SP	£0.73	£12.30m	12.3	0.56	483	-2.68%	-2.68%	-£0.40m	-£0.40m
Sopheon	SP	£0.24	£23.50m	Loss	1.27	338	46.88%	46.88%	£7.80m	£7.80m
Spring Group	A	£1.17	£181.00m	Loss	0.61	1300	1.30%	1.30%	£2.05m	£2.05m
Staffware	SP	£5.85	£84.90m	53.2	2.16	2600	0.86%	0.86%	£0.78m	£0.78m
StatPro Group	SP	£0.33	£10.80m	Loss	1.41	406	4.84%	4.84%	£0.60m	£0.60m
SurfControl (was JSB)	SP	£5.19	£159.00m	39.6	4.98	2595	-30.85%	-30.85%	-£71.10m	-£71.10m
Synstar	CS	£0.68	£110.00m	18.8	0.48	409	3.05%	3.05%	£3.60m	£3.60m
Systems Union (was Freecom)	SP	£1.25	£131.00m	33.8	1.42	962	22.55%	22.55%	£25.00m	£25.00m
Tadpole Technology	SP	£0.23	£60.70m	Loss	6.15	543	80.00%	80.00%	£27.97m	£27.97m
Telecty	CS	£0.16	£31.10m	Loss	1.16	20	8.77%	8.77%	£2.20m	£2.20m
Tikit Group	CS	£1.17	£14.00m	Loss	1.66	1017	3.54%	3.54%	£0.30m	£0.30m
Total Systems	SP	£0.62	£6.46m	14.9	1.53	1160	6.96%	6.96%	£0.45m	£0.45m
Touchstone Group	SP	£1.02	£10.60m	11.1	0.74	971	0.99%	0.99%	£0.10m	£0.10m
Trace Group	SP	£0.68	£10.30m	Loss	0.62	540	4.65%	4.65%	£0.50m	£0.50m
Triad Group	CS	£0.68	£10.20m	Loss	0.32	500	14.41%	14.41%	£1.26m	£1.26m
Tribal Group	CS	£3.14	£217.00m	57.1	2.07	1903	-5.14%	-5.14%	-£1.66m	-£1.66m
Ultima Networks	R	£0.02	£4.58m	24.0	1.66	59	20.00%	20.00%	£1.21m	£1.21m
Universe Group	SP	£0.31	£18.20m	12.2	0.31	1378	21.57%	21.57%	£7.38m	£7.38m
Vega Group	CS	£1.17	£32.70m	Loss	0.91	959	-33.14%	-33.14%	£0.30m	£0.30m
VI group	SP	£0.13	£4.94m	Loss	0.65	266	0.38%	0.38%	£0.01m	£0.01m
Warthog	SP	£0.03	£1.29m	Loss	0.33	60	-66.45%	-66.45%	-£2.51m	-£2.51m
Wealth Management Software	SP	£0.22	£9.13m	Loss	0.69	168	21.11%	21.11%	£1.58m	£1.58m
Workplace Systems	SP	£0.12	£22.10m	Loss	1.49	0	4.68%	4.68%	£0.90m	£0.90m
Xansa (was F.I. Group)	CS	£0.90	£305.00m	Loss	0.63	2308	5.88%	5.88%	£17.14m	£17.14m
XKO Group	SP	£0.95	£26.30m	Loss	0.54	633	12.43%	12.43%	£2.90m	£2.90m
Xpertise Group	CS	£0.01	£4.71m	Loss	1.02	44	-12.00%	-12.00%	£0.01m	£0.01m

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## MINNOWS LEAD THE SHARE PRICE SURGE

The Holway S/ITS index stormed ahead this month with a 14.4% increase compared to the start of the year. Once again this has highlighted the superior share price performance for many of the small-cap players compared to some of the larger more-established companies. The FTSE IT SCS Index and the techMARK100 index, which are weighted in favour of larger companies, while gaining on the month, saw increases in single digit percentage points. You can read about our views on the stability of the current share price surge in this month's lead article.

Looking at the different categories of S/ITS companies, it was IT services companies that saw the largest average share price increase - up 18.2%. But all - including software companies, resellers and IT staff agencies put in respectable performances.

In terms of individual company performance, minnow Chelford Group was well ahead of the rest of the pack with a rise of 167% after it announced a return to profitability as well as encouraging signs of stabilisation in its target markets. NSB Retail Systems was also one of the best performers (up 68% to 29p). This really is a case of 'recovery' - there was a time back in Q1 00 when their share price hit £32! At the other end of the scale, the biggest decline was only 4.2% - from I-Document Systems. Computacenter also managed to buck the upward trend with a c3% decline in its share price - its results had revealed a decrease in product revenues despite an increase in volumes shifted. (Georgina O'Toole)

31-Jan-04	<b>S/ITS Index</b>	<b>5349.48</b>
	FTSE IT (SCS) Index	544.63
	techMARK 100	1092.20
	FTSE 100	4390.70
	FTSE AIM	888.20
	FTSE SmallCap	2619.69

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/1/04 to 31/01/04)	+14.39%	-1.93%	+7.61%	+8.15%	+6.32%	+5.84%
From 15th Apr 89	+434.95%	+113.81%				
From 1st Jan 90	+481.40%	+85.89%				
From 1st Jan 91	+655.72%	+103.24%				
From 1st Jan 92	+411.98%	+76.11%				
From 1st Jan 93	+235.69%	+54.25%				+88.83%
From 1st Jan 94	+220.41%	+28.44%				+40.19%
From 1st Jan 95	+256.83%	+43.23%				+50.00%
From 1st Jan 96	+136.86%	+19.01%	+38.38%		-6.84%	+34.93%
From 1st Jan 97	+99.80%	+6.61%	+19.41%		-9.01%	+20.00%
From 1st Jan 98	+76.26%	-14.50%	+14.48%	-45.54%	-10.46%	+13.25%
From 1st Jan 99	+35.72%	-25.36%	-24.99%	-62.34%	+10.80%	+26.50%
From 1st Jan 00	-53.37%	-36.64%	-71.10%	-85.35%	-54.04%	-15.43%
From 1st Jan 01	-36.11%	-29.44%	-57.43%	-72.06%	-38.23%	-17.70%
From 1st Jan 02	+11.49%	-15.85%	-25.84%	-35.49%	-1.07%	+1.57%
From 1st Jan 03	+97.19%	+11.43%	+68.35%	+60.08%	+47.32%	+43.89%
From 1st Jan 04	+14.39%	-1.93%	+7.61%	+8.15%	+6.32%	+5.84%

End Jan 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 Jan 04
System Houses	20.5%	-53.0%	-36.9%	13.8%	126.7%	18.2%	18.18%
IT Staff Agencies	-55.3%	-61.1%	-38.0%	11.8%	68.3%	10.3%	10.32%
Resellers	121.3%	6.6%	41.0%	56.9%	112.2%	10.7%	10.74%
Software Products	96.8%	-52.7%	-65.7%	10.7%	83.4%	13.1%	13.05%
Holway Internet Index	407.6%	-38.3%	-9.3%	64.1%	150.7%	21.8%	21.80%
Holway S/ITS Index	35.3%	-53.5%	-36.3%	11.1%	96.6%	14.0%	14.00%

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