June 2004

Volume 15 Number 8
Available by Subscription Only

ISSN 0967-2583

ovum HOLWAY

SYSTEMHOUSE

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

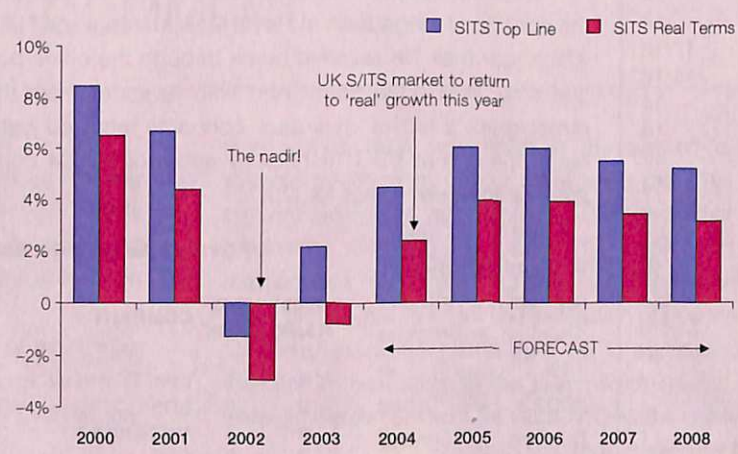
GREEN SHOOTS OF MARKET GROWTH

It's been a long time since we have needed to revise our market forecasts upwards rather than downwards. But this, we are pleased to say, is exactly what we have just been doing.

This time last year we were expecting the UK S/ITS market to grow by less than 1% at the top line, and shrink by about 1.5% in real terms, i.e. excluding inflation. But now that all the company results are in, we are pleased to report that **the UK S/ITS market actually grew by just over 2% at the top line**, resulting in just under flat growth in real terms.

What's more, we have been encouraged enough by these results to tweak our market forecasts upwards, albeit by about 1%, for the next few years, which has the effect of showing **the UK S/ITS market returning to growth in real terms this year** – one year earlier than we had originally anticipated.

UK S/ITS market growth – top line and in real terms



Source: Ovum Holway

In a nutshell, it was the outsourcing players that did better than even we had expected, with CSC and Capita doing particularly well with double-digit growth. BT was another star, with double-digit growth in both its SI arm, BT Syntegra, and its network management business, BT Global Solutions.

In fact generally speaking, the market leaders grew faster than the market followers as they battled for share in a flat market. And this, as we have said many times before, is going to be the vital key to success in a market we still see limited to mid-single digit growth for the foreseeable future.

Taking a look under the covers, so to speak, we found that all sectors of the UK S/ITS market grew faster in 2003 with the notable exception of outsourcing. However, while this increase in growth was enough to pull the moribund Project Services market out of its precipitous nose-dive, it was not enough to bring it back 'above water' in 2003. But we believe that the UK Project Services market has now stabilised and that it will at least remain flat during 2004. Indeed we now believe that the Project Services market will grow by nearly 5% in 2005 and 2006, much faster than we thought last year. Richard Holway has more to say on this in his article on page three.

Beyond this year we are expecting all segments of the UK S/ITS market to remain in positive growth territory. This increase is being spurred by the public sector megadeals that have been recently let (such as Aspire, Defra and NPfIT) and those that are due to be let (like BBC Technology and at the MoD). Indeed, we are still forecasting that outsourcing will grow twice as fast as any other market segment, and that business process outsourcing (BPO) will grow half as fast again! In that respect at least, nothing has changed in our views from last year.

However, we expect market growth to moderate after 2006 as the revenues from these public sector megadeals finish ramping up and reach full flow. As a result, we believe that top line S/ITS market growth will settle back to around 5% towards the end of the decade, about 3% growth in real terms; in other words, just above the expected growth in GDP.

We think this is the best news we have had to report for several years. It marks the end of the long, cold winter and the beginning of spring in the market (in both senses of the word). But it is spring, not summer, and there will still be some showers ahead. The protective umbrella, if we may be allowed to really stretch the analogy, will be market share.

The best chance of prospering (nice to be able to use that

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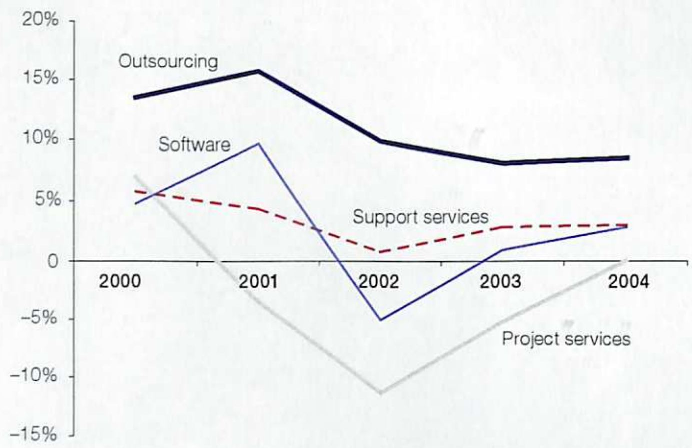
UK S/ITS top line market growth by segment



Source: Ovum Holway

word again) over the next few years will be to take share from your competitors.

