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ovum HOLWAY

SYSTEMHOUSE

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

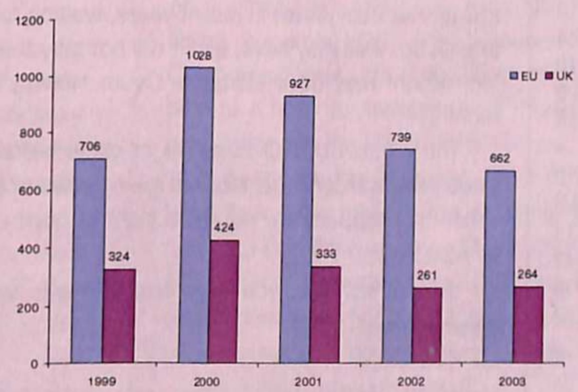
THE HEAT IS ON IN M&A

Over the last three years, the number of acquisitions of S/ITS companies undertaken throughout Europe has been steadily falling. The UK has not been not immune to this trend, and although we managed to hold steady in terms of the number of deals in 2002/2003, we have to go back as far as 1997 to find a year in which the UK was involved in fewer transactions. At first blush this might seem at odds with all the talk of consolidation in our industry. However, things have changed markedly in recent months.

"Blistering"

A leading M&A advisor recently told us that they have concluded more deals in the current quarter than in the last three years, and Victor Basta (ex-MD of Broadview and now running Arma Partners) describes the current tech. M&A scene as 'blistering'. So, we are in the midst of a heat wave! Indeed, hardly a day goes by without us reporting a deal involving a UK S/ITS company (see page 19 for a summary of this month's transactions).

Number of acquisitions involving European and UK S/ITS companies, 1999–2003



So, why has the pace picked up?

Put simply, UK S/ITS companies are, for the most part, operating in a low growth environment. In a flat market one of the only ways to grow is through increasing market share, and for many that means undertaking acquisitions. Furthermore, the only way to continue to deliver increased profits (assuming all the cost cutting was done a year or so back) is to improve competitiveness. Buying a rival and stripping out duplicate costs is one way to deliver growth to the bottom line.

Improved sentiment towards technology stocks, as evidenced by fact that the Ovum Holway S/ITS index has doubled since the start of 2003, and has increased by 13% since the beginning of the year, is also fuelling M&A activity.

The upsurge in M&A goes hand-in-hand with the flurry of IPO activity. Both are critical to the health of the sector, and underpinned by investor confidence. A healthy IPO market also directly impacts on M&A activity: some companies will need to 'bulk up' in anticipation of their IPO (support services player **Phoenix** has acquired **Trend Network Services**, ahead of its anticipated IPO in Q3); and if you look in the prospectuses of recent IPOs, the rationale for going public is precisely to raise funds in order to undertake acquisitions.

Diversity of growth will mean diversity of value.

This upsurge in M&A activity favours certain types of S/ITS companies, and the diversity of growth forecast for different markets means that players will be afforded diverse valuations.

Of course S/ITS companies have always been subject to different ratings, depending on their core activity. For instance, outsourcers (with their excellent revenue visibility) and software firms (with valuable intellectual property) have long enjoyed a premium; whilst at the other end of the spectrum resellers and IT staffing companies (i.e. commodity suppliers with little value add) have always had much lower relative valuations.

Understandably those companies operating in growth markets (such as outsourcing and BPO), or in growth sectors (such as the public sector, or financial services), will attract the highest values. Our expectation is that these 'variations' will become even more marked in the year ahead. With this increased polarisation, averages (whether it be PEs or PSRs) will no longer prove a useful measure.

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The likely consolidators

We envisage the emergence of a handful of new acquisitive groupings, lead by **BT, HP** and **CSC**. BT and HP both aspire to the mantle of global IT services provider, and as such, we expect to see them making a number of acquisitions in the year ahead.

Indeed, HP has recently picked up two European S/ITS companies. In Feb. they paid euro 340m for **Triaton**, one of the largest 'captive' outsourcers in Germany, with revenues of euro 370m (55% of which is generated from 'external' customers). Triaton considerably strengthens HP's position in the still-difficult and fragmented German market (placing them amongst the top three German outsourcers), but also abroad (Triaton has a presence in France, the Netherlands, Austria, the US and Asia).

This month, HP acquired **FH Computer Services**, a UK-based software management and licensing company. The deal was probably small change for HP, but significant nonetheless as it is consistent with HP's objective of becoming a strategic player in systems management.

We have yet to see CSC making any acquisitions in 2004, but they did notch up a couple of deals in 2003. As for BT, the targets are likely to be pan-European players providing network-centric managed services and systems integration.

Seize the day

We have been warning of a correction in tech valuations for a number of months now, and have encouraged would-be IPO candidates to take advantage of the current 'window of IPO-tunity'.

The same advice holds true for business owners looking to sell their companies. Conditions are such that the prices potential purchasers are willing to pay, and owners' expectations of their companies 'worth', are more in line than at any time since 1999/2000. Many owners have held off selling their businesses in recent years, waiting for tech company valuations to pick up. Well they have, and it will not stay that way for long. Indeed, the 'correction' may have started – Ovum Holway's S/ITS index fell 5% this month.

The window of IPO-tunity might close before the end of the year, *but trade sales will continue, albeit at lower levels of activity and at lower prices.* When this happens we will see a flight to quality, and deals will take longer to conclude.

So, our advice to you if you are looking to sell, is do it now!

(Heather Brice)

Holway@Ovum customers will receive our latest research on M&A next month. For further details contact Damien McInnery on 020 75519315 or email dkm@ovum.com.

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INDICES (changes in March 04)

Holway S/ITS	-5.38%	5287
Holway Internet	-9.4%	4976
FTSE IT (SCS)	-7.66%	506
techMARK 100	-0.86%	1177
Nasdaq Comp	-1.71%	1994

HOLWAY COMMENT

LIFE BEGINS AT FORTY

Forty years ago, on 7th April 1964, IBM announced the S/360. Costing $5bn (probably £30bn in today's money) this is still the most expensive CPU project in history. Fortune magazine ran a front cover headlined 'IBM's $5bn gamble'.

It was one gamble which worked. Apart from generating IBM over $100b since, we happen to believe that the IBM S/360 was the one seminal event which kick-started the Information Technology era.

The IBM S/360 was the first ever 'family' of computers. Indeed tapes from the one computer could be read on another that might be 100x more powerful. It introduced industry standards that we now take for granted – like the 8-bit byte.

The IBM S/360 seriously lowered the barrier of entry. Companies could now buy an 'entry level' machine but use the same programs as those developed for much larger concerns.

But what the IBM S/360 also did was to give birth to the Software and IT Services industry as we know it today.

Back in 1964 there was no software products industry at all! Any software that did exist came bundled with the hardware supplied by IBM – or the 'BUNCH'. The IBM S/360 provided a viable market for independent software developers. Informatics, CACI, ADR (Autoflow) were amongst the first to launch independent **software products** but these were all in the 'infrastructure' space. BASIC, RPG and PL/1 were all first launched in 1964. Application software was either

written bespoke or supplied by the manufacturer. Things did change though. In June 1969, in a move not unlike what is currently happening at Microsoft, IBM was forced to 'unbundle' its software from its hardware in order to provide the free market in software development that we all expect today. It opened the flood-gates. Application software products flooded the market from 1970 onwards.

The **IT Services** industry was also quite, quite different in 1964. Basically it had just two parts:

- **processing bureau**. Because of the extremely high cost of hardware, few companies owned their own computers. So they 'shared' – paying by the transaction or by the hour for everything from payslips to invoices. Bureaus dominated the sector – about 60% of IT Services. The IT hardware manufacturers – like IBM and ICT – were major players here too. In the US, ADP and others were already established. EDS had been setup in 1962 to utilise spare time on customer's own computers. It had bought spare time on Southwestern Life Insurance's IBM 7070 and two months later Collins Radio became EDS' first bureau customer. EDS claim the first IT Outsourcing deal with Frito Lay in 1963. But the IBM S/360 launch gave birth to a host of 'independents' bureaus. Both Centrefile and Datasolve were formed in the UK in 1965.

- **bespoke development**. Most of the IT Services players today can trace their roots back to the early/mid-1960s. Indeed, Hoskyns (which is now Cap Gemini) was formed by ex-IBMer (Sir) John Hoskyns in 1964 too. 1964 also saw another 'first'. CSC was the first S/ITS company to see its shares listed on NYSE. All these companies were mainly engaged in bespoke systems development – usually on a 'Time & Materials' basis.

My how you've changed!

Twenty years on, in 1984, we were celebrating another major 'birth'. This time the Apple Mac gave us GUIs, mice etc...and windows too. Software products were the place to be as Microsoft, Oracle, SAP etc. were set to prove. IT hardware was becoming much less important in the scheme of things as prices crashed. This meant that all companies could now afford their own computers; which had already led to the reduced importance of bureau. Conversely, companies increasingly wanted to outsource the running of their IT operations.

Today, forty years on in 2004, the IT industry in Europe has grown from around euro1b in 1964 to over euro250b now. During the vast majority of that time IT has grown at >2 euroGDP; 4x euroGDP in some periods. Its make up has changed even more radically. IT Hardware,which was 95% of the European IT market in 1964, is now just 30% of it...and falling constantly, as a proportion, year after year.

But its players have provided some consistency. IBM was the world's

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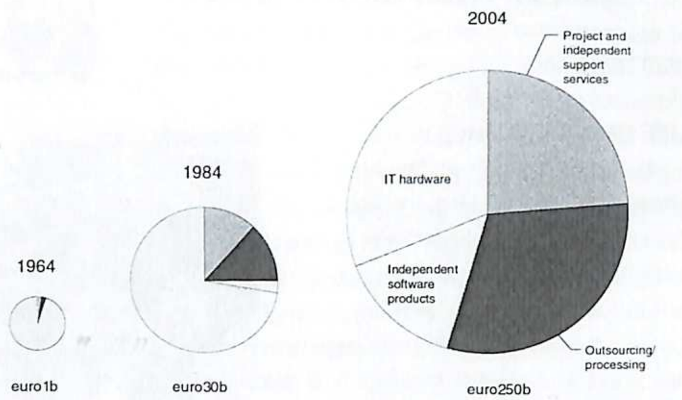
number one IT company in 1964 with revenues of $3.23bn (although much of that was from typewriters and other non-IT activities). IBM is STILL the world's number one IT company in 2004, with revenues of over $81bn (in 2003). Indeed, IBM has shown itself to be amazingly adaptive; taking on the PC in the 1980s and reinventing itself as an IT services company in the 1990s.

And EDS is still the world's number one 'hardware independent' IT Services supplier. CSC, which had revenues of $4m in 1964 when its shares were the first to be listed, will see revenues exceed $14bn this year. So, by concentrating on IT services, CSC, it could be argued, has grown 140 times faster than IBM!

European IT Market Growth and Make-up 1964–2004



Source: Ovum EuroView

Life begins at forty?

I make no excuses for this article being mainly retrospective. But will *life really begin at forty* for the IT industry?

As in real life – indeed in my own life – the answer is a resounding YES.

The future is hugely exciting. But we have to face reality. The IT industry will not experience double-digit growth for the NEXT 40 years – as it has for most of the past forty years. Indeed, as we have oft-said, growth overall will be modest/GDP-like.

But, against that backdrop, there will be a huge 'diversity of growth'. IT is now an essential part of the 'business process'. That's why BPO – not ITO – will be the main driver for growth in the next era. Technogical change, just because 'IT's there', is not on anymore. IT will only succeed if it provides real business advantage.

Plus ca change, plus c'est la meme chose

Things do have a habit of 'coming around' though. In 1964, bureau processing was THE major part of the IT Services market. Now things like 'IT on Demand' fill the headlines. We remember last year sitting through a presentation on this very subject, sitting next to Richard Atkins. Half way through he saw me looking a bit bemused, turned to me and whispered *"Richard. Don't worry. It's actually just an evolution of bureau processing."* Atkins should know as he was the Finance Director at Data Sciences (which included bureau Datasolve) many moons ago. Atkins now heads IBM Global Services in the UK.

IBM, which gave us the IT industry with the S/360 launch 40 years ago, is the one company that has demonstrated that it has what it takes to adapt. IBM is the one company that we wouldn't bet against being around for next 40 years too. *(Richard Holway)*

-19%
265p
PSD

PSD SHARES IN ITSA WOES

Recruitment firm **PSD Group** announced results for the year to end December 2003. Gross fee income (i.e. turnover) was down 15% to £37.6m. Operating profit of £87K (2002) became an operating loss of £746K (2003). The company made a profit of £249k at the pre-tax level, thanks to interest receivable, but losses per share were 1.5p, compared to earnings per share of 2.5p in 2002. Despite the losses, the company has maintained its final dividend of 3p.

Comment: Despite having a recruitment business spread across a number of sectors, PSD's exposure to the continued downturn in the IT staffing agency (ITSA) market dragged its whole performance down. So while the company's Finance & Banking division grew its net fee income (NFI – i.e. gross profits) by 19%, the Technology UK business saw its NFI shrink by a whopping 28% and the International division (which derives 85% of its NFI from technology markets) registered a 25% fall.

One of PSD's problems has been that the management seems to have failed to grasp early enough just how tough its markets have become. Back in September last year it was still proclaiming that PSD was *"in an excellent position to resume growth when market conditions improve"*. We're glad to report that management is finally starting to resign itself to the realities of the ITSA market, which offers absolutely no prospect of an upturn in the foreseeable future.

As CEO Francesca Robinson put it, *"While our markets appear to have stabilised in recent months, it is too early to anticipate a significant increase in demand for our services"*. *(Phil Codling)*

6%
87.5p
lorien

LORIEN RESOLVES TO RETURN TO PROFIT

Top ten UK IT staff agency (ITSA), **Lorien** missed climbing back to break-even in 2003 by a gnat's whisker as it suffered from an increased provision for 'onerous property commitments' on its discontinued Consulting business. Total revenues for the year ended 30 November 2003 declined 17% to £94.7m, although this represented a 15% decline on continuing operations. Total operating profits were badly hit – down 71% to just £766K, but the £1.25m property provision kept Lorien in the red at the bottom line to the tune of £425K. Nonetheless, this was a tremendous leap forward compared to the £5.2m loss in FY02. Loss per share 'improved' from (–)32.5p to (–)3.2p. Lorien will not pay a dividend 'for the foreseeable future'.

It's what's happening 'under the covers' that counts at Lorien, and we must say things looking forward seem a lot brighter. Although revenues at its core IT contractor business dropped by 18% to £77.7m, there has been a dramatic upswing in demand since mid-2003 and fee rates have remained broadly stable. Lorien's permanent placement business was hit harder – down 33%, but again demand has recovered significantly. Their fledgling projects business *Resolution*, lost another £400K in the year but finally moved into profit at the end of 2003 and profits seem on track to grow. Lorien's 'cash cow' *Specialist Services* division continued to do the business, returning a £3m contribution on £15.8m revenues, up 6%. This profit is now about the same as the whole of Lorien's resourcing activities including Resolution. Lorien executive chairman Bert Morris reported that business has *"exceeded our internal expectations in the first two months of FY04"* and he sees *"no reason why this should not continue"*.