But this must not be 'win at any price'. The recovery in UK S/ITS company profits is fragile because it is primarily based on reduced costs rather than increased revenues. Which means that there can be no room for 'loss leaders', particularly in megadeals. Any expectation you may have of making up margin with premium rate, out-of-contract projects is dangerous thinking. **These next few years will mark the most competitive era in the history of the UK S/ITS sector** and will ultimately determine the shape of the market for many more years to come.

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INDICES (changes in May 04)

Holway S/ITS	-6.1%	5021
Holway Internet	-5.71%	4762
FTSE IT (SCS)	-6.22%	471
techMARK 100	-1.67%	1163
Nasdaq Comp	+3.5%	1987

IBM retains top spot in UK S/ITS rankings

Maybe that's no great surprise. But what did surprise us was the vast differences in growth rate among the Top Ten players in the UK S/ITS market.

Far and away the best performance among the leaders came from **Capita**, which saw its UK S/ITS revenues leap 22% to almost £800m. As the leading player in the UK BPO market, Capita is taking full advantage of the seemingly bottomless pit of opportunity in this, the fastest growing segment of the market.

Two other suppliers also made it into double-digit growth. **CSC** reaped the benefits of megadeals at Royal Mail, Marconi and National Grid Transco, which saw their UK revenue break through the billion pound barrier for the first time. Well done them! And with revenues from their NPfIT contract ramping up, a raft of 'midi-deal' contracts renewed just recently, and their hat in the ring at BBC Technology and MoD, 2004 could shape up to be another impressive year for CSC.

The other double-digit star is our very own **BT**. After an impressive 14% growth in 2002, BT has pushed forward again with an even better 15% growth in 2003 (year ended 31st Mar. 04). A strong performance from both SI arm BT Syntegra and network management arm BT Global Services, looks set to be repeated on the back of their multiple successes at the NHS.

PROVISIONAL UK S/ITS RANKINGS 2003

2003 RANK	2002 RANK	COMPANY	UK SITS Rev 2003 £m	Change
1	1	IBM	2590	3%
2	2	EDS	2461	1%
3	3	MICROSOFT	1319	6%
4	6	CSC	1120	13%
5	4	ACCENTURE	1102	1%
6	5	FUJITSU SERVICES	1088	3%
7	9	BT	908	15%
8	11	CAPITA GROUP	796	22%
9	7	HEWLETT PACKARD	735	-8%
10	8	CAPGEMINI	703	-6%
		AVERAGE	**12,822**	**3.9%**

But our Top Ten also has a couple of players going backwards in 2003. **HP** may want to be the next IBM, but they still have a long way to go. As revenues from last year's megadeals at Bank of Ireland and Procter & Gamble start to clip in, we would expect to see HP return to growth in 2004, but they are still likely to remain in the lower half of the Top Ten.

We were all but ready to write off **Capgemini** as a Top Ten player last

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year – that is, until they won Aspire. This changes everything, and if they can win at MoD, that would secure their premier league position for some years to come.

Missing from this list is 'new' Atos Origin with added Sema power! That's because the merger didn't complete till Jan. 04, so we have ranked Atos Origin and SchlumbgergerSema separately, and neither made it into the Top Ten. However, together they certainly do, and the combined organisation would have come in at number 9 in the rakings on a proforma basis. Mind you, they'll have to win a few more contracts to stay in the Top Ten with Capgemini and HP snapping at their heels.

Another merger of lesser scale, that between siblings **Fujitsu Services** and much smaller Fujitsu Consulting, will also change the rankings a little in 2004. Although Fujitsu Consulting only recorded some £74m of UK S/ITS revenues in 2003, this would have been enough to bump 'new' Fujitsu Services up a couple of places in the rankings to number four.

We don't expect to see any change in the top two, with **IBM** likely to consolidate its top position against an expected decline in **EDS**, which has had, shall we say, rather an unhappy time in the UK public sector these past several months. However, EDS remains the number one supplier of 'pure' IT services to the UK market, nearly 13% ahead of IBM. The gap is just wide enough that EDS could conceivably remain the UK's leading IT services supplier in 2004. Meanwhile, Accenture should do better than its 1% growth last year, with two LSP contracts at the NHS and a much longer handover to Capgemini and Fujitsu Services than EDS will enjoy.

Below the Top Ten, UK S/ITS revenues rapidly drop away – **Deloitte** at Number Twenty scored just £265m of UK S/ITS revenues in 2003. But it will be a close run race and we expect to see some well known names leave the rankings and some interesting ones join them by the end of the year. Will any of these be Indian players? We think not, at least not for a few more years, although **TCS** and **Wipro** are now firmly in the Top Fifty, with **Infosys** not far behind. Of course, a major acquisition could change all that!