Comment: The revenue decline in Lorien's resourcing business is very much in line with our market forecasts for the ITSA sector in 2003 (we forecast a 17% decline) and our outlook for the ITSA market in 2004 is another 7% drop. But when we spoke to Lorien FD Chris Hinton just after these results were announced, he believed that the upturn in their ITSA business seemed to be continuing, so we'd have to say that this may well encourage us to take a less gloomy view on 2004. But we need to see the results and current activity at a few more of the ITSA 'majors' before we would be bold enough to lift our forecasts.

Meanwhile, Lorien's decision to increase the provision for the old Consulting property is really prudent. They are now allowing for another seven years rent – so we might reasonably expect some of this provision will be released in the future. The important thing is that Lorien enters FY04 with a clean P&L so hopefully the improvement in demand in the core Resourcing business will bring them back to true profit, especially now that Resolution is no longer loss-making.

(Anthony Miller)

PinkRoccade

PINKROCCADE PROFITS DOUBLE IN 2003

Netherlands-based IT services company, **PinkRoccade** has released its results for the year to 31st Dec. 2003. Revenues declined 9.5% to eur738.6m, while net profits more than doubled to eur12.3m. The UK business improved revenues by 5% in local currency terms – although expressed in euros, sales were flat.

For the coming year, the company is *"cautiously optimistic...and sees signs ofeconomic recovery in the Netherlands"* (where it derives 90% of its revenues).

Comment: PinkRoccade's significant increase in profits is partly down to efficiency improvements. It's stripped out costs and improved solvency thanks to the sale of property and the repayment of long-term loans. The renewal of some major contracts plus an above average volume of recurring business have also made positive contributions.

Specifically in the UK, profitability has been hampered by its high cost base. From our conversations with UK CEO, Clive Hyland, we know the plan is to reduce these costs by 10%. Another contributary factor is the company's maintenance business, which lacks the scale to compete effectively and has been under consideration for a while now. As soon as the right player comes along with the right offer we have no doubt Hyland will jump at the chance to partner.

Looking more closely at the split of UK revenue, outsourcing (infrastructure and applications management) contributed £29.3m, up 27% on last year and now slightly ahead of support services, which declined 4% to £28.1m. In the mid market, PinkRoccade does seem to have a flexibility that its outsourcing customers appreciate. It's a strength they have over the larger players who are looking to enter the market.

Projects Services revenue, while down 13% overall, is a mixed bag of results. Training is up 9% to £2.5m bolstered by PinkRoccade's

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offering. Although consultancy has continued to contract – by about 50% – this is expected to recover fully in 2004.

At current course and speed, revenue growth in 2004 won't be all that different from 2003. With cost cutting underway and the necessary investments in place, the UK business really has no excuse and must get itself back into operating profit by the end of H1. *(Kate Hanaghan)*

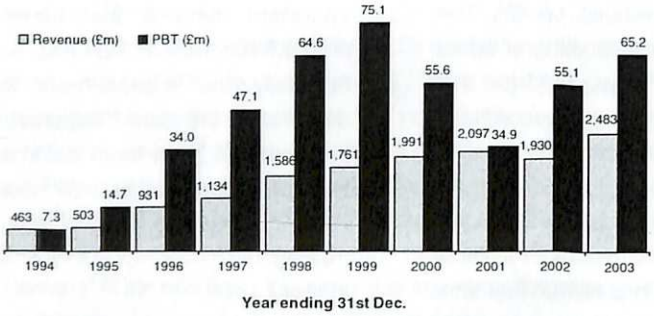
-2%
424p

Computacenter
Transforming IT service delivery

COMPUTACENTER DELIVERS PROFITS, EARNINGS AND DIVIDEND GROWTH

Computacenter has announced results for the year to 31st Dec. 2003. Group revenues increased by c29% to £2.48bn. Organically, excluding the impact of the German and French acquisitions, revenues fell by 6.7% to £1.8bn. As we were told back at Computacenter's trading update in January, revenues from product sales suffered from unprecedented price decline, exacerbated by the impact of the declining US dollar. Over 2003 this resulted in product price declines of 15%–25% in local currency, although an improvement in product volumes served to offset this decline to some extent.

Computacenter plc
10 year Revenue and PBT Record
Relative to 1994



Group operating profit increased 20.5% to £66.1m, and at the pre-tax level profits were up 18.3% to £65.2m. Diluted EPS increased from 19.8p to 24.6p. The Group continued to generate cash from operations (£53.5m compared to £60.6m in FY02), and shareholders were rewarded with a 20.7% increase in the full-year dividend.

Ron Sandler, Chairman, commented, *"While much depends upon the pace and sustainability of the broader economic recovery in Europe, there are grounds for optimism that market conditions may now improve. Computacenter is well positioned to take advantage of any such improvement"*.

Comment: As Computacenter becomes an increasingly international business, the UK's share of turnover is declining – down from 83% in 2002 to 58% in 2003. UK revenues declined by 9% over the year to £1.46bn with the market outside the public sector 'generally subdued'. The fall in revenues was primarily affected by an 11.3% decline in product revenues, as a result of a 20% price decline on desktop and laptop computers. But the UK performance contained many bright spots, with revenues from managed services up 10.9%, and the contract base up 9.2%. In addition, Computacenter reported that the server product market remained 'buoyant' (with sales of Sun technology up 12.8%) and the distribution business saw revenues increase by 14.9%.

A continuing focus on reducing the cost base meant that the UK returned a c7% increase in operating profit to £61.8m and an improvement in margins from 3.6% in FY02 to 4.2%.

Following the acquisition of CC Compunet, Germany is now the second biggest revenue contributor. While revenues declined by 10.9% to £635.2m, the managed services business grew and overall CC Compunet contributed an operating profit of £8.7m.

Belgium and Luxembourg may only account for 1% of revenues, but they deserve a mention as revenue grew 37%, and they moved closer to breakeven (operating loss of £0.4m compared to £3.9m in FY02). Again managed services gave the strongest contribution.

Computacenter France *'performed poorly in a difficult market'*. Revenues increased marginally on an organic basis, however the business turned a £2.4m operating profit into a loss of £2.7m. A turnaround programme was underway in H203 and there is also a new pan-European management structure in place. The Austrian business joined France with a *'disappointing'* performance.

Going forward we expect to see Computacenter continue to benefit as clients look to drive down costs by consolidating their legacy infrastructure. The Group has set itself two goals: to build a strong services business to complement its product logistics offering and to expand in European markets. Progress was made on both fronts in 2003, and the managed services pipeline is said to be *'encouraging'*.

Computacenter is continuing to expand outside the UK, putting the onus on managing performance across disparate geographies. The development of a new pan-European management structure should help with this fresh demand and in the short-term should also help to sort out some of the problems in France. *(Heather Brice/Georgina O'Toole)*

-8%
267p

ICM CONTINUES TO FOCUS ON PROFITS AND CONTRACTED REVENUES

ICM Computer Group, provider of support, business continuity (BC) and solutions to UK SMEs, has announced interim results for the six months ending December 2003.

Revenue has declined 6% to £36.3m (continuing ops were down 7%), operating profit has improved by 53% to £2.1m, and PBT has risen 58% to £1.9m.

However the profit numbers are not straightforward as ICM's H1 03 results included £0.7m exceptional item - provision to cover the cost of replacing counterfeit software, which they had unwittingly supplied. Excluding this, operating profit and PBT were more or less level.

Diluted EPS is 6.1p (previously 4.0p) and the dividend per share increased 3% to 1.2p.

Commenting on the outlook, Barry Roberts, Chief Executive, said: *"The second half of the year has started with a strong contract base and good prospects for further wins in IT Support and Business Continuity. The IT Solutions business continues to be monitored to ensure that it will operate profitably in the current market conditions".*

ICM Computer Group	Turnover £m		
Six months to 31st Dec.	**H1 04**	**H1 03**	**Change**
Disaster Recovery	5.7	4.5	27%
IT Support	15.3	13.6	13%
IT Solutions	15.3	20.5	–25%
TOTAL	**36.3**	**38.6**	**–6%**

Comment: We spoke with Barry Roberts, who explained that the emphasis on deriving profits from more *"predictable contracted revenue"* continues to underpin ICM's performance. 81% of ICM's gross profit margins are now derived from long-term contracted revenues (up from 76% at the year end), and forward visibility just keeps getting better - committed revenues in H2 stand at £22.4m, up 38% on this time last year.

But it's not all plain sailing for ICM. Their Solutions business, which accounted for more than 50% of revenues in H1 03, suffered a 25% decline to £15.3m. Admittedly, H1 03 was a particularly strong comparative period, but ICM commented that they continued to face *'volatility'* and *'lack of predictability'*. The group has made further headcount reductions, and whilst Roberts reports initial signs of stability (and even robust demand in areas such as storage and IP telephony) he is cautious about the outlook for solutions.

Elsewhere in the business, good progress is being made. Support revenues rose 13% to £15.3m (assisted by one month's contribution from ITM Support Services, acquired in December), and BC stormed ahead with 27% growth to £5.7m (all organic).

With an increasing proportion of revenues, and profits derived from its support and BC activities, Roberts has justification when he says that the company is well placed to deliver 'good results'. *(Heather Brice)*

-6%
115p

SYSTEMS UNION REPORTS 'MOST SATISFACTORY' FY03 RESULTS

Systems Union, provider of financial management and business intelligence (BI) software, has announced results for the year to 31st December 2003. Total turnover is up 5.1% to £78.4m, however existing operations experienced a 7.1% decline. Both operating profit and PBT are heading in the right direction, with OP up c35% to £5.1m, and PBT up c42% to £6.1m. Fully diluted EPS has improved from 3.7p to 5.3p, and the company announced the payment of an inaugural dividend of 1p.

Commenting on the results, Bob Morton (Chairman) said: *"With the improving profitability of the existing Financial Management Division and the addition of our new Business Intelligence Division, created by the acquisition of MIS, the Group now has a very solid and comprehensive base on which to grow. We are optimistic about our prospects for the future and expect the year ahead to reflect the impact of the enlarged Group will have in our marketplace."*

Comment: This is an excellent set of results from Systems Union. Admittedly revenues from the company's existing Financial Management division declined 7%, but underlying profits and margins have been boosted. Cash flow

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also improved, with cash inflow from operating activities up c56% to £7.9m.

Systems Union reported double-digit growth in its maintenance and professional services revenues, up 12.5% and 15.8% respectively, which combined means that the company is now generating close to 70% of its revenues from services.

Systems Union FYE: 31st December	Turnover £m		
	2003	2002	Change
Licences	24.0	26.7	–10.2%
Maintenance	35.7	31.7	12.5%
Professional services	18.8	16.2	15.8%
TOTAL	**78.4**	**74.6**	**5.1%**

The four acquisitions completed during H2, consolidate Systems Union's presence overseas and take the company into the growing BI market. CEO Paul Coleman is right not to be complacent, but with the key financials all heading in the right direction, Systems Union's future looks good. Investors will also be pleased to see the introduction of a maiden dividend. *(Heather Brice)*

-19%
116p

Spring

SPRING BUILDS 'FIRM FOUNDATION' FOR 2004

This month **Spring** revealed a complicated set of annual results for the year to 31st Dec. 2003 – a year when the company sold off its IT training business and became completely focused on its core recruitment operations. Total revenues were up by 23% to £360.2m and by 9% on an organic basis. Turnover from the ongoing business was up by 12% to £308.9m (i.e. excluding the acquisition of Best International and the disposal of Spring IT Training).

Spring Group FYE: 31st December	Turnover £m		
	2003	2002	Change
IT Personnel	97.3	198.8	–51.1%
Spring Corporate Accounts	124.4	n/a	n/a
Best Contract Services	28.6	n/a	n/a
Best Recruitment	3.9	n/a	n/a
ITP & Best (subtotal)	**254.2**	**198.8**	**27.9%**
Triage	28.7	16.2	77.2%
IT Solutions	8.5	8.4	1.2%
Spring Technology Staffing Services (subtotal)	**291.4**	**223.4**	**30.4%**
Spring Personnel	56.5	53.1	6.4%
IT Training	11.8	16.5	–28.5%
hy-phen	0.5	0.3	66.7%
TOTAL	**360.2**	**293.3**	**22.8%**

Before operating losses of £1.7m on discontinued operations, goodwill and amortisation (£1.3m) and exceptional items (£5.9m), Spring made an operating profit of £95K. However after goodwill and exceptionals, the operating loss was £7.1m compared to £10.3m in 2002. With the divested IT training operations making a loss to the tune of £3.4m, the operating loss on continuing operations was £3.7m.

At the bottom line, after a non-cash loss on the disposal of the IT training business of £12.6m (primarily resulting from the 'recycling' of £10.5m of goodwill), the total pre-tax loss was £18.9m (2002: £9.1m). Diluted loss per share was 12.92p (2002: 6.08p). Richard Barfield, CEO, commented, *"We have a firm foundation from which to start 2004, with record contractor numbers. Our markets are showing tentative signs of improvement and Spring is well positioned to take advantage should the current market upturn be sustained".*

Comment: Once again, Spring has released a complex set of annual results that take some digesting. Despite the headline losses, we believe the upshot is that Spring's underlying business is growing and profitable and that it is well positioned to strengthen its leading position in the UK IT staff agency (ITSA) market in 2004. During 2003, the management successfully re-focused Spring on its core recruitment business, integrating the Best acquisition and divesting of the loss-making IT training business. As a result, its second half performance gives the best indication of how the business is doing.

And Spring's performance in the second half of 2003 was encouraging, even allowing for seasonal trends (Spring's second half is typically stronger than the first). Comparing H103 with H102, for example, revenues at Spring Technology Staffing Solutions (STSS) – the new name for the Best, Triage and IT solutions businesses – were 62% higher overall at £179.9m (26% higher on an organic basis). Similarly operating profits from continuing ops (pre-nasty bits) at STSS were £4.5m in H203, up from just £0.2m in the first half.

Spring is also taking market share from its competitors. The number of IT contractors on its books increased by 93% between Jan. 03 and Feb. 04 to 5,515 (an amazing 62% organic growth).

What is more it achieved this

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growth against a market that was declining for at least nine months in 2003. Today it believes it has a 9–10% share of the UK IT contractor market based on the number of contractors on billing.

But at Spring's analyst briefing Richard Barfield went out of his way to paint a balanced picture of the company's performance and remained prudently cautious on the outlook. *"We will not allow the market to talk us into being too bullish"* he said, confirming that any 'recovery' in the ITSA market is in the early stages and is still restricted to patches of the contractor market. While fee rates are up slightly (by c4%) across the ITSA business, the picture is again mixed with certain skill-sets in demand and others not. Margins in the Corporate Accounts (the PSA – preferred supplier agreement – business) remain under pressure but we were pleased to hear they are flat rather than falling.

However, there are still no signs of a pick-up in the permanent recruitment market, which typically lags behind the contractor market by 6–9 months (hence the troubles at PSD, which is more exposed to the permanent market). As a result, it is still too early to say whether the 'uptick' in the ITSA market as a whole is sustainable.