You can find our full UK S/ITS and IT Services rankings, along with our latest detailed market forecasts, in our new Market Trends 2004 report, to be published this month.

(Anthony Miller)

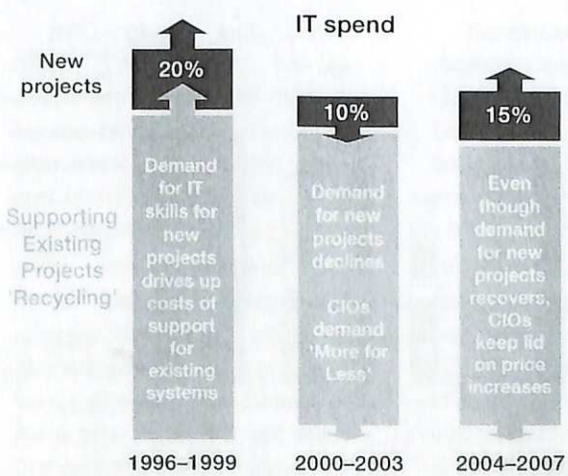
HOLWAY COMMENT

RECYCLING PHASE

At our recent, regular meeting with Richard Atkins who heads IBM Global Services in the UK, he described our industry as being in its *'recycling phase'*.

Back at the end of the 1980s, we did an analysis of where IT budgets were spent. Even at that time around 80% was spent in the support of systems which were one or more years old. That covered everything from replacing PCs and other hardware, through IT support, application maintenance to ongoing upgrades to existing systems. The remainder was spent on the development and installation of new systems.

Today the figure nearer 90% as, in particular since 2000, the amount allocated to new projects has plummeted. This, of course, has had a huge effect on the dymanics of our industry. Over the last few years, as our page one article shows, project services has been badly hit with a double digit decline in 2002. Our forecast for 2004 shows revenues from project services flat. But at least the decline has ended. Application software too has suffered, as new licence sales to new customers have become a rarity. *Woe betide you if you haven't had an existing and loyal customer base to plunder.*



Outside of the much publicised mega new projects in the Public Sector, we still don't see a massive rush to new project development. There are some bright spots though. We think that all things relating to **mobile enterprise** will provide some uplift; affecting everything from new devices like mobile-enabled laptops to security software to brand new applications taking advantage of the major technological advances in that area.

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The real competitive opportunity today is recycling

As an analyst, I get bombarded with a huge number of press releases announcing project wins. But the vast majority of these are now extensions to contracts won years ago. A simple example this month was Xansa and the renewal of their contract with Boots for a further 5 years. Five year contracts renewed in 2004 were originally signed in 1998/99. This was a 'vintage' year for IT fee rates. Indeed, several sources have said that it is not uncommon for contracts to be renewed at rates up to 50% lower than at their late 1990s peak. If you are in renegotiation you really do have to offer very competitive rates. If you don't, the user goes out to competitive tender. *You REALLY want to avoid that as that's when your problems really start.*

It's one thing renewing an existing contract at a lower rate. It's quite another losing it altogether. The number of contracts changing hands has shown a considerable increase lately. Of course, the biggest example was the Inland Revenue changing from EDS to Capgemini where, sources suggest, as a result the annual revenues reduced by about 30%.

Of course, this can all give rise to some bullish press releases which, we suspect, lead some observers into believing that the market is growing much faster than it actually is. Putting this into context, HP chairman and CEO, Carly Fiorina, was probably justified when she said this month that she was *"very pleased"* with HP EMEA's 2% growth in Q2 as it had improved their competitive position and market share. You can see what she means when you look at the recent revenue declines in EMEA revenues reported by the likes of Capgemini and ATOS Origin.

So what to do?

If you accept reality, the outlook is far from gloomy. Firstly, we see the new project services market showing real signs of recovery. **By 2008 is might just have returned to same size it was in 1999!**

But alongside that we see CIOs continuing to demand 'More for Less' when it comes to supporting and maintaining their existing systems. And this is BIG business – as we said earlier something around 90% of the 2004 market is basically 'recycling'. Everything from replacing PCs bought in the late 1990s to retendering for mega outsourcing deals.

If you are going to survive, let alone win, you've got to be expert in the recycling business too.

- Ensure that you really look after your current customers.
- Remember to offer savings opportunities BEFORE the customer demands it. If you don't someone else will.
- Put a significant proportion of your sales and marketing budget, and your own time, into reassuring your current client base. (Remember that BMW is so successful because their advertisements are aimed at convincing their existing customers of how good a decision they made in the first place!)
- Ensure you know exactly when your competitor's contracts are up for renewal. Don't wait around for the ITT because the incumbent will be keen to avoid a competitive bid. Start your wooing early!

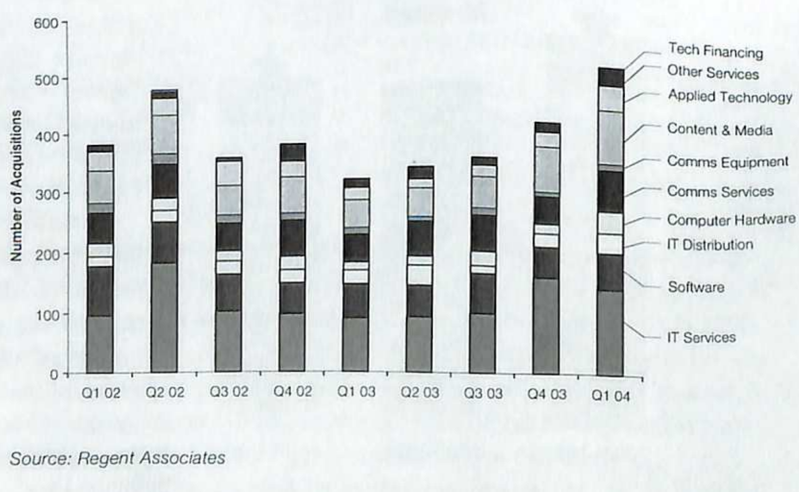
Regent

EUROPEAN TECH M&A 'RAMPANT' IN Q1

Regent Associates – advisors to the technology industry on corporate development, including acquisitions, divestments, and financing – have completed their latest quarterly analysis of European technology M&A trends. Much as we expected, acquisition activity in Q104 was 'rampant', with the number of acquisitions up 24% on the previous quarter to 513, and up 61% on Q1 03.

The UK continued to be involved with more deals than any other country (150, equivalent to 29% of the total), and posted a

Acquisitions in the Technology, Communications and Media Industries Involving European Companies, Q102 to Q104



Source: Regent Associates

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52% increase on the previous quarter. However, the strongest growth was in France, where the number of deals rose 77% to 62. As Regent observes, the French market slid into recession after the UK and USA, and has bounced back "very strongly" in 2004. Indeed, tech M&A activity was up in most geographies, the exceptions being the Benelux countries, Austria, Switzerland, Spain and Portugal.

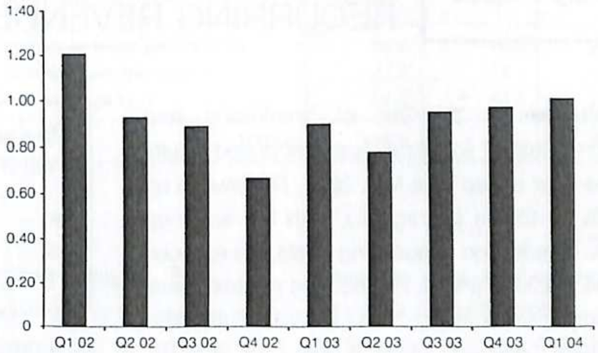
Regent's analysis also reveals that the US buyers are back. In Q1, US players acquired 85 European tech companies, up 70% on Q403, and roughly double the level seen at the beginning of 2003. Peter Rowell, Executive Chairman, explains: *"US companies, confident of improved fortunes in their domestic market, start to look overseas for growth opportunities. European companies represent obvious targets, especially when some are still suffering from the tail end of their own recession".*

The main driver for growth came from the communications, hardware and applied technology sectors. Acquisitions of software suppliers rose 20%, quarter on quarter, to 60 transactions, with apps companies remaining firm favourites. Meanwhile the headline number for ITS shows an 11% decline to 143 deals, but this rather belies the fact that the number of ITS companies purchased in Q104 was up 60% on a year earlier.

Turning to valuations, Regent's data shows a marginal increase in Q1, 'probably indicating that a peak in valuation multiples is being reached' (just as we have been warning in terms of the 'Window of IPO-pportunity'). Across the tech sector as a whole, buyers paid PE ratios fractionally over 20, and PSRs of c1.0, with the median for SITS companies being just slightly lower, at 18.3 and 1.0. After six quarters of steady improvement in valuations, Rowell advises that *"the current level seems about right and any further increases now will run the risk of downward pressure later in the year, and with it, renewed uncertainty".*

So, you have been warned – activity levels are buoyant, but prices cannot continue to rise indefinitely. Make hay while the sun shines! *(Heather Brice)*

Median PSRs of Acquisitions Involving European S/ITS Companies Q102 to Q104



Source: Regent Associates

Holway@Ovum customers will have received our latest Industry Trends research this month. For more information contact Damien McInery on dkm@ovum.com

Regent Associates provides advice to the technology industry in areas of corporate development, including mergers and acquisitions, divestments, valuations and fund raising. We would like to thank Regent for proving us with data on European S/ITS M&A activity.