Nevertheless, the outlook for Spring in FY04 is very promising with all areas of the business forecast to show double-digit growth in revenues and improving profitability. Total revenues for the next year are forecast (by the company) to be c£420m with operating profits running at c6–8%. We're pleased to say Spring's fledgling managed services business hy-phen is also likely to get into run-rate profitability in 2004 with forecast revenues of c£2m (compared to £0.5m in 2003). 2004 could also herald more corporate activity from Spring, which is on the lookout for further suitable acquisitions in both its technology and non-technology businesses.

(Tola Sargeant/Georgina O'Toole)

1%
53.5p
Marlborough Stirling

MARLBOROUGH STIRLING GETS BACK TO PROFITABILITY

Finance sector-focused player **Marlborough Stirling** unveiled its results for the year to end of December 2003. Revenues were down 5% to £114.6m, compared to £121.0m in 2002. Despite the lower turnover, operating losses from continuing operations were flat at £1.2m. The company also managed to make a PBT of £2.5m, thanks to profits from sales of subsidiaries and increasing valuations of investments. This compares favourably to the £34m loss before tax registered in 2002. EPS was 0.6p, compared to a 2002 loss per share of 20p.

Chairman and Chief Executive Huw Evans was pleased with progress and assured in his outlook: *"During 2003, we have re-focused the momentum of Marlborough Stirling...Improving levels of new business activity mean that we are increasingly confident that our solutions have a key role to play in the transformation of UK financial services to a truly competitive, consumer focused and efficient market."*

Comment: This all looks a whole lot better than it did a year ago. Marlborough Stirling deserves credit for not just surviving the difficulties of 2002 but actually emerging as a more robust player with a strengthening balance sheet and a viable long-term position in the finance sector market.

In essence, the company has managed to diversify from its software and consultancy base into two key areas that offer good prospects. The first of these is business process outsourcing (BPO) in the life/pensions/investments and mortgage sectors. In 2003, Marlborough Stirling's revenues from outsourcing grew by 10% to £52.0m (or 45% of the total). The flagship client in this area – and the one that really launched the company as a finance sector outsourcer back in early 2002 – remains Sun Life Financial of Canada, whose contract has grown to a current value of £150m over 7 years.

The second area showing growth is Marlborough Stirling's Exweb portal service for financial intermediaries. Revenues here grew by 3% to £16.2m in 2003. The company also announced during the month that it had signed a 10-year deal in which Exweb will support Royal Liver Assurance's new IFA business. This £25m contract also blends in Marlborough Stirling's BPO capability, as the company will deliver policy, underwriting and claims administration services to Royal Liver.

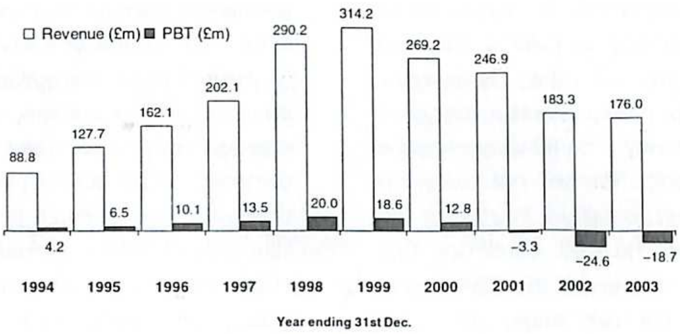
We can't predict entirely plain sailing ahead for Marlborough Stirling, not least because competition in the UK finance sector market remains intense. In the BPO area alone, Marlborough Stirling will continue to come up against no lesser names than Capita, Unisys and Liberata, not to mention other arrivals like EDS, Accenture and CSC. Nonetheless, there is enough evidence of financial stability and long-term strategic strength in the company's current position to give Marlborough Stirling's incoming CEO, Michael O'Leary, plenty of cause for optimism. *(Phil Codling)*

-12%
11.5p
PARITY

PARITY TO FOCUS ON REVENUE GROWTH IN 2004

Solutions, training and staffing company, **Parity** announced full year results to 31st Dec. 2003 revealing a move back into operating profit (just) on continuing operations. Last year's operating loss from continuing operations (before goodwill and exceptionals) of £1.9m is now a profit of £546K on revenues down 2% to £174m. At the pre-tax level, total losses have reduced from £24.3m to £18.7m (including a £12.2m charge relating to the closure of its Dutch business). Loss per share was 7.7p compared with a loss of 12.9p last year.

Parity Group plc
10 year Revenue & PBT Record
From 1994



Results from Parity's continuing operations (i.e. excluding the Dutch subsidiary Parity Solutions BV that was closed in Jun. 03) were as follows:

- Business Solutions reported operating profits (pre-exceptionals and goodwill) of £1.5m (+29%) on revenues that were down 11% at £23.5m
- Training increased operating profits from £65K to £1.4m on revenues that were 7% lower at £25.3m
- Resourcing Solutions turned last year's £227K operating loss into a £1.3m profit and grew revenues by 7% to £107.5m
- The Americas business (which combines solutions, training and staffing) recovered from first half operating losses to breakeven for the year as a whole on revenues that were 23% lower at £17.6m.

Non-executive Chairman, Bill Cockburn said that UK and mainland European markets appear to be stabilising. He added that the company's sales pipeline is *"stronger than it has been at any time over the past three years"*.

Comment: Parity has cut overhead costs by over 35% in the past three years, enabling it to move into operating profitability on continuing operations despite continued declines in revenue. It can't continue with this particular trick – something CEO Ian Miller freely admitted at the company's analyst briefing. Miller and his team are conscious that now the only way to deliver more profits is to grow revenues. As a result, the focus for 2004 is revenue growth with continued careful cash and cost management. No one is saying this will be easy, but the good news is that Parity is now highly operationally geared and any increases in revenue will fall straight through to the bottom line.

In this context, we were pleased to see Parity announce several contract wins and new preferred supplier agreements. These included contract extensions with British American Tobacco (£1.4m/2yr applications management deal) and HBOS (an 18-month e-learning contract) as well as preferred staffing supplier status at the DWP, Marks and Spencer, BT Group, BT Syntegra and T-Systems. Of course Parity is just one of several preferred suppliers and these agreements don't guarantee that any revenue will follow. But they do give Parity good reason to feel 'more secure' going into 2004, particularly given the BT Group's recent success in the NHS' c£6bn IT procurement.

If it is to grow revenues (and therefore profits) Parity will have to continue the work it has started: to get its business units working more closely together and increasingly cross-selling services; to increase the proportion of longer-term managed services contracts and to increase collaboration between the regions.

In fact, Parity's US operations are a key differentiator for it at the moment because most of its UK rivals have retrenched from the North American market over the last few years. Although Parity might not be able to compete with the US giants outright, its position in the US market enables it to offer a 'global' service to its multi-national clients.

The UK's leading ITSA, Spring, which does not have a North American presence at present, also said this month that its customers are demanding a global solution. Spring's CEO Richard Barfield told us he thinks the potential in the US is *'very significant'* and that not to have a position in the market would put Spring at a disadvantage. As a result, he is considering an acquisition in the US. In other words, Parity needs to capitalise on this advantage while it can and be prepared for increasing competition from larger UK rivals.

(Tola Sargeant/Kate Hanaghan)

-14%
88.5p

HARVEY NASH

HARVEY NASH POINTS TO 'RECOVERY' IN UK MARKET

Harvey Nash has released results for the year to 31st January 2004. The headlines include:

• Turnover was down by 16.5% to £130.9m. Organically turnover declined by 17.2%. However turnover increased by 3.5% in the second half of the year compared to the first half.

• All divisions returned to profitability at the operating level (before goodwill amortisation). Operating profit before goodwill amortisation of £2.1m (2002: £2.0m) and exceptional items of £3.5m (2003: £5.6m) was up 70% to £2.0m.

• At the bottom line, the pre-tax loss was £4.5m compared to a loss of £7.5m in 2003. Diluted loss per share was 8.75p compared to 14.91p a year earlier.

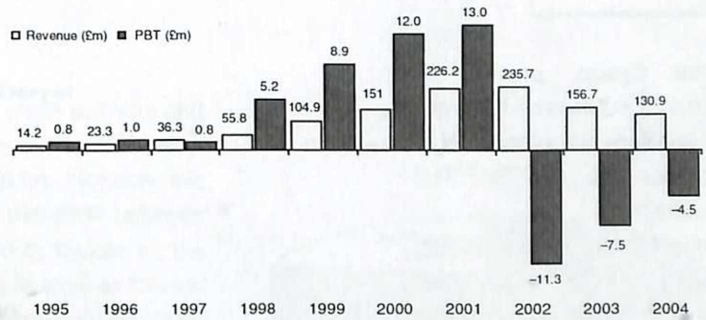
• The restructuring that took place across Europe and Asia-Pacific has reduced the fixed cost infrastructure and meant that Europe remained profitable (before goodwill amortisation), while losses were eliminated in Asia-Pacific after the Hong Kong business was sold and the Sydney office closed. Europe remains a 'challenging' market.

• Turnover in the UK was down 17.6% to £70.1m while US revenues fell 5.7%. The good news is that Harvey Nash sees the recovery in these markets continuing. In addition the UK achieved an operating profit before goodwill amortisation of £1.1m compared to a loss of £344K in 2003.

David Higgins, Chief Executive, commented: *"The investment in the Harvey Nash brand and our unique portfolio of services has created a positive momentum in the business and we are now well positioned for future growth"*.

Comment: Harvey Nash has fared better than some of its ITSA rivals because of the diversity of the services it offers and the geographies it covers. Its business mix is currently 90% Resourcing Services (which includes contractor recruitment, permanent file search, offshore development & project and resource management) and 10% Consulting Services (which comprises International Executive Search & Selection, Interim Management and HR Consulting Services). This mix enables it to use cash generated by the Consulting business to provide working capital for the Resourcing business, which tends to consume cash as contractor numbers pick up. We were pleased to see that as a result, it has been able to reduce its net debt to just £4.8m from £5.6m on 31st January 2003 (and £21.5m the year before).

Harvey Nash Group plc
10 year Revenue and PBT Record
Relative to 1995



As far as geographies are concerned, Harvey Nash reports demand is increasing in the US and UK but remains weak in Europe. The US, where Harvey Nash made several acquisitions during the year, looks to hold the most promise for it at the moment. According to David Higgins, CEO, a 15% increase in business investment in the US in Q4 stimulated spending on IT, leading to 47% organic growth in the number of IT contractors on placement.

The Resourcing Services Division also appears to have done well in the UK having realigned its different services under one management team and brand, Harvey Nash IT. In contrast to many of its peers in the UK market, Harvey Nash even managed to grow revenues at its permanent recruitment division (by 11%) suggesting it is taking market share. The number of temporary IT contractors working at client sites in the UK has also increased (up 5% by the year-end). But – and it's a big BUT – as far as Harvey Nash is concerned, the key factor in winning new business from large users of IT contractors is still price.

FD Albert Ellis confirmed margins remain under pressure in the UK. What is more, he is not anticipating any real improvement in margins over the next 12 months. It is only by reducing the cost of sale that Harvey Nash has managed to keep gross margins at 20% (2003: 21%) despite a 19% drop in UK Resourcing revenues to £59.2m. Pricing and margin pressure are also rampant in Europe, where the number of IT contractors on placement fell by 7% during 2003, but turnover from Resourcing fell by 15% to £51.5m.

(Tola Sargeant/Georgina O'Toole)

4%
38.5p

STATPRO REAPS REWARDS OF NICHE FOCUS

Provider of investment portfolio analytics solutions, **Statpro**, released its results for the year to end of December 2003. Revenues were up by 17% to £8.4m. Operating profits were £0.33m, compared to a £1.9m loss in 2002. PBT was £146K, compared to a £2.4m loss in 2002. EPS was 0.6p (loss per share of 7.3p in 2002).

Comment: AIM-listed Statpro is managing to grow thanks to a well-defined focus – in its case on analytics for the asset management industry. The fruits of its cost cutting programme can also be seen. This is the first time the company has reported a full-year profit before tax and it's now been cash flow positive for 18 months. All in all, this is one small company that looks well placed to continue to grow in its chosen niche, not just in the UK but also in the other dozen or so countries where it sells. Indeed, we wouldn't be surprised to see Statpro pick up the odd small acquisition, following its purchase of 51% of RiskMap Srl (Italy) last October. Or maybe the company could itself be a target for a larger player looking to boost its asset management solution capability? *(Phil Codling)*

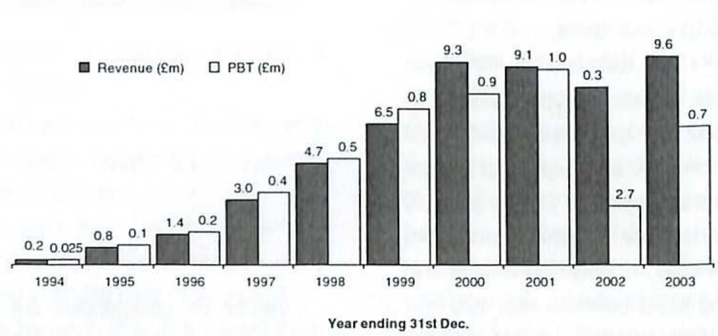
4%
136p

TIKIT CONTINUES PROFITABILITY MARCH

Tikit Group, provider of consultancy, services and software to UK law firms has announced its results for the year to 31st December 2003.

Revenues are up 16% to £9.5m, operating profits more than doubled to £654K with profits at the pre-tax level improving similarly to £713K. Diluted EPS is up from 1.3p last year to 2.9p.

Tikit
10 year Revenue and PBT Record
Relative to 1994



Comment: By continuing to focus on the larger law firms (over the year, Tikit has worked with nine of the top ten players), the company has carved out a nice niche for itself. Growth has come from its Consultancy and Services businesses, which between them have racked up a 25% increase in sales on last year to £5.7m.

The challenge for the coming year is to grow existing business – something the company is very confident it will be able to do. Indeed, it has its sights set further afield on Europe. And, there's evidence it is starting to replicate its winning streak on the mainland with contracts with two of Spain's top three law firms already under its belt.

More than 90% of sales through its Services business is recurring revenue from support contracts. At £2.57m, that represents a healthy 27% of total revenues. With the promise of strong organic growth for the current year as well as a desire to acquire or partner, Tikit's prospects look good in the short and longer term. *(Kate Hanaghan)*

-16%
13.5p

RETAIL DECISIONS ANNOUNCES MAIDEN PBT FOR 2003

Retail Decisions, a supplier of payment card fraud prevention systems and transaction processing services has announced its results for the year to 31st Dec. 2003. Turnover from continuing operations is up 9% to £30.2m. The company moved from operating losses of £8.8m to profits of £3.4m and made its first ever profit before tax moving from losses of £9.4m to profits just shy of £3m. A loss per share of 3.64p has become an EPS of 0.50p.