VERTEX IMPRESSES IN FULL-YEAR RESULTS

BPO player and United Utilities subsidiary **Vertex** announced its results for the year to end March 2004. Revenues grew better than expected with a 20% rise to £368.5m. Operating profits were up 34% to £25.1m, taking operating margins up to 6.8%. These operating profit numbers exclude the impact of goodwill amortisation arising from Vertex's acquisition of 7C in December 2002 but still show that profitability is on the rise.

Comment: An excellent set of results from Vertex. With its UK revenues (excluding business with its parent) up 21% to £265m, Vertex should comfortably maintain its top 4 position in the UK BPO market (along with **Capita**, **EDS** and **Unisys**). The pace won't necessarily be easy to sustain, however. A lot of the growth reported here comes from the full-year contributions of Vertex's two biggest public sector contracts – the DWP (where it is sub-contracting to Atos Origin) and Westminster City Council – as well as increased volumes on Vertex's work for Vodafone. But given its track record and its leadership position in customer management-centric BPO, Vertex looks well placed to continue its positive trajectory on both revenues and profitability.

One major question remains: when will Vertex be set free from United Utilities? Our conversations with the company suggest that UU will seek to cash in on its astute move into BPO at some point. It may just be that this set of results provides the ideal launch pad for an IPO or a sale. *(Phil Codling)*

-5.3%
72p
ALTERIAN

ALTERIAN'S FY04 RESULTS UNDERPINNED BY RECURRING REVENUES

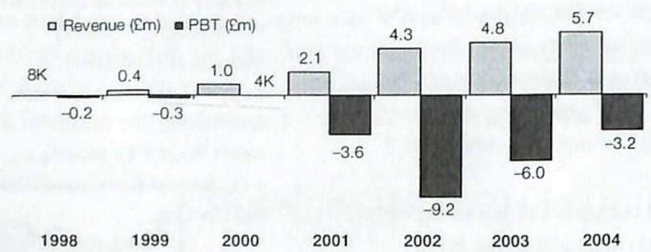
Alterian, a provider of 'marketing and customer insight solutions', has announced results for the year ended 31st Mar. 2004. Revenue is up 18.5% to £5.7m (all organic), with UK sales up c11%. A reduction in operating costs has reduced losses to £3.6m (FY03: £6.7m), and pre tax losses also improved, from £6.0m to £3.2m. Diluted loss per share, previously 14.6p, is now 7.1p.

Alterian FYE: 31st March	Turnover £m		
	2004	2005	Change
UK	4.2	3.8	10.9%
US	1.5	1.0	47.7%
TOTAL	5.7	4.8	18.5%

Commenting on the outlook for FY05, David Eldridge, Chief Executive, said: *"The principal financial objective is to achieve approximate earnings neutrality for the year and a satisfactory cash flow. This will underpin substantial profitability going forward based on Alterian's high level of recurring revenue. The outlook is encouraging".*

Comment: Alterian's strategy of focusing on winning long term contracted revenue is paying off. The company reports that revenue that is either contracted or expected to recur in FY05 represented c70% of this year's revenues (up from 50% the year before). Alterian also boasts a 96% revenue renewal rate in FY04.

Alterian plc
7 year Revenue & PBT Record
From 1998



Year ending 31st Mar.

FY04 saw some notable customer successes, with Alterian developing its relationships with 'market service providers' such as Experian and infoUSA, and adding a further 19 MSP partners to the list. Alterian's revenue is primarily derived from such relationships, however direct sales to end customers also improved, with household names such as Lloyds TSB, Brittany Ferries, Orange and Heinz signing up.

Eldridge comments that they expect to *"substantially grow"* revenue through existing partners, and are in advanced discussion with a number of new organisations. With its high level of recurring revenues and its strong cash position at the year end (£12.0m), Eldridge has reason to be encouraged about the outlook for FY05. *(Heather Brice)*

-9.9%
137p
RM

RM REPORTS STRONG FIRST HALF

RM, supplier of ICT and other services to education, has revealed a strong first half performance. The highlights for the six months to 31st Mar. 04, are as follows:

- Turnover was 27.6% up on the same period last year to £108.9m (25% on an organic basis)
- H1 03's LBT of £1.8m has turned into a PBT of £0.8m
- At the earnings level, RM reported diluted EPS of zero, compared to last year's loss per share of 1.8p
- And the interim dividend per share is up 5% to 1.0p.

RM's performance so far this year includes one-off benefits from education project shipments and favourable US dollar exchange rate movements, which are unlikely to have the same impact next year. The seasonality of RM's business (reflecting school buying patterns) also means that the first half is unlikely to be a good indicator for the year as a whole. Nevertheless, RM's Chief Executive, Tim Pearson, was upbeat about the full-year outcome: *"For the year as a whole, education projects and the contribution from our recent acquisitions will contribute to turnover growth,"* he said.

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Comment: RM's interim results were previewed in a trading update back in March, so the announcement contained no great surprises. What they did contain, however, was proof that RM's three-pronged strategy - to grow market share in the educational ICT arena, develop its education services business, and win and deliver strategic projects – is on course.

RM plc Six months to 31st March	Turnover £m		
	H1 04	H1 03	Change
Infrastructure software and services	34.2	26.2	31%
Education software and services	22.3	16.7	34%
PC & 3rd party products	52.4	42.5	23%
TOTAL	**108.9**	**85.4**	**28%**

Even excluding the contribution of acquisitions, RM is clearly taking market share, with a 25% increase in organic revenues during the period. Contrast this to a very modest c2% growth in the overall size for S/ITS in the UK education sector, in 03 and 04.

Education software and services, the fastest growing of RM's three activities, reported 34% growth (with **Forvus** and **Peakschoolhaus**, both acquired in 2003, contributing). And in terms of strategic projects, RM is building up an enviable track record in putting together winning bids - the company clocked up £110m of project wins in 2003, and has secured a further £36m, to date, in FY04. In addition, RM is sole bidder on a £18m PFI contract with Lambeth (although Pearson warned that this is unlikely to be signed in H2). Other potential education projects are at the early bidding stage, but Pearson would not be drawn on their possible value.

All this sales effort has contributed to a 14% rise in selling and distribution costs which along with a 15% increase investment in R&D, and greater admin expenses, led to a c17% increase operating costs.

Pearson cautioned against extrapolating H1's results for the year as a whole, as the first half benefited from a number of factors (such as shipments of hardware on strategic projects, and the favourable US dollar exchange rate), that will not be repeated. Furthermore, RM continues to experience continued margin pressure on commodity ICT, especially hardware provision where competition from the likes of **HP** and **Dell**, is fierce. Given that hardware sales account for around half of group revenues, this should not be underestimated. But, Pearson and his team have good reason to be pleased with performance in H1, and have made good progress in developing a 'more robust and resilient business model' for the long term.

(Heather Brice)

–4%
31p

TIG CAUTIOUSLY OPTIMISTIC AT INTERIM STAGE

The Innovation Group (TiG) has announced unaudited interim results for the six months to 31st Mar. 04. Revenues were down 12% on the same period last year to £27.4m. However, pre-tax losses lessened to £3.5m (compared to £5.2m in H1 03) after goodwill amortisation of £7.4m, profit on disposal of operations of £1m and amounts written off investments of £0.1m. Basic loss per share was 0.97p, compared to a loss of 2.4p in the first half of 2003.

Of TiG's two divisions, the Technology Solutions Division (TSD), which provides software and services to develop, install, integrate and maintain insurance systems for policy claims related functions, came off worst. Revenues at TSD fell 26% to £14.5m. In contrast, revenues at the Specialised BPO division, which provides outsourced services such as accident management and warranty administration, climbed 12% to £12.9m.

Commenting on the results Hassan Sadiq, chief executive, said: *"Against a background of an improving business environment and a strengthening pipeline our outlook for the full year remains one of cautious optimism"*.

Comment: TiG has gained some focus with the disposal of two non-core businesses over the period (Mead & McGrouther in Q1 and IBS in Q2), resulting in a combined profit on disposal of £1m. We suspect another likely candidate for disposal may well be its US public sector business (part of TSD), which saw revenues drop to £1.5m in H1 04, compared to £2.5m in H1 03. However, TiG claims it will *"continue to manage the business carefully"* since it provides a positive contribution to the US technology division. TiG's full-year performance will largely depend on how successful it is at converting its existing sales pipeline – described as 'stronger than it has been for some time' – and strengthening its relationships with existing clients. *(Tola Sargeant)*

HP Q2 BOOSTED BY CURRENCY GAINS

On the face of it, **HP** turned in a pretty impressive set of results for its second quarter, but when you look under the covers, it's not so great. Revenues for the three months ended 30 Apr. 04 rose 11.8% to $20.11b, but this was really a 4% increase at constant currency. Operating earnings soared 77% to $1.14b, mainly due to vastly reduced restructuring and acquisition charges. In fact, on a sequential basis, operating income declined fractionally. Net earnings improved by 34% to $884m, but declined 6% sequentially.

HP's European revenues grew by 17% top line to $8.3b but this was a mere 2% at constant currency. HP chairman and CEO, Carly Fiorina is *"quite pleased with growth performance in Europe"*, although *"Germany continues to be a bit of a question mark...(and is) not recovering as quickly as elsewhere"*.

HP Services top line revenues grew by 14.8% to $3.49b. HP didn't give a like-for-like figure but we would guess this was low single digit growth. Also, these figures were boosted "a few points" by the acquisition of Triaton which closed at the end of Feb. 04, so we suspect that true organic growth was in fact flat. Services operating earnings grew slower (10.8%) to $329m, meaning that operating margins declined from 9.8% to 9.4%. However, this was better than the 8.2% margin in Q1. Managed services revenues grew by 50% but even so, still account for just 20% of HP Services revenues in Q2. Customer Support still dominates, at 62% of the total, having grown by 9%. Consulting and SI revenues grew by 8% (almost certainly a decline in real terms), and HP is still seeing 'continued weakness' in this area although margins are starting to improve.