Chairman, Nigel Whittaker said: *"This year has been one of reorganisation and consolidation at ReD, a year during which we completed the integration of the*

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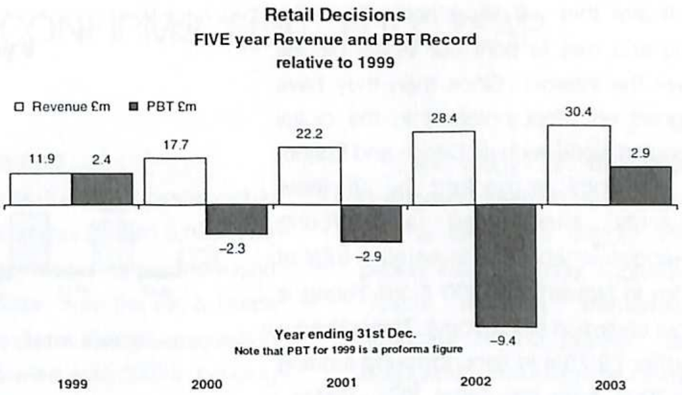
businesses we had acquired in the preceding two years. With respect to the current year, trading has begun well and is in line with management's expectations."

Comment: Despite improvements in operating efficiencies, the real driving force behind RD's increase in turnover is a 21% increase in sales at its Australian business. In part, this improvement was down to higher fuel prices in Australia as a result of the war in Iraq.

Going forward into 2004, the company expects its flagship fraud prevention service, ebitGuard, to turn in increasing sales. In 2003, it saw a 168% increase in transactions processed by the service, which bodes well. We do hope that this will bring some stability to the Group's revenues and maintain its newfound profitability.



Shares in the company were down 16% to 13.5p at the end of the month.

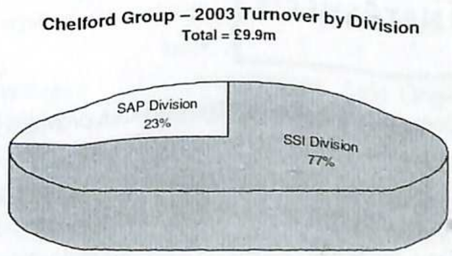
(Kate Hanaghan)

-10%
2p

CHELFORD GROUP BATTLES ON

Chelford Group, provider of IT supply chain software and services, has announced results for the year to 31st December 2003. Total turnover increased by 35% to £9.9m. However, this included a full year's contribution from the SAP business (Cleves Solutions) acquired in December 2002. Results for the SAP business and the continuing SSI business were as follows:

- The SSI division (supply chain software) saw revenues increase 6% to £7.6m. It also managed to turn in an operating profit of £556K (2002: £13K) before reorganisation costs of £9K (2002: £113K).
- The SAP division (value-added reseller of SAP software) reported revenues of £2.3m. However, it made a loss for the year (before reorganisation costs) or £73K. The second half of the year was in contrast to the first and saw the business turn in a pre-goodwill amortisation profit.



The Group as a whole made an operating loss of £442K after goodwill amortisation of £725K and a pre-tax loss of £373K (2002: £1,025K). Diluted loss per share was 0.03p (2002: 0.16p).

William Birkett, Chairman, commented, *"In 2004 we expect markets to continue to be demanding, although decision cycles are shortening and confidence is improving. There are good opportunities within our customer base and the Group is strongly positioned to win new business in target markets".*

Comment: Our opinion on 'British battler' Chelford hasn't changed much since we last wrote about them. Its main issue remains scale. If it is to succeed in fending off competition in the mid-market it will need to grow fast. However, given its size and access to funds, acquisition opportunities will be limited. Organically, Chelford's future rests on its ability to capitalise on its position as a provider of SAP solutions and services to the mid-market. *(Georgina O'Toole)*

-21%
131p

PIXOLOGY SNAPS GROWTH ON DIGITAL CAMERA BOOM

Guildford-based digital imaging software company **Pixology** saw revenues jump 63% to £2.53m in its maiden results since listing on AIM in Dec. 03.

Operating losses widened a tad to £1.92m but pre-tax losses held basically steady at the same level. Loss per share improved from (-)17p to (-)12.7p. Pixology CEO Yuval Yashiv looks forward to an *"exciting year"* in 2004.

Comment: Pixology first came to our notice back in Oct. 01 when they scored a deal with Microsoft and UK photographic retailer Jessops to supply

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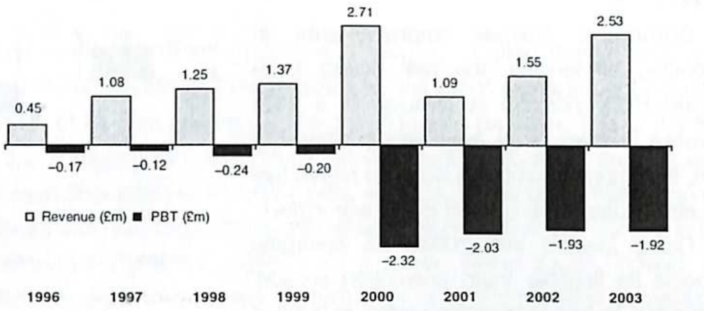
software that will allow consumers (i.e. you and me) to print our digital piccies over the internet. Since then they have signed up other notables in the digital imaging world such as Canon and Epson.

Pixology is backed by 3i (now majority shareholder) and Young Associates, who had invested a total of £5m in November 2000 (Lord Young is now chairman of Pixology). They raised a further £3.75m in second-round funding in 2002 from the same VCs. Pixilogy went on to list on AIM in Dec. 03 at 140p, raising another £8m in a placing that valued the company at around £28m. Now there's a vote of confidence for you!

Pixology
8 year Revenue & PBT Record
relative to 1996



Year ending 30th June till 1999, then 31st Dec. from 2000

While it's obvious that Pixology are pitching themselves against the giants of the photographic industry like Kodak and Fuji, they seem to be able play David against those Goliaths. Undoubtedly digital imaging is an explosive market so there's got to be room for the Pixologys of this world. But how long might it be before one of the Goliaths decides that it's time for lunch?

Pixology was founded in 1987 and is still headed by Israeli hardware engineer Yuval Yashiv. They have yet to make a profit. Pixology's share price ended the month at 131p. *(Anthony Miller)*

−2%
51.5p
NETBENEFIT

NETBENEFIT SWINGS INTO PROFITS

Domain name and hosting services provider **NetBenefit** has announced its results for the six months to 31st December 2003 with turnover up 26% to £3.5m and a return to profit at the operating level of £88K. Last year's LBT of £303K is now a profit of £105K. Diluted EPS is 0.6p compared to a loss of 1.9p in the comparable period last year.

FD, Paul Owens, has left the company and Raj Nagevadia is currently filling in. Owens' position on the board has not been replaced at present.

CEO, Geoff Wicks said: *"The Company's improved financial position and potential for cash generation will allow it to invest at a faster rate for organic growth or to look for acquisitions that will complement the business."*

Comment: With revenues and profits coming in 'ahead of expectations', NetBenefit can feel pleased with this first half performance. Much of the improvement in sales is down to its Platinum product, which manages portfolios of domain names. It saw contracted annualised revenues double to £2m, with most of these sales coming through new customers. For the current financial year, growth looks set to continue.

With general 'signs of improvement' in the domain name market coupled with a strategic focus on higher value managed services, NetBenefit has a good chance of maintaining its profitability. *(Kate Hanaghan)*

−2%
592p
staffware.

STAFFWARE REAPS BPM DIVIDEND

Staffware has announced its preliminary results for 2003.

Revenues were up 9% to £42.7 million, due to a 41% increase in support fees (to £12.8 million). New licence sales were almost flat at £21.9 million. PBT was up 35% to £3.5 million and profit after tax up 38% to £2.2 million.

Comment: A pretty good year for Staffware. The current renewed emphasis on Business Process Management, cross-functional process improvement and the like, in industries like finance, has clearly helped its case. Average order size is up 10% to over £100,000. However the lack of growth in new licences is a little troubling. Admittedly adverse currency shifts will not have helped – 14% of sales are to the Americas. Deferred revenue is up 19%, which bodes well for 2004. We believe that the popularity of BPM in the market will continue for some time to come, so we expect Staffware to continue to show solid results in 2004. But we'll be watching carefully for growth in new licence sales. *(Philip Carnelley)*

ATOS ORIGIN CONFIRMS 'FLAT' FULL YEAR RESULTS ...

...and bemoans barren NHS partnership with IBM

Atos Origin has confirmed its preliminary results for 2003 previewed in January, reporting flat (well, -0.3% down actually) revenues of euro 3,035m for the year ended 31st Dec. 03. At constant exchange rates revenues increased by 1.8%. These results include a full year's contribution from the UK & Dutch bits of KPMG Consulting, but nothing of course from 'Sema' (acquisition completed at the end of Jan 04). Operating profits were euro 248m, bringing margins down from 8.7% to 8.2%. Atos Origin recorded a net loss of euro 169m, including a euro 225m goodwill write-down for the KPMGC operations in the UK. Net debt fell to euro 266m, *'significantly lower than our original target'*.

Within the lines of service, all the revenue increase due to the acquired bits of KPMG-C was wiped out by the fall in consulting & SI business overall. Atos Origin reported *'continuing pressure on prices'* for C&SI, but this eased in H2. Managed Operations were *'broadly unchanged'*, and volume declines have *'levelled off and are now improving slightly'*.

Atos Origin also confirmed that the bits of Sema they acquired turned over euro 2.37bn in 2003, at an operating margin of 3.1%. Audited results will be complete in the next few weeks. The integration process will be accelerated and the company expects total operating margins of the combined operation *'to exceed 7%'* in 2004 compared to 6% pro forma in 2003. This will be against 'stable' revenues.

Comment: As Atos Origin had presaged these results earlier in the year there are no real surprises. Their top-line results are about par for the European IT services market, which we estimate fell by about 1% in 2003. However, if, as they expect, they do not grow in 2004, then they will lose share as we are forecasting some 3% market growth this year. The fact they have had to take a euro 225m hit on the UK operations of KPMG-C shows what a parlous state the local consulting & SI market is in – and no surprises there, of course. But it's Managed Operations (i.e. outsourcing and managed services) that is the key, and their performance is well below par. Indeed we are expecting the European outsourcing market to grow by nearly 10% in 2004. So this is going to be a watershed year for this new powerhouse in the European IT services market – a year where they are really going to have to lift their game.

Meanwhile, Atos Origin CEO Bernard Bourigeaud expressed his disappointment on the consortium Atos had formed with IBM to bid for a share of the NHS IT pie. *"Well, when you form an alliance with IBM, the world's largest IT company, you can expect you are going to win something"*. Instead Atos incurred £4m in costs related to bidding and came away empty handed.

Like many of his peers, Bourigeaud believes the reasons for this failure are twofold. First, pricing was extremely aggressive. *"There was a tremendous bouncing in the pricing"*, said Bourigeaud. In addition, he claimed that the terms and conditions of the contracts were so onerous that Atos preferred to withdraw. Bourigeaud gave examples of having to build cumulative negative cashflows or to accept claw-back clauses whereby the company's liability could be heavily drawn on. Xavier Flinois who is responsible for Atos' operations in the UK, Americas and Asia-Pacific regions (and that's not all!) confirmed the NHS contracting conditions were 'steep'.

Nonetheless, Atos Origin did get some NHS business as a result of its acquisition of Sema, which won the c£64m/five-year e-booking contract. Meanwhile, Atos Origin is now actively pursuing subcontracting opportunities within the main contracts. Indeed, Bourigeaud believes there will be a lack of qualified resources to serve the large UK healthcare contracts. We think he may be right – and could be in a strong position to lend a hand, but on his own terms!

(Anthony Miller/François Dauriat)

THE NEW DELOITTE: FINDING STRATEGIC DIRECTION

Last month we met with EMEA Partners at the 'new' **Deloitte** to learn more about which 'strategic direction' the $6bn Consulting business is taking after the planned separation from its tax and audit parent company was aborted last year.

At its European Analyst Summit in London, Deloitte went out of its way to show that the former Deloitte Consulting business has now been fully integrated with the firm's other consulting business and is working more closely with its tax and audit teams. A host of partners from around the world spelt out the new Group's strategy for winning market share and played down the disadvantage the Consulting business faces thanks to the Sarbanes-Oxley Act.

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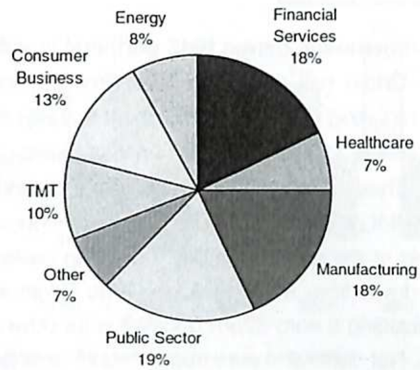
The Outsourcing balancing act

The message Deloitte is trying to get out is a challenging one. It's trying to strike a delicate balance between Consultant on the one hand and Outsourcer on the other. But it is not seeking a middle ground. Rather, it is positioning itself as a CxO advisor who recognises that outsourcing has an important place in the 'armoury of solutions' and who wants to make it available to clients when, and only when, it is appropriate.

Relative to the IBMs and Accentures of this world, Deloitte is positioning itself as a trusted advisor with a degree of independence – it won't turn up on your doorstep offering business-led consulting just because it can smell an outsourcing opportunity. It is betting on the fact that in the long run Accenture et al will be known only as outsourcers not consultants.

Deloitte - EMEA Consulting & Advisory Revenue by Industry FY03 (Total = $2.11bn)



At the same time, to differentiate itself from other high-end consultants like McKinsey, Deloitte is stressing its ability to execute on the advice it gives...which means that outsourcing is key to its position going forward.

But Deloitte rightly recognises that outsourcing, which accounted for just 4% (c$85m) of EMEA revenues in FY03, is not its forte. Although it plans to build on its outsourcing capacity in some areas (mainly AMO), it hopes to fill the large gaps (notably ITO and most BPO) with the help of one or more alliance partners.

Ultimately its success will depend on who these partners are; how well it manages to cement the alliance relationship/s and, most importantly, whether it can convince clients that its relative independence really does differentiate it from the likes of IBM and Accenture who offer a true one-stop-shop for design, build & run solutions.

To our minds, Deloitte's real strength in consulting is its ability to offer a solution that also draws on its skills in tax and even audit. Deloitte claims, for example, that all of its current ERP projects involve tax, regulatory and risk-management skills as well as IT expertise. Regardless of its position on outsourcing, Deloitte should make more of this key asset.

Playing down Sarbanes-Oxley

Although Sarbanes-Oxley restricts the Consulting business from working with most of the Group's audit clients, Deloitte claims it can still target at least 80% of the market. It is also true that in its mature markets (which include the US and UK), audit only brings in 20-25% of Deloitte's revenue. Nevertheless, there will be occasions when the consulting practice will find the fact that it can't work with Deloitte audit clients very frustrating. We understand, for example, that the consulting business was one of CSC's partners for the c£6bn National Programme for IT in the NHS, but it was forced to pull out of the alliance when the Braxton spin-off didn't happen because CSC is also a Deloitte audit client.

UK Consulting business 'flat'

Deloitte also provided some more clarity on its FY03 numbers. In the year to end May '03, Consulting and Advisory – which includes Strategy & Operations, Finance, Technology, Enterprise Apps, Human Capital, Risk Management and Outsourcing - brought in 41% of the integrated business' global revenue, or $6.1bn.