Carly Fiorina also commented on their acquisition strategy for services, confirming they were not in the market for a mega-buy as they didn't want to face the potential integration problems. They'll keep an eye out for more fill-in acquisitions (e.g. like CEC Europe Service Management last week) and also suitable captive IT shops (like Triaton) – otherwise they will rely mainly on organic growth. Fine – but this doesn't address their lack of business consulting skills. It's very hard to build critical mass piecemeal, as the offshore players are finding.

Comment: These results are just a little better than IBM's most recent quarter, but not by much. Both are much better than EDS, of course, but not as good as CSC. But all of these players are enjoying a significant boost to revenues from currency gains, which of course has a much more dramatic effect on earnings. US analysts still don't seem to get this. Now that currencies are more stable, we will see a quite different picture as the year progresses.

(Anthony Miller)

SAGE REPORTS H1 IN LINE WITH EXPECTATIONS

2.%
177p

Sage Group has issued its interim results for the half year to 31st Mar. 04. It has confirmed the figures given in its trading statement (see *Hotnews* 15th Apr.). Revenues were up 23% to £332m, and pre-tax profits were up 17% year-on-year, to £86.7m. Revenues were up in all territories – mainland Europe was best at 23% growth and the US was close behind at 21%. Operating profits and margins were up in UK and Europe regions – which together account for 54% of sales. Operating cash flow was up 22% to £122.8m and the company has raised its dividend 10% to 0.611p per share.

Comment: As we said in our comment on 15th Apr., this is a good performance and doubly important at a time when Sage is looking to grab as much land as it can, before Microsoft really begins to muscle in on its territory. SAP, Oracle and others too are eyeing Sage's market share (4 million SMEs) enviously. At the moment the competitive focus is less on the very small businesses and independent accountants, where Sage is the only really big supplier, but the higher end of its range – medium-sized businesses – where Sage is more vulnerable. The headline results above include acquisitions – of which in true Sage style there have been several. Sage will be pleased by 6% growth in its mid-market accounting offering in the US, and that it now has its Accpac product on board (acquired from CA) to further boost market share.

Organic growth was rather more modest – 3% overall (at constant currency), around 7% in the UK and 3% in mainland Europe – though

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organic operating profit growth was 11%. But against flat markets this is still good. The US business was flat in constant currency, excluding acquisitions – Sage will be looking to improve on this next year. Overall, operating profits rose two points to 30% even though new acquisitions Accpac and Timberline pulled profitability down (Sage will be working to remedy this). Sage will be pleased with this performance. The main focus in the coming months will be to continue to build business in its mid-market operations, especially in North America.

Incidentally, we met with Sage Non-Exec Chairman, Michael Jackson last week. He said he agreed with our outlook and could detect NO improvement in IT spend even amongst SMEs. *(Philip Carnelley)*

EuroView

This article first appeared in Ovum's EuroView Daily email service.

0.3%
520p
AVEVA

AVEVA ENGINEERS GROWTH IN 2004

Aveva Group, supplier of engineering data and design IT systems, has announced a positive set of results for the year to 31st Mar. 04. Turnover is up 5.8% to £38.1m (all organic), with both operating and pre tax profit showing significant improvements. A 9.2% increase in operating profit, to £6.1m, boosted margins to 16.1% (formerly 15.6%), and pre tax profits rose 9.5% to £6.1m. Diluted EPS rose from 21.24p to 22.42p, and an increased final dividend is proposed making the total for the year 5.8p (2003: 5.6p).

Commenting on the outlook, Chairman Richard King said: *"Although it is still early days, we are pleased to report that Tribon acquired since the year end is making a firm start to its current year. We believe the enlarged group will have a greater international presence and improved prospects for growth, giving us confidence in our ability to achieve satisfactory results in the current year"*.

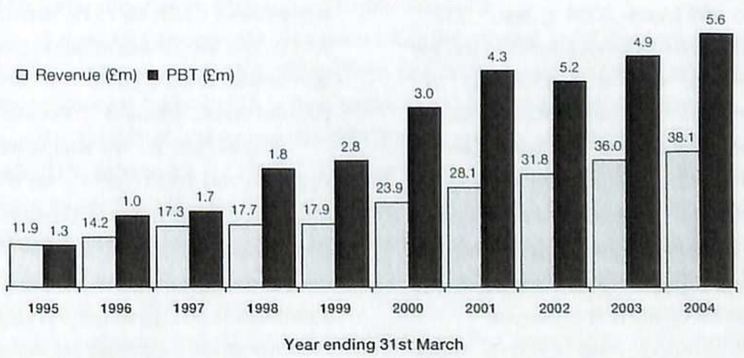
Comment: Well you really can't ask for a more reassuring performance than that! Aveva delivered organic growth, despite the adverse effect of the £/US$ exchange rate, and, as already announced, the slippage of a 'material' contract which was expected to be signed in Q4. EMEA, the largest of Aveva's regions, produced the strongest results, with revenue up 12%.