Within EMEA, the UK is by far the biggest market for its Consulting & Advisory practice with revenues of $815m in FY03 (basically flat year on year). FY04 consulting revenues are also expected to be flat – a quiet few months at the beginning of year have been followed by strong performances from the public sector, TMT and financial services. *(Tola Sargeant)*

-16%
256p
logicaCMG

LOGICACMG IN FY03: A MIXED BAG BUT PLENTY OF POSITIVE MESSAGES

LogicaCMG has reported results at the top end of market expectations for its first full year as a merged company. For the company as a whole, turnover was down 6.4% (down 9.8% at constant currency) compared to 2002 at £1,706.6m (all numbers have been restated in light of FSA accounting standard changes). The operating profit before goodwill amortisation and impairment fell by a similar % to £111.2m resulting in a stable operating margin of 6.5%. At the bottom line the pre-tax loss was £33.0m (including restructuring costs of £108.7m) compared to £733.9m (including £444.6m of goodwill impairment) in 2002. Loss per share was 6.3p

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compared to 102.9p a year earlier.

However, as is always the case with LogicaCMG, the performance 'below the surface' is what really counts...rarely did Logica alone manage to 'fire on all cylinders' and 2003 was no exception for the combined company. Most noticeable is the disparate performance across the geographies:

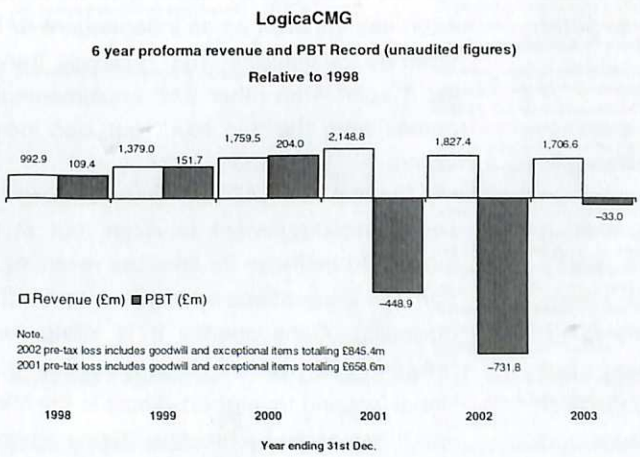
LogicaCMG plc FYE: 31st December	Turnover £m 2003	2002	Change	% growth at constant currency	% growh H1 on H2
United Kingdom	660.7	671.4	-1.6%	-1.6%	5.6%
Benelux	385.2	416.4	-7.5%	-15.4%	-2.9%
Germany	115.9	132.8	-12.7%	-20.2%	-14.6%
France	105.5	99.3	6.2%	-2.8%	-5.7%
Rest of Europe	44.2	51.6	-14.3%	-22.2%	-15.8%
Rest of World	116.6	121.0	-3.6%	6.3%	-7.3%
IT SERVICES	1,428.1	1,492.5	-4.3%	-7.7%	-1.1%
WIRELESS NETWORKS	278.5	330.8	-15.8%	-19.1%	7.1%
TOTAL	1,706.6	1,823.3	-6.4%	-9.8%	0.2%

• Turnover in the UK – 40% of the business – was down by 1.6% to £660.7m for the year as a whole. But things were looking brighter in the second half of 2003 with turnover up 5.6% sequentially. Operating margins also improved – as the business continued to benefit from the effects of the merger (up from 10.1% to 10.9%).

• The second largest geography – Benelux – also saw an improvement in H2 with demand in the Netherlands stabilising. Turnover year-on-year was down 7.5% to £385.2m. But H2-on-H1 the decline was less steep at 2.9%.

• Across the other geographies, it's a similar story with market conditions generally looking up. However, it's Germany that needs the most therapy... and that's what it's getting. Turnover declined by 12.7% year-on-year, with a worse performance in H2. The remedy? A new CEO and FD are in place, the sales capability is being strengthened, and the integration of previous acquisitions is high on the agenda. But they're still struggling with tough market conditions – and the financial services marketplace is particularly problematic.

Looking at the UK in more detail, the public sector continues to be the shining star – so that it now accounts for 42% of the UK business. It grew 17.8% on the year and after success at UCLH and on the NHS National Care Records project (with BT); progress certainly wasn't slowing in the second half. In our opinion there's plenty more opportunity in this vertical going forward. The financial services marketplace is also worthy of mention. A 35.4% year-on-year decline looks pretty dire. However, the company claims things are looking up. With a focus on its regulatory reporting and risk management offering, the sector returned to profitability in the second half and the pipeline and prospect base strengthened. We're definitely seeing more interest for software and IT services in this sector. However, much of the demand in 2003 was for bulk infrastructure outsourcing, whereas LogicaCMG is focusing more on higher value outsourcing, e.g. application outsourcing or business process outsourcing. As a result, it is likely to benefit from the 'next wave' of demand in financial services i.e. once the clients and potential clients have finished rationalising their infrastructure. Other verticals in the UK saw small declines year-on-year but all are seeing 'signs of improvement'. Across the company, CE, Martin Read and his team have got some pretty positive tales to tell:



• The post-merger restructuring and integration is almost complete and has been achieved within the estimated costs.

• They are moving towards their aim of 30% of revenues attributable to outsourcing – 20% of revenues were from outsourcing in 2003 and 28% of orders were for long-term outsourcing contracts. More importantly Read claims that margins are not suffering as a result, as the company is focused on high value outsourcing (i.e. where vertical expertise is required) as opposed to homogenous infrastructure outsourcing.

• The company also plans to return to growth in 2004. In terms of profitability IT services margins were showing signs of improvement in H2 (up from 6.3% to 8.1%) and the Wireless Networks business also returned to profitability in the second half of the year. All this means that Group margins are expected to reach 15% in the last quarter of 2004.

Now the integration is almost complete, management attention can be focused on making the most of LogicaCMG's strengths in its key markets. LogicaCMG has a lot going for it, but doesn't always manage to turn its 'assets' into strong performance. With demand patchy in all geographies and verticals, matching capabilities to market demand across the board will be crucial in the year ahead. *(Georgina O'Toole)*

-8%
146p

AXON 2003 RESULTS COMMENTARY

Business transformation consultancy, **Axon** has released its results for the year to 31st Dec. 03. The headlines are as follows:

- Turnover is up 16.5% to £50.2m
- Operating profit is up 70% to £3.8m
- PBT is up 62% to £4m
- Gross margin has reduced from 29.8% to 27.5%
- Diluted EPS has increased from 2.7p to 4.6p

Mark Hunter, Chairman and CEO said: *"We have delivered growth in what is an otherwise flat market, and we are confident that we can consolidate the progress made in 2003 and deliver a good performance for 2004."*

10 years of Axon

Axon were born back in 1994 as a SAP consultancy – nothing special about that as there were many others making a very good living on SAP's coat-tails. Indeed, it still seems to be the main industry driver for IT SMEs in Germany. But Axon soon developed outside of SAP – offering consultancy and development around other ERP and CRM platforms. Then it really came into its own with the advent of e-business and B2B in the late 1990s.

I met Mark Hunter getting on for a decade ago too. I'm sure he was still in short trousers then! What I do remember is his incredible energy. He was never happier than when trying to draw diagrams to explain his business to me, on all four of the whiteboards in his office at the same time! I also remember the room full of toys by reception where staff (and maybe customers too!) could 'de-stress'.

Axon was a LSE main market IPO in March 99 at 175p which valued them at £85.4m. The float was on the back of calendar 1998 results when Axon had revenues of £20.0m and PBT of £1.8m.

The Axon 'bubble'

If you want an illustration of the 'bubble' look no further than Axon. By March 2000, Axon shares had hit 2287p valuing them at, wait for it, £1.1 BILLION. Since then the steepness of the slide was something you only normally see at the funfair. At 146p they are STILL at a discount to the 1999 IPO. Axon are still on a P/E of 31.7 and a PSR of 1.51.

When Axon IPOed, our S/ITS index was 5139. Having hit 16000 in March 2000 and a low of 2364 in March 2003, our Index has more than doubled in the last year and is now back to that Apr 99 level. Many would say, with hindsight, that BOTH S/ITS stocks in general AND Axon in particular were too highly valued in Apr 1999. *(Richard Holway)*

Comment: Axon has had a good 10th anniversary year, with turnover up 16.5% and PBT up 62% despite slightly lower margins, good news after 2002 was essentially flat from 2001. The UK accounts for about three-quarters of revenue and almost all growth came from the UK business. By sticking to its knitting and executing effectively, Axon has survived as an independent SAP specialist while others have fallen by the wayside. The 'Business Transformation' tag has helped to set it apart from other SAP implementers. Its competition now mainly comes from the 'big four', but also increasingly from India (primarily Wipro).

The fact that SAP itself is forecasting 10% revenue growth must give some encouragement to Axon, but at the same time SAP itself is looking to increase its services revenues. Axon expects future growth from the applications management part of its business (currently 28% of business). Consequently it is killing two birds with one stone by bolstering its own off-shore capability. It currently has an operation in Dubai (helping to support clients in the Middle East as well as in Europe) and it has signed a heads-of-terms agreement to acquire a south-east Asian operation (for £1m) to bolster its off-shore resources – again both for local work in Asia-Pacific and to help compete in western markets. Details are promised during April. As its margins have been falling – though they are quite respectable – it needs to ensure they do not fall further in the future.

Axon is expecting further growth but – as previously – from taking market share rather than growing markets. It is trying to reduce its dependency on a small number of large contracts – last year 73% of revenue came from just five clients. It says that at present European demand is 'limited, but will return' (Europe is 13% of turnover) and that UK growth will flatten. It sees a lot of potential in the Middle East (it is working in Saudi Arabia and Qatar). It also sees potential in the retail sector – not one traditionally strong for SAP (or its partners) but getting more attractive. Its main challenge going forward will be to maintain its defensive position against all-comers – including SAP itself. *(Philip Carnelley)*

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Auto Data Network Inc (ADN)	DCS Group's subsidiary DCS Automotive	Solutions for the automotive industry	33%	£6.0m	ADN has the option to purchase the remaining shares in DCS Automotive for a further £12m dependent on performance of the business. The option lapses after 31st May 06. The proceeds of the investment will be used to reduce the group's level of borrowings.
Azur Group Ltd	K3 Technology Group's Enterprise Systems Division	ERP solutions for SME manufacturers	100%	£2.55m	Privately-held mid-market ERP services company, Azur Group, paid cash for the business. ESD turned an operating profit of £280K in the year to 31 Dec. 03 and is forecast to turn over £2.6m in 2004, of which about half is recurring maintenance revenue. K3 will use the proceeds for further acquisitions; they took a stake in warehousing and distribution management company, PSE, in Nov. 03.
Betrusted	Baltimore's remaining stake in Baltimore Technologies Japan	e-security solutions and PKI technology	n/a	£2.25m	The sale is part of Baltimore's asset disposal programme and follows the disposal of its core PKI business in Dec.
Bond International Software	EZaccess	Recruitment software	100%	c£2.7m	Bond undertook a placing of 10m shares, at 40p per share, raising up to £4m - net proceeds of the placing were used in part for the acquisition. The EZaccess product claims 90 customers on maintenance contracts in the UK, and c50 in the US, generating revenues of $2.5m in FY03. This is a nice little revenue stream, but Bond also has its eyes on the c250 other US clients who use EZaccess but who do not have a maintenance contract with the company.
Capita	Aon Health Solutions (AHS)	Workplace health risk management	100%	n/a	Aon reported revenues of c£15m in the year to Dec. 03. In the current year the acquisition is expected to be earnings neutral. As part of the deal, Aon has awarded Capita an initial two-year contract. and will recommend Capita Health Solutions to its "extensive" broker network.
Cognos	Softa	UK-based performance management company	100%	n/a	Softa specialises in strategy formualtion and KPI measurement consulting. As part of the acquisition Cognos now owns Sextant, Softa's market intelligence system.
Corpora	Exago Ltd	Knowledge management software	100%	£4.9m	Corpora, an AIM-listed provider of knowledge management solutions, is to acquire Exago in an all-share deal. Interestingly, Exago's product suite eXero was originally developed by BT Exact. As well as using eXero, BT currently has a 40% share in Exago and will hold a c15% stake in Corpora after the sale. The acquisition has the potential to increases Corpora's exposure to the public sector - Exago's software is targeted at the government market, particularly Regional Development Agencies, defence and healthcare.
Gores Technology Group	Proxicom Inc (from Dimension Data)	US-based web design and internet consulting business	100%	n/a	Proxicom was sold to an affiliate of Gores Technology Group, a private investment firm focused on investments in the technology and telecommunications sectors, for an undisclosed sum.
HP	FH Computer Services Ltd	Software management and licensing	100%	n/a	No consideration was given, but we reckon it must have been small change for HP as FH is exempt from filing accounts with Companies House. The two organisations have been working together on the joint development of a licence management service, which "*will enable enterprises to effectively monitor and manage their IT assets and to ensure compliance with all necessary regulation and laws*".
Phoenix IT Group	Trend Network Services from Telemetrix plc	Network support services	100%	£22m	Trend provides network support services to the UK communications market, both direct (i.e Herts CC) and via third parties (i.e. CGE&Y, Compaq, CSC). Trend had revenues of £19.1m and EBIT of £2.8m in the year to end Dec 03, so the deal was at a PSR >1. This is "expensive" for a support services operation; on the other hand few such organisations have EBIT profit margins of 15%. So on a P/E basis it looks cheap! This acquisition is just another step on the road to Phoenix doing its IPO, giving it the scale it needs. We expect the IPO to happen in Q3 2004.
Ramco BVBA	AC Partners from DCS Group	Belgian-base IT consulting firm	100%	max Eur1m	DCS sold its Belgian IT consulting arm to the local management, in an effort to reduce the level of its borrowings, and focus on core operations
RM	Sentinel Products	Developer and distributor of educational network management tools	100%	max £6.1m	RM paid an initial consideration of £4.3m cash with a deferred consideration of up to £1.8m payable over two years in loan notes. Sentinel turned over £1.39m in FY03 but it made a PBT of £0.45m, suggesting a P/E ratio of c15 (roughly inline with the average PE for the UK S/ITS sector in 2003). Another bite-sized acquisition for RM that will add to its IPR, broaden its product range and give it access to Sentinel's indirect sales channel – Sentinel boasts a well developed network of dealers and value-added resellers for its Ranger product, which is used by c1000 schools.
Serena Software Inc.	Merant	Enterprise Change Management (ECM), software configuration management and web content management	100%	£206m	Merant's CEO, Gerald Perkel will join the Serena board when the deal goes through. The deal makes sense for both parties - Merant was struggling to make a mark as an independent, and Serena has its eye on the customer base. We expect to see Serena undertake some serious product consolidation following the move.
Technology Services Group	Orlando IT	Sage and Microsoft reseller	100%	n/a	This deals follows on from TSG's acquisitions of Joynson (in Nov), and CPA (Jan). TSG was set up by Graham Wylie, co-founder of Sage. The business now employs 100 staff.

Recent IPOs

Name	Activity	S/ITS or Dotcom	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Mar. 04	Premium/ Discount
Civica	Softw are and managed services	SITS	CS	AIM	175p	£79.2m	01-Mar-04	188p	7%
Torex Retail	Retail solutions	SITS	CS	AIM	40p	£60.0m	02-Mar-04	62p	55%
2ergo	Telecoms support services	SITS	CS	AIM	125p	£35.0m	11-Mar-04	126p	0%
AttentiV Systems Group	Financial Systems	SITS	SP	AIM	60p	36.3	31-Mar-04	60p	0%

Forthcoming IPOs

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Phoenix IT	Managed Services	SITS	CS	n/a	n/a	n/a	TBC

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

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£8,417,000	£17,584,000	£10,031,000	+19.2%
PBT	-£37,809,000	-£41,227,000	£1,030,000	Loss to profit
EPS	-556.50p	-306.00p	3.59p	Loss both

Alphameric plc

	Final - Nov 02		Final - Nov 03	Comparison
REV	£61,928,000		£62,897,000	+1.6%
PBT	£2,486,000		-£3,530,000	Profit to loss
EPS	0.00p		-3.50p	Profit to loss

Alterian plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£1,807,000	£4,784,000	£1,825,000	+1.0%
PBT	-£4,485,000	-£5,966,000	-£2,449,000	Loss both
EPS	-11.40p	-14.60p	-5.40p	Loss both

Anite Group plc

	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
REV	£111,541,000	£216,336,000	£95,623,000	-14.3%
PBT	-£43,405,000	-£112,480,000	-£14,199,000	Loss both
EPS	-14.00p	-34.20p	-4.40p	Loss both

Argonaut Games

	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

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

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£16,462,000	£36,008,000	£16,837,000	+2.3%
PBT	£1,234,000	£5,580,000	£1,363,000	+10.5%
EPS	4.72p	21.24p	5.19p	+10.0%

Axon Group plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£43,112,000		£50,210,000	+16.5%
PBT	£2,480,000		£4,020,000	+62.1%
EPS	2.70p		4.60p	+70.4%

Bond International Software plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£6,399,629		£7,037,000	+10.0%
PBT	-£1,972,786		£451,000	Loss to Profit
EPS	-13.79p		2.19p	Loss to Profit

Business Systems Group Holdings plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£14,051,000	£26,475,000	£10,457,000	-25.6%
PBT	-£446,000	-£2,949,000	-£407,000	Loss both
EPS	-0.55p	-3.44p	-0.50p	Loss both

Capita Group plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£897,504,000		£1,080,600,000	+20.4%
PBT	£78,069,000		£93,500,000	+19.8%
EPS	6.81p		8.42p	+23.6%

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

	Final - Dec 02		Final - Dec 02	Comparison
REV	£7,298,000		£9,877,000	+35.3%
PBT	-£1,025,000		-£373,000	Loss both
EPS	-0.18p		-0.03p	Loss both

Civica

	Final - Sep 02		Final - Sep 03	Comparison
REV	£91,388,000		£90,304,000	-1.2%
PBT	£6,748,000		£9,317,000	+38.1%
EPS	9.00p		11.30p	+25.6%

Clarity Commerce plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£3,399,000	£7,263,000	£4,853,000	+42.8%
PBT	-£429,000	£316,000	£194,000	Loss to Profit
EPS	-3.08p	1.84p	1.12p	Loss to Profit

Clinical Computing plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£2,391,565		£1,858,828	-22.3%
PBT	-£983,004		-£1,236,892	Loss both
EPS	-3.80p		-4.50p	Loss both

CMS Webview

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£583,000	£1,206,000	£905,000	+55.2%
PBT	-£345,000	-£683,000	-£116,000	Loss both
EPS	-0.63p	-1.12p	-0.17p	Loss both

CODASciSys plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£66,378,000		£68,026,000	+2.5%
PBT	£5,726,000		£3,861,000	-32.6%
EPS	16.20p		9.90p	-38.9%

Comino Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£11,803,000	£24,504,000	£11,323,000	-4.1%
PBT	£420,000	£1,209,000	£603,000	+43.6%
EPS	2.00p	8.90p	2.60p	+30.0%

Compel Group plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£24,761,000	£52,880,000	£29,328,000	+18.4%
PBT	-£711,000	-£407,000	-£260,000	Loss both
EPS	-2.30p	1.30p	-0.80p	Loss to Profit

Computacenter plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£976,958,000	£1,930,135,000	£1,255,599,000	+28.5%
PBT	£24,405,000	£55,081,000	£32,020,000	+31.2%
EPS	8.60p	19.80p	11.60p	+34.9%

Computer Software Group

	Interim - Aug 02	Final - Feb 03	Interim - Aug 03	Comparison
REV	£1,600,000	£3,584,000	£2,533,000	+40.7%
PBT	-£685,000	-£1,399,000	-£632,000	Loss both
EPS	-5.00p	-0.97p	-2.70p	Loss both

Corpora

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£146,203	£288,581	£150,713	+3.1%
PBT	-£167,842	£431,994	-£678,091	Loss both
EPS	-23.00p	-18.50p	-10.50p	Loss both

DCS Group plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£69,800,000		£52,800,000	-24.4%
PBT	-£14,200,000		-£7,000,000	Loss both
EPS	-57.14p		-31.07p	Loss both

Delcam plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£18,913,000		£20,451,000	+8.1%
PBT	£1,071,000		£1,348,000	+25.9%
EPS	13.78p		20.45p	+48.4%

Detica Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£17,626,000	£39,198,000	£22,304,000	+26.5%
PBT	£2,847,000	£7,437,000	£3,160,000	+11.0%
EPS	9.30p	24.10p	10.00p	+7.5%

Diagonal plc

	Final - Nov 02		Final - Nov 03	Comparison
REV	£63,618,000		£56,312,000	-11.5%
PBT	-£2,254,000		-£2,254,000	Loss both
EPS	-4.56p		-3.42p	Loss both

Dicom Group plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£80,338,000	£156,432,000	£77,121,000	-4.0%
PBT	£4,628,000	£8,801,000	£2,775,000	-40.0%
EPS	13.70p	26.00p	4.00p	-70.8%

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

	Final - Dec 02		Final - Dec 03	Comparison
REV	£12,782,000		£13,528,000	+5.8%
PBT	£1,776,000		£2,104,000	+18.5%
EPS	3.68p		4.50p	+22.3%

Easyscreen plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£1,234,399	£2,654,514	£1,075,001	-12.9%
PBT	-£2,237,521	-£3,397,842	-£1,561,881	Loss both
EPS	-4.30p	-5.60p	-2.70p	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

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£11,259,000	£25,054,000	£15,710,000	+39.5%
PBT	-£1,515,000	-£1,816,000	£228,000	Loss to profit
EPS	-2.20p	-2.72p	0.34p	Loss to profit

Epic Group plc

	Interim - Nov 02	Final - May 03	Interim - Nov 03	Comparison
REV	£4,614,000	£8,750,000	£3,726,000	-19.2%
PBT	£999,000	£1,802,000	£821,000	-17.8%
EPS	3.60p	6.60p	2.20p	-38.9%

Eurolink Managed Services plc

	Final - Mar 02		Final - Mar 03	Comparison
REV	£9,226,000		£9,152,000	-.8%
PBT	£155,000		£204,000	+31.6%
EPS	0.47p		1.22p	+159.6%

Financial Objects plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£12,841,000		£10,427,000	-18.8%
PBT	-£2,839,000		-£12,055,000	Loss both
EPS	-6.72p		-43.96p	Loss both

Flomerics Group plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£11,711,000		£10,221,000	-12.7%
PBT	£635,000		£455,000	-28.3%
EPS	3.23p		2.74p	-15.2%

Focus Solutions Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£2,821,000	£6,583,000	£2,581,000	-8.5%
PBT	-£1,834,000	-£3,833,000	-£663,000	Loss both
EPS	7.20p	-13.40p	2.10p	Loss both

GB Group plc

	Interim Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£5,183,000	£11,243,000	£5,537,000	+6.8%
PBT	£301,000	£813,000	-£242,000	Profit to loss
EPS	0.30p	0.90p	-0.30p	Profit to loss

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

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£37,991,000	£75,900,000	£41,796,000	+10.0%
PBT	-£416,000	-£1,347,000	£135,000	Loss to profit
EPS	-0.90p	-2.30p	0.10p	Loss to profit

Gresham Computing plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,152,000	£11,578,000	£4,870,000	-20.8%
PBT	£2,674,000	£1,148,000	-£1,068,000	Profit to loss
EPS	4.87p	2.45p	-2.24p	Profit to loss

Harrier Group plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£9,544,299		£9,029,851	-5.4%
PBT	-£19,005,410		£200,381	Loss to Profit
EPS	-59.19p		0.55p	Loss to Profit

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 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£119,973,584	£202,110,294	£125,205,070	+4.4%
PBT	-£3,849,313	-£7,842,014	£217,456	Loss to profit
EPS	-6.83p	-12.19p	0.14p	Loss to profit

Host Europe plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,488,000	£13,708,000	£8,162,000	+25.8%
PBT	-£269,000	-£505,000	-£657,000	Loss both
EPS	-0.02p	-0.01p	-0.04p	Loss both

Hot Group plc

	Final - Aug 02		Final - Aug 03	Comparison
REV	£2,831,000		£2,626,000	-7.2%
PBT	-£4,710,000		-£6,058,000	Loss both
EPS	-31.24p		-12.01p	Loss both

I-Document Systems Plc

	Final - Oct 02		Final - Oct 03	Comparison
REV	£3,017,602		£4,472,305	+48.2%
PBT	-£1,483,473		-£595,060	Loss both
EPS	-1.11p		-0.42p	Loss both

ICM Computer Group plc

	Final - Jun 02		Final - Jun 03	Comparison
REV	£68,871,000		£77,843,000	+13.0%
PBT	£4,478,000		£3,673,000	-18.0%
EPS	15.00p		12.30p	-18.0%

Innovation Group plc (The)

	Final - Sep 02		Final - Sep 03	Comparison
REV	£100,071,000		£58,514,000	-41.5%
PBT	-£391,114,000		-£24,088,000	Loss both
EPS	-173.78p		-7.67p	Loss both

InTechnology plc

	Interim -Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£75,957,000	£156,899,000	£78,729,000	+3.6%
PBT	-£4,683,000	-£6,675,000	-£3,642,000	Loss both
EPS	-3.39p	-5.10p	-2.56p	Loss both

Intelligent Environments Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£1,426,000	£2,672,065	£1,886,000	+32.3%
PBT	-£1,904,000	-£2,873,579	£66,000	Loss to profit
EPS	-1.51p	-2.14p	0.18p	Loss to profit

IQ-Ludorum plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£1,980,779	£3,919,300	£1,289,900	-34.9%
PBT	-£3,393,642	-£4,965,400	-£1,067,568	Loss both
EPS	-4.16p	-6.23p	-1.24p	Loss both

iSOFT Group plc

	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
REV	£35,277,000	£91,495,000	£40,551,000	+15.0%
PBT	£6,072,000	£18,880,000	£6,651,000	+9.5%
EPS	3.29p	11.08p	3.81p	+15.8%

I S Solutions plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,621,000	£7,426,000	£3,236,000	-10.6%
PBT	-£879,000	-£1,368,000	£119,000	Loss to profit
EPS	-3.44p	-5.06p	-0.21p	Loss both

ITNET plc

	Final - Dec 02		Final Dec 03	Comparison
REV	£178,992,000		£188,478,000	+5.3%
PBT	£7,336,000		£17,893,000	+143.9%
EPS	3.01p		17.04p	+466.1%

Jasmin plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£3,559,000	£5,844,000	£4,622,000	+29.9%
PBT	£333,000	-£886,000	-£593,000	Profit to loss
EPS	6.89p	-20.22p	-12.54p	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

	Interim - Sep 02	Final - Mar -03	Interim - Sep 03	Comparison
REV	£14,172,000	£25,211,000	£10,530,000	-25.7%
PBT	-£5,742,000	-£5,855,000	£499,000	Loss to profit
EPS	-8.00p	-7.70p	0.60p	Loss to profit

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

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

London Bridge Software Holdings plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£62,137,000	£58,220,000	-6.3%
PBT	-£51,446,000	£528,000	Loss to profit
EPS	-30.31p	0.04p	Loss to profit

Patsystems plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£8,337,000	£10,673,000	+28.0%
PBT	-£9,061,000	-£2,369,000	Loss both
EPS	-7.00p	-1.70p	Loss both

Synstar plc

	Final - Sep 02	Final - Sep 03	Comparison
REV	£221,870,000	£222,978,000	+0.5%
PBT	£6,532,000	£8,700,000	+33.2%
EPS	2.40p	3.60p	+50.0%

Lorien plc

	Final - Nov 02	Final - Nov 03	Comparison
REV	£113,588,000	£94,714,000	-16.6%
PBT	-£5,178,000	-£425,000	Loss to profit
EPS	-32.50p	-3.20p	Loss to profit

Pilat Media Global plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£7,347,000	£9,422,607	+28.3%
PBT	-£236,000	£595,047	Loss to Profit
EPS	0.09p	0.64p	Loss to Profit

Systems Union Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£74,631,000	£78,427,000	+5.1%
PBT	£4,316,000	£6,124,000	+41.9%
EPS	3.70p	5.30p	+43.2%

Macro 4 plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£16,465,000	£32,394,000	£15,061,000	-8.5%
PBT	-£3,006,000	-£5,165,000	-£181,000	Loss both
EPS	-12.40p	-21.20p	-2.40p	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%

Tadpole Technology plc

	Final - Sep 02	Final - Sep 03	Comparison
REV	£16,724,000	£5,318,000	-68.2%
PBT	-£11,140,000	-£9,570,000	Loss both
EPS	-5.70p	-4.30p	Loss both

Manpower SoftWare plc

	Interim - Nov 02	Final - May 03	Interim - Nov 03	Comparison
REV	£866,166	£3,560,541	£2,463,669	+184.4%
PBT	-£1,324,620	-£802,388	£259,925	Loss to profit
EPS	-2.99p	-1.80p	0.58p	Loss to profit

PSD Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£44,440,000	£37,604,000	-15.4%
PBT	£1,037,000	£249,000	-76.0%
EPS	2.50p	-1.50p	Profit to Loss

Telecity plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£12,170,000	£24,954,000	£11,827,000	-2.8%
PBT	-£16,918,000	-£40,604,000	-£2,935,000	Loss both
EPS	-8.40p	-20.20p	-1.50p	Loss both

Marlborough Stirling plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£121,008,000	£114,600,000	-5.3%
PBT	-£34,478,000	£2,500,000	Loss to profit
EPS	-20.00p	0.60p	Loss to profit

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

Tikit Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£8,231,000	£9,558,000	+16.1%
PBT	£305,000	£713,000	+133.8%
EPS	1.30p	2.90p	+123.1%

MERANT plc

	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
REV	£38,701,000	£78,592,000	£36,764,000	-5.0%
PBT	-£13,204,000	-£12,798,000	£558,000	Loss to profit
EPS	-12.80p	-12.40p	0.70p	Loss to profit

Quantica plc

	Interim - May 02	Final - Nov 02	Interim - May 03	Comparison
REV	£13,421,000	£26,127,000	£11,527,000	-14.1%
PBT	£504,000	-£3,443,000	-£215,000	Profit to loss
EPS	0.74p	-9.07p	0.53p	-28.4%

Total Systems plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£2,026,589	£3,927,749	£2,000,586	-1.3%
PBT	£280,033	£596,643	£381,061	+36.1%
EPS	1.84p	4.12p	2.50p	+35.9%