During FY04 the company improved its business mix, with 60% of turnover now coming from recurring revenues, compared to 58% in FY03. Aveva also improved its cash flow from operating activities, from £3.2m to £7.9m.

As for the outlook, the £19m acquisition of Tribon (which completes today), brings Aveva greater scale, strengthens the company's international footprint, and broadens the product portfolio (Tribon specialises in engineering software for designing ships). Tribon turned over c£14m in FY03, and was marginally loss making, but according to King's comments the acquired operation has got off to a good start, with some £2.4m of cost cutting already identified.

Presuming Aveva can secure the large contract with its Asian customer (and it sounds confident that it will do so shortly), and can oversee the integration of Tribon without taking its eye of the existing business, then it will be well on its way to delivering another set of solid results.
(Heather Brice/Tola Sargeant)

Aveva Group Plc
10-year Revenue and PBT Record
Relative to 1995



PINKROCCADE SALES UNCHANGED IN Q1

PinkRoccade UK FYE: 31st Dec 03	Turnover £m		
	2003	2002	Change
Support Services	28.1	29.3	-4.1%
Outsourcing	29.3	23.0	27.4%
Project Services	10.1	11.6	-12.9%
TOTAL	67.5	63.9	5.6%

Results for **PinkRoccade**'s first quarter to the end of March show the company suffered close to an 8% decline in revenues to EUR174.6m compared with the equivalent period last year. Operating profit has more than halved from EUR5.6m to EUR2.0m while profit before tax slumped from EUR4.0m to EUR1.7m.

In the Netherlands, PinkRoccade's home territory, revenues slipped 9%. Although the company saw a number of long-term contracts extended, pricing pressure put a squeeze on fee rates. In addition, a 'few' contracts were not continued.

In general terms, the company says the ICT services market is 'becoming more lively'. In particular, there are improvements in the market for infrastructure services with fees rising slightly. It's also seeing a stabilisation in application services. However, BPO contracts currently offer 'insufficient volume to generate advantages of scale'.

Comment: In the UK, revenues for the quarter are unchanged from last year. But it's still causing its parent something of a tension headache with losses of around EUR1m in Q1. Rewind a year and, at the operating level, the UK was neutral. In H2, it's expected to move back into positive territory and it really must do this.

PinkRoccade still hasn't got a suitable buyer for its UK maintenance business, partly because simply offloading the division is not an option. It needs an ongoing delivery partner – something it's having difficulty finding. In FY03, its resource-based desktop business saw revenues decline 5% (worse than the maintenance business which was down 3%). That's in contrast to the desktop market overall and undoubtedly a bitter disappointment for CEO Clive Hyland and his team. However, there's the promise that this year desktop services will be 'reinvigorated' and we understand that desktop revenues via managed services contracts compensate for this decline.

Business generally is off to a solid start with £58m in contract wins for the year so far. Amongst that is a very tasty £32m deal with Securicor. The company has also signed up Harcourt Education (£2m), Clarks (£8m) and Gala (£2.5m). We really hope the UK makes a positive impact on the overall company performance before patience in the Netherlands runs out. *(Kate Hanaghan)*

ATOS ORIGIN HOLDS THE LINE IN Q1

Atos Origin has just about held steady in the first few months of the year, reporting a proforma 0.9% revenue decline in the three months to end March 2004 to euro1,305m. The less meaningful statutory top line growth was 67% including two months' contribution from Sema, the acquisition of which closed towards the end of January. As for progress on the merger, CEO Bernard Bourigeaud claims rapid progress and expects the full scale benefits to be felt by the end of the year.

Among Atos Origin's major countries, UK was about line ball at euro283m, but this was 1.4% up on a like-for-like basis. France grew fastest at 1.5% top line and 5.6% like-for-like, reaching euro360m. Atos Origin's (albeit small) business in the Americas took a hammering, with revenues down a third to euro73m, a 22% decline like-for-like. Asia-Pacific revenues also fell substantially to just euro36m. By service line, results were much as to be expected: Consulting and SI down by 9% top line and by 6% like-for-like to euro623m, and Managed Operations up by 2% (4.5% like-for-like) to euro682m. The company anticipates a flat year in revenue terms (around euro5.3bn) and *"continues to target an operating profit above 7%"*.

All in all, just as we said when Atos Origin announced its 2003 results in April, it's very much 'steady as she goes'. But that won't be good enough to stop the company losing share in Europe. Indeed, it reports that *"some parts of Central and Southern Europe...remained difficult