Microgen plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£25,332,000	£26,416,000	+4.3%
PBT	-£1,964,000	-£2,356,000	Profit to loss
EPS	-4.20p	-3.20p	Loss both

Raft International plc

	Final - Oct 02	Final - Oct 03	Comparison
REV	£6,666,000	£8,562,000	+28.4%
PBT	-£2,113,000	-£999,000	Loss both
EPS	-3.10p	-1.47p	Loss both

Touchstone Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£6,912,000	£14,249,000	£6,953,000	+0.6%
PBT	£611,000	£1,526,000	£159,000	-74.0%
EPS	3.70p	9.20p	0.00p	-100.0%

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

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

Trace Group plc

	Final - May 02	Final - May 03	Comparison
REV	£20,630,180	£15,865,000	-23.1%
PBT	£2,045,620	-£2,776,000	Profit to loss
EPS	8.65p	-16.17p	Profit to loss

Misys plc

	Interim - Nov 02	Final - May 03	Interim - Nov 03	Comparison
REV	£520,800,000	£1,013,500,000	£471,000,000	-9.6%
PBT	£24,900,000	£59,800,000	£14,100,000	-43.4%
EPS	2.60p	7.80p	4.00p	+53.8%

Reversus

	Interim - Dec 01	Final - Jun 02	Interim - Dec 02	Comparison
REV	£3,528,000	£5,751,000	£1,808,000	-48.8%
PBT	-£259,000	-£7,346,000	-£5,143,000	Loss both
EPS	-0.40p	-11.72p	-7.61p	Loss both

Triad Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£14,091,000	£27,756,000	£16,573,000	+17.6%
PBT	-£2,527,000	-£4,980,000	-£849,000	Loss both
EPS	-7.91p	-27.20p	-5.60p	Loss both

Mondas plc

	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
REV	£1,452,000	£3,713,353	£1,847,000	+27.2%
PBT	-£1,529,674	-£2,224,645	-£1,090,568	Loss both
EPS	-7.30p	-10.10p	-4.10p	Loss both

RM plc

	Final - Sep 02	Final - Sep 03	Comparison
REV	£202,158,000	£215,494,000	+6.6%
PBT	-£5,914,000	£6,219,000	Loss to Profit
EPS	-5.10p	5.20p	Loss to Profit

Tribal Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£38,275,000	£105,659,000	£78,680,000	+105.6%
PBT	£412,000	£7,855,000	£2,041,000	+395.4%
EPS	-1.74p	5.50p	-0.21p	Loss

Morse plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£185,839,000	£351,343,000	£187,074,000	+0.7%
PBT	£6,430,000	£17,413,000	£7,891,000	Loss both
EPS	5.30p	-13.30p	6.20p	Loss both

Royalblue Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£57,006,000	£56,006,000	-1.8%
PBT	£13,058,000	£9,425,000	-27.8%
EPS	32.90p	23.40p	-28.9%

Ultima Networks plc

	Interim - Sep 02	Final - Dec 02	Interim - Sep 03	Comparison
REV	£119,000	£2,026,000	£810,000	-27.6%
PBT	-£112,000	£165,000	-£15,000	Loss both
EPS	0.06p	0.10p	0.01p	-83.3%

MSB International plc

	Final - Jan 03	Final - Jan 04	Comparison
REV	£84,062,000	£66,131,000	-21.3%
PBT	£1,000	£311,000	n/a
EPS	0.16p	0.76p	n/a

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%

Universe Group plc

	Final - Dec 02	Final - Dec 02	Comparison
REV	£34,487,000	£42,129,000	+22.2%
PBT	£889,000	-£2,730,000	Profit to Loss
EPS	2.54p	-7.00p	Profit to Loss

Mvratech.net Plc

	Final - Dec 01	Final - Dec 02	Comparison
REV	£2,000,000	£1,894,000	-5.3%
PBT	-£2,755,000	-£608,000	Loss both
EPS	-9.90p	-1.90p	Loss both

SDL plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£58,002,000	£64,378,000	+11.0%
PBT	-£3,518,487	-£804,000	Loss both
EPS	-7.10p	-3.30p	Loss both

Vega Group plc

	Interim Oct 02	Final - Apr 03	Interim Oct 03	Comparison
REV	£17,390,000	£35,589,000	£21,093,000	+21.3%
PBT	-£8,662,000	-£8,739,000	£763,000	Loss to profit
EPS	-47.99p	-48.51p	2.40p	Loss to profit

Ncipher Plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£11,922,000	£12,988,000	+8.9%
PBT	-£3,771,000	-£791,000	Loss both
EPS	-3.03p	-3.63p	Loss both

ServicePower Technologies plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£986,000	£4,483,000	£996,000	+1.0%
PBT	-£1,252,000	-£555,000	-£1,146,000	Loss both
EPS	-2.45p	-0.64p	-2.21p	Loss both

VI Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£3,200,000	£7,542,000	£4,365,000	+36.4%
PBT	-£357,000	£70,000	-£227,000	Loss both
EPS	-1.04p	-0.74p	-0.78p	Loss both

NetBenefit plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£2,809,000	£6,245,000	£3,531,000	+25.7%
PBT	-£303,000	-£166,000	£105,000	Loss to Profit
EPS	-1.90p	0.10p	0.60p	Loss to Profit

Sirius Financial Systems plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£10,698,000	£22,683,192	£10,404,000	-2.7%
PBT	£1,359,000	£1,893,520	£38,000	-97.2%
EPS	4.60p	5.90p	0.10p	-97.8%

Warthog plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£5,402,000	£11,417,138	£4,955,746	-8.3%
PBT	£134,393	-£790,705	-£2,624,064	Profit to loss
EPS	0.16p	-0.87p	-5.37p	Profit to loss

Netstore plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£6,224,000	£14,197,000	£10,602,000	+70.3%
PBT	-£1,880,000	-£5,265,000	-£672,000	Loss both
EPS	-1.96p	-5.33p	-0.70p	Loss both

Sopheon plc

	Interim - Jun 02	Final - Dec 02	Interim -Jun 03	Comparison
REV	£6,511,000	£12,353,000	£5,123,000	-21.3%
PBT	-£8,961,000	-£16,179,000	-£5,718,000	Loss both
EPS	-10.90p	-19.40p	-6.90p	Loss both

Wealth Management Software plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£6,074,000	£10,997,000	£3,969,000	-34.7%
PBT	£15,000	-£1,061,000	£208,000	+1286.7%
EPS	0.04p	-2.74p	0.51p	+1175.0%

Northgate Information Solutions plc

	Interim - Oct 02	Final - Apr-03	Interim - Oct 03	Comparison
REV	£41,534,000	£85,215,000	£50,564,000	+21.7%
PBT	£29,807,000	£28,109,000	£402,000	-98.7%
EPS	8.99p	10.33p	0.10p	-98.9%

Spring Group plc

	Final - Dec 02	Final - Dec 02	Final - Dec 03	Comparison
REV	£276,815,000	£293,330,000	£348,363,000	+25.8%
PBT	-£9,062,000	-£8,840,000	-£18,946,000	Loss both
EPS	-6.08p	-5.93p	-12.92p	Loss both

Workplace Systems International PLC

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£6,576,000	£14,241,000	£6,245,000	-5.0%
PBT	-£2,912,000	£3,555,000	£747,000	Loss both
EPS	-1.61p	-1.52p	0.46p	Loss both

NSB Retail Systems plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£73,359,000	£64,348,000	-12.3%
PBT	-£195,494	-£28,755	Loss both
EPS	-48.86p	-7.03p	Loss both

Staffware plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£39,031,000	£42,709,000	+9.4%
PBT	£2,608,000	£3,485,000	+33.6%
EPS	11.10p	14.90p	+34.2%

Xansa plc

	Interim - Oct 02	Final - Apr 03	Interim - Oct 03	Comparison
REV	£232,500,000	£453,900,000	£225,700,000	-2.9%
PBT	-£140,700,000	-£157,000,000	-£13,500,000	Loss both
EPS	-51.00p	-57.09p	-5.12p	Loss both

OneclickHR plc

	Final - Dec 02	Final - Dec 02	Comparison
REV	£4,689,010	£4,797,967	+2.3%
PBT	-£3,473,846	-£1,523,443	Loss both
EPS	-6.40p	-2.50p	Loss both

StatPro Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£7,229,000	£8,340,000	+15.4%
PBT	-£2,373,000	£146,000	Loss to Profit
EPS	-7.30p	0.60p	Loss to Profit

XKO Group plc

	Interim - Sep 02	Final - Mar 03	Interim - Sep 03	Comparison
REV	£21,614,000	£43,627,000	£22,694,000	+5.0%
PBT	£257,000	-£545,000	-£480,000	Profit to loss
EPS	0.40p	-2.90p	-2.60p	Profit to loss

Parity Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£183,273,000	£175,952,000	-4.0%
PBT	-£24,567,000	-£6,473,000	Loss both
EPS	-1.20p	1.04p	Loss both

SurfControl plc

	Interim - Dec 02	Final - Jun 03	Interim - Dec 03	Comparison
REV	£21,034,000	£46,209,392	£24,967,000	+18.7%
PBT	£1,976,000	£5,602,649	£4,556,000	+130.6%
EPS	4.28p	13.12p	10.78p	+151.9%

Xpertise Group plc

	Interim - Jun 02	Final - Dec 02	Interim - Jun 03	Comparison
REV	£2,120,000	£4,602,000	£5,535,000	+161.1%
PBT	-£333,000	-£1,148,000	-£1,190,000	Loss both
EPS	-0.46p	-1.55p	-0.54p	Loss both

Note: 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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Mar-04	Capitalisation 31-Mar-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Mar-04	Share price move since 27-Feb-04	Share price % move in 2004	Capitalisation move since 27-Feb-04	Capitalisation move (£m) in 2004
AFA Systems	SP	£0.24	£11.10m	Loss	1.72	196	-14.55%	-12.96%	-£1.90m	£1.06m
AIT Group	CS	£0.69	£34.40m	Loss	1.96	450	-9.27%	13.22%	-£3.60m	£6.74m
Alphameric	SP	£0.88	£103.05m	Loss	1.64	405	-1.94%	1.44%	-£2.95m	£1.52m
Alterian	SP	£0.79	£31.00m	Loss	6.49	395	-12.22%	15.33%	-£4.70m	£4.13m
Arite Group	CS	£0.56	£195.52m	Loss	0.90	326	-5.99%	10.40%	-£10.48m	£19.82m
Argonaut Games	SP	£0.07	£6.82m	Loss	1.28	73	-35.19%	12.00%	-£3.98m	£0.74m
Autonomy Corporation	SP	£2.65	£292.52m	n/a	8.71	81	-7.11%	10.54%	-£25.48m	£26.41m
Aveva Group	SP	£5.08	£88.79m	23.1	2.47	2538	-2.22%	5.73%	-£0.51m	£6.12m
Axon Group	CS	£1.46	£75.90m	31.7	1.51	834	-8.18%	-9.88%	-£6.80m	-£8.38m
Bond International	SP	£0.41	£6.08m	18.4	0.86	623	-19.80%	-14.74%	-£1.33m	-£0.89m
Business Systems	CS	£0.13	£10.70m	Loss	0.40	107	-10.84%	-3.77%	-£1.30m	-£0.50m
Capita Group	CS	£3.12	£2,084.54m	24.5	1.93	84340	13.87%	28.40%	£264.54m	£465.91m
Charteris	CS	£0.25	£10.50m	Loss	0.86	278	-16.67%	-5.66%	-£2.10m	-£0.60m
Chelford Group	CS	£0.02	£14.04m	Loss	1.42	391	-10.00%	200.00%	-£3.16m	£9.70m
Clarity Commerce	SP	£0.59	£9.03m	12.9	1.24	468	7.34%	-17.02%	£0.62m	-£1.85m
Clinical Computing	SP	£0.30	£9.31m	Loss	5.01	238	-14.49%	-23.38%	-£1.59m	-£2.79m
CMS Webview	CS	£0.11	£9.00m	Loss	7.44	807	-4.24%	-8.13%	-£0.40m	-£1.25m
CODASciSys (was Science Systems)	CS	£3.68	£93.38m	18.5	1.37	2849	1.38%	24.58%	£1.28m	£18.48m
Comino	SP	£1.83	£25.06m	15.0	1.02	1404	-11.84%	-9.43%	-£3.74m	-£2.93m
Compel Group	R	£0.92	£28.34m	73.5	0.54	732	-12.86%	18.06%	-£4.26m	£4.34m
Computacenter	R	£4.24	£802.32m	17.9	0.42	633	-2.47%	-9.79%	-£16.28m	-£82.71m
Computer Software Group	SP	£0.43	£13.44m	Loss	3.75	366	-5.49%	1.18%	-£0.76m	£0.18m
Corpora	SP	£0.40	£5.53m	Loss	19.16	1039	-3.66%	31.67%	-£0.21m	£1.33m
DCS Group	CS	£0.17	£4.26m	Loss	0.08	283	25.93%	25.93%	£0.88m	£0.88m
Delcam	SP	£2.02	£12.14m	9.8	0.59	775	-6.71%	21.39%	-£0.96m	£2.14m
Detica	CS	£6.10	£136.40m	25.3	34.80	1525	-3.33%	-0.81%	-£4.60m	-£1.09m
Diagonal	CS	£0.50	£45.70m	Loss	0.81	727	-14.53%	23.46%	-£7.70m	£9.46m
Dicom Group	R	£6.68	£139.88m	15.7	0.89	2046	-8.56%	-3.05%	-£13.12m	-£3.41m
Dimension Data	R	£0.36	£497.37m	Loss	0.39	64	-11.59%	-3.33%	-£52.93m	-£5.84m
DRS Data & Research	SP	£0.62	£20.94m	13.7	1.55	559	-7.52%	-2.38%	-£1.76m	-£0.53m
Easyscreen	SP	£0.34	£24.10m	Loss	9.09	200	0.00%	61.90%	£1.00m	£10.60m
Eidos	SP	£1.59	£223.01m	10.0	1.32	7947	23.98%	13.57%	£43.11m	£27.11m
Electronic Data Processing	SP	£0.66	£16.15m	16.5	1.86	2006	-0.76%	6.50%	-£0.15m	£0.95m
Empire Interactive	SP	£0.11	£6.22m	Loss	0.25	179	-4.44%	-10.42%	-£0.29m	-£0.72m
Epic Group	CS	£0.90	£23.44m	15.2	2.68	857	-7.22%	-6.25%	-£1.86m	-£1.56m
Eurolink Managed Services	CS	£0.39	£4.00m	31.6	0.44	385	42.59%	37.50%	£1.19m	£1.09m
Financial Objects	SP	£0.33	£8.97m	Loss	0.86	141	-10.96%	34.02%	-£1.13m	£2.28m
Flomerics Group	SP	£0.70	£10.27m	25.5	1.01	2692	-27.46%	15.70%	-£3.83m	£1.41m
Focus Solutions Group	SP	£0.56	£15.90m	Loss	2.42	287	1.82%	60.00%	£0.30m	£5.97m
GB Group	SP	£0.23	£17.91m	62.6	1.59	145	-36.17%	-26.23%	-£10.19m	-£6.39m
Gladstone	SP	£0.15	£6.44m	7.7	0.75	369	28.26%	18.00%	£1.42m	£0.99m
Glotel	A	£1.14	£43.00m	Loss	0.57	590	-12.02%	14.65%	-£5.90m	£5.50m
Gresham Computing	CS	£3.90	£192.23m	n/a	16.60	4194	-14.19%	16.94%	-£31.87m	£27.97m
Harrier Group	CS	£0.27	£7.90m	37.1	0.87	210	-12.90%	25.58%	-£1.16m	£1.61m
Harvey Nash Group	A	£0.89	£53.20m	Loss	0.41	506	-14.08%	17.22%	-£8.30m	£10.84m
Highams Systems Services	A	£0.14	£2.69m	Loss	0.24	382	-5.17%	12.24%	-£0.15m	£0.29m
Horizon Technology	CS	£0.63	£44.90m	Loss	0.22	230	5.04%	-4.58%	£2.20m	£0.10m
Host Europe	CS	£0.02	£24.66m	Loss	1.80	795	-2.17%	50.00%	-£2.14m	£6.46m
Hot Group (was RexOnline)	CS	£0.21	£31.73m	Loss	12.08	244	-1.20%	12.33%	-£0.37m	£7.43m
ICM Computer Group	CS	£2.68	£55.58m	16.4	0.71	1486	-7.76%	12.63%	-£4.72m	£6.18m
I-Document Systems	SP	£0.10	£1.40m	Loss	0.31	13	-20.41%	-9.30%	-£17.40m	-£15.10m
In Technology	CS	£0.85	£117.00m	Loss	0.75	3380	-11.52%	39.67%	-£15.20m	£33.28m
Innovation Group	SP	£0.34	£145.63m	Loss	2.49	146	-13.55%	21.82%	-£20.67m	£29.97m
Intelligent Environments	SP	£0.11	£15.54m	Loss	5.82	114	-12.24%	22.86%	-£2.16m	£3.44m
IQ-Ludorum	SP	£0.02	£1.88m	Loss	0.48	32	0.00%	33.33%	-£0.02m	£0.44m
iSOFT Group	SP	£3.52	£788.69m	22.3	8.62	3198	5.00%	-5.12%	£24.09m	£330.38m
I S Solutions	CS	£0.13	£3.10m	Loss	0.42	466	-5.66%	43.68%	-£0.19m	£0.95m
ITNET	CS	£2.92	£213.67m	17.0	1.13	833	-4.89%	-3.16%	-£11.03m	-£6.87m
Jasmin	SP	£0.45	£2.13m	Loss	0.36	300	0.00%	-10.00%	£0.00m	-£0.24m
K3 Business Technology	SP	£0.20	£10.08m	11.6	1.44	149	-13.33%	62.50%	-£1.42m	£3.96m

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Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat	Share Price 31-Mar-04	Capitalisation 31-Mar-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Mar-04	Share price move since 27-Feb-04	Share price % move in 2004	Capitalisation move since 27-Feb-04	Capitalisation move (£m) in 2004
Kewill	SP	£0.64	£49.72m	Loss	1.97	1270	-12.29%	9.83%	-£6.98m	£4.77m
LogicaCMG	CS	£2.56	£1,927.32m	Loss	1.13	3509	-16.26%	0.00%	-£367.68m	£6.34m
London Bridge Software	SP	£0.59	£100.00m	25.8	1.72	1463	-7.14%	10.38%	-£7.70m	£9.45m
Lorien	A	£0.88	£16.30m	Loss	0.17	875	6.06%	1.74%	£0.90m	£0.30m
Macro 4	SP	£1.47	£30.58m	Loss	0.94	591	-13.82%	-7.57%	-£4.82m	-£2.49m
Manpower SoftWare	SP	£0.37	£16.30m	Loss	4.58	379	-16.36%	56.60%	-£3.20m	£5.92m
Marlborough Stirling	SP	£0.54	£120.82m	Loss	1.05	382	0.94%	21.59%	£1.12m	£21.52m
MERANT	SP	£1.89	£200.24m	Loss	2.55	913	22.33%	44.27%	£37.64m	£62.32m
Microgen	CS	£0.59	£51.30m	Loss	1.94	252	6.31%	8.26%	£3.10m	£4.10m
Minorplanet Systems	SP	£0.24	£19.70m	Loss	0.22	486	-25.63%	-28.96%	-£6.80m	-£8.00m
Misys	SP	£2.06	£1,151.22m	10.4	1.14	2560	-9.36%	-2.83%	-£116.78m	-£30.23m
Mondas	SP	£0.40	£10.33m	Loss	2.78	527	-17.71%	3.95%	-£2.17m	£0.40m
Morse	R	£1.38	£179.80m	Loss	0.51	550	-14.60%	-3.51%	-£30.70m	-£5.34m
MSB International	A	£0.85	£17.40m	n/a	0.26	447	-13.27%	-5.03%	-£2.70m	-£1.03m
Myratech.net	CS	£0.03	£0.74m	Loss	0.39	19	-39.02%	-16.67%	-£0.48m	-£0.06m
Ncipher	SP	£1.65	£42.44m	Loss	3.27	658	-1.79%	8.22%	-£0.26m	£3.70m
NetBenefit	CS	£0.52	£8.41m	13.6	1.35	258	-1.90%	33.77%	-£0.16m	£2.12m
Netstore	CS	£0.42	£39.60m	Loss	2.79	278	-6.18%	7.74%	-£2.60m	£2.86m
Northgate Information Solutions	CS	£0.66	£324.19m	22.5	3.80	252	0.00%	13.42%	-£0.01m	£158.35m
NSB Retail Systems	SP	£0.26	£83.00m	Loss	1.29	2217	-29.17%	50.00%	-£33.90m	£29.23m
OneclickHR	SP	£0.06	£3.64m	Loss	0.76	156	-16.67%	-24.24%	-£0.73m	-£1.12m
Parity	A	£0.12	£33.18m	11.5	0.19	1917	-11.54%	6.98%	-£4.32m	£2.11m
Patsystems	SP	£0.24	£34.37m	Loss	3.22	220	-3.09%	34.29%	-£1.03m	£8.87m
Pilat Media Global	SP	£0.58	£25.26m	50.8	2.68	2875	-14.18%	74.24%	-£4.14m	£10.72m
Pixology	SP	£1.31	£26.20m	Loss	10.36	939	-21.32%	-9.66%	-£7.10m	-£2.40m
Planit Holdings	SP	£0.27	£6.78m	Loss	0.33	1125	-6.90%	-5.26%	-£19.82m	-£19.35m
PSD Group	A	£2.65	£66.54m	Loss	1.77	1205	-19.08%	-10.17%	-£15.76m	-£7.56m
QA	CS	£0.06	£17.20m	Loss	0.59	27	-17.24%	41.18%	£3.40m	£13.25m
Quantica	A	£0.57	£22.91m	Loss	0.88	456	0.89%	16.49%	£0.21m	£3.31m
Raft International	SP	£0.14	£8.90m	Loss	1.04	214	-15.63%	-10.00%	-£1.70m	-£0.94m
Retail Decisions	SP	£0.16	£47.06m	17.6	1.55	219	-32.99%	27.45%	-£23.14m	£10.17m
RM	SP	£1.52	£135.92m	19.8	0.63	4329	9.78%	14.34%	£12.12m	£17.10m
Royalblue Group	SP	£5.33	£174.00m	22.7	3.08	3135	-13.33%	4.92%	-£26.00m	£6.36m
Sage Group	SP	£1.80	£2,306.60m	22.2	4.12	69327	-6.49%	2.56%	-£160.40m	£59.01m
SDL	CS	£1.18	£63.69m	Loss	0.99	783	-12.31%	39.05%	-£9.01m	£17.92m
ServicePower	SP	£0.41	£30.00m	Loss	6.70	410	-20.39%	3.80%	£0.70m	£7.60m
Sirius Financial	SP	£0.86	£14.50m	13.2	0.64	570	-6.56%	14.77%	-£1.10m	£1.80m
Sopheon	SP	£0.35	£51.98m	Loss	4.21	504	-1.41%	118.75%	£15.78m	£36.28m
Spring Group	A	£1.16	£181.64m	Loss	0.52	1289	-19.44%	0.43%	-£41.56m	£2.69m
Staffware	SP	£5.93	£85.94m	n/a	2.01	2633	-2.47%	2.16%	-£2.16m	£1.81m
StatPro Group	SP	£0.39	£12.77m	24.4	1.52	481	4.05%	24.19%	-£95.03m	£2.57m
SurfControl (was JSB)	SP	£5.35	£165.41m	31.4	3.58	2675	-7.44%	-28.71%	-£13.29m	-£64.69m
Synstar	CS	£0.71	£114.99m	19.7	0.52	429	-7.52%	8.02%	-£9.31m	£8.59m
Systems Union (was Freecom)	SP	£1.15	£121.82m	13.6	1.76	885	-6.12%	12.75%	-£7.98m	£15.82m
Tadpole Technology	SP	£0.16	£45.95m	Loss	8.64	374	-11.43%	24.00%	-£2.85m	£13.23m
Telecity	CS	£0.13	£25.88m	Loss	1.04	16	-15.00%	-10.53%	-£22.92m	-£3.02m
Tikit Group	CS	£1.37	£16.50m	47.2	1.73	1187	3.80%	20.80%	£0.70m	£2.80m
Total Systems	SP	£0.81	£8.47m	16.9	2.15	1528	1.25%	40.87%	£0.11m	£2.45m
Touchstone Group	SP	£1.13	£11.70m	12.3	0.82	1076	-0.88%	11.88%	-£0.10m	£1.20m
Trace Group	SP	£0.76	£11.50m	Loss	0.72	604	0.00%	17.05%	£0.00m	£1.70m
Triad Group	CS	£0.76	£11.40m	Loss	0.41	559	11.85%	27.97%	£1.20m	£2.46m
Tribal Group	CS	£2.04	£140.20m	9.3	1.33	1233	-6.86%	-38.52%	-£10.30m	-£78.46m
Ultima Networks	R	£0.02	£3.37m	20.0	1.66	49	0.00%	0.00%	-£0.49m	£0.00m
Universe Group	SP	£0.25	£14.75m	Loss	0.35	1122	-12.93%	-0.98%	-£2.25m	£3.93m
Vega Group	CS	£1.41	£26.12m	Loss	0.73	1156	-2.76%	-19.43%	-£0.68m	-£6.28m
VI group	SP	£0.16	£6.05m	Loss	0.80	325	25.00%	22.64%	£1.21m	£1.12m
Warthog	SP	£0.03	£6.51m	Loss	0.57	58	0.00%	-67.74%	£4.67m	£2.71m
Wealth Management Software	SP	£0.15	£6.40m	Loss	0.58	117	-6.15%	-15.28%	-£0.42m	-£1.15m
Workplace Systems	SP	£0.13	£23.45m	Loss	1.65	0	23.81%	10.64%	£4.55m	£2.25m
Xansa (was F.I. Group)	CS	£0.85	£287.90m	Loss	0.63	2179	-10.53%	0.00%	-£33.80m	£0.04m
XKO Group	SP	£0.84	£23.20m	Loss	0.53	560	-12.50%	-0.59%	-£3.30m	-£0.20m
Xpertise Group	CS	£0.01	£5.23m	Loss	1.14	50	0.00%	0.00%	£0.00m	£0.52m

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SITS SHARES BACK IN NEGATIVE TERRITORY

31-Mar-04		
	S/ITS Index	5287.96
	FTSE IT (SCS) Index	506.74
	techMARK 100	1176.80
	FTSE 100	4385.70
	FTSE AIM	906.40
SCS Index =1000 on 15th April 1989	FTSE SmallCap	2632.94

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/03/04 to 31/03/04)	-5.38%	-2.37%	-0.86%	-7.66%	-2.50%	-2.39%
From 15th Apr 89	+428.80%	+113.56%				
From 1st Jan 90	+474.72%	+85.68%				
From 1st Jan 91	+647.02%	+103.00%				
From 1st Jan 92	+406.09%	+75.91%				
From 1st Jan 93	+231.83%	+54.07%				+89.78%
From 1st Jan 94	+216.72%	+28.30%				+40.90%
From 1st Jan 95	+252.72%	+43.07%				+50.76%
From 1st Jan 96	+134.14%	+18.88%	+49.10%		-4.93%	+35.61%
From 1st Jan 97	+97.50%	+6.49%	+28.66%		-7.14%	+20.61%
From 1st Jan 98	+74.23%	-14.60%	+23.35%	-49.33%	-8.63%	+13.82%
From 1st Jan 99	+34.16%	-25.45%	-19.18%	-64.96%	+13.07%	+27.14%
From 1st Jan 00	-53.90%	-36.72%	-68.86%	-86.37%	-53.10%	-15.01%
From 1st Jan 01	-36.84%	-29.52%	-54.13%	-74.00%	-36.96%	-17.29%
From 1st Jan 02	+10.21%	-15.94%	-20.09%	-39.98%	+0.96%	+2.09%
From 1st Jan 03	+94.93%	+11.30%	+81.39%	+48.94%	+50.34%	+44.62%
From 1st Jan 04	+13.08%	-2.04%	+15.94%	+0.62%	+8.50%	+6.38%

End Mar 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 Mar 04
System Houses	22.5%	-52.3%	-35.8%	15.7%	130.5%	20.2%	-2.2%
IT Staff Agencies	-56.7%	-62.3%	-40.0%	8.2%	62.8%	6.8%	-9.7%
Resellers	104.5%	-1.5%	30.3%	45.0%	96.1%	2.3%	-8.4%
Software Products	92.3%	-53.8%	-66.5%	8.2%	79.2%	10.5%	-7.0%
Holway Internet Index	397.6%	-39.5%	-11.0%	60.9%	145.7%	19.4%	-9.4%
Holway S/ITS Index	34.2%	-53.9%	-36.8%	10.2%	94.9%	13.1%	-5.4%

After three consecutive months of growth, our index of SITS companies fell 5% in March. Every category was down, with Internet companies and ITSAs bearing the brunt of the drop with declines of more than 9%. Computer services companies held up the best with an average decline of 2% on last month. Even so, since the beginning of the year, the Index overall has gained 13% – easily outperforming the FTSE IT SCS Index, which gained just 0.62%, and demonstrating that once again it's the smaller companies that are leading the march.

However, within the top ten best performing shares, there is a sprinkling of larger players. Capita saw shares gain 14% on last month. In March it announced a £70m/7yr contract with DWP and, on the very last day of the month, a 20yr deal to manage the administration of savings policies for The Children's Mutual. It's worth an impressive £430m in total. MERANT gained 22% on the back of news that US-based SERENA Software would acquire the UK independent. Also in March, RM reported that turnover for H1 is likely to be 25% higher than the comparable period last year. Its shares were up almost 10% by the end of the month.

At the other end of the spectrum, NSB Retail Systems (-29%), Retail Decisions (-33%) and Argonaut Games (-35%) experienced losses after revealing their latest set of results. See p20-21 for the details.

With the Ovum Holway SITS Index experiencing its first decline in three months, we watch with interest to see what next month brings. It could be that the Window of IPO-tunity, which we have spoken so much about, is closing sooner than even we expected. *(Kate Hanaghan)*

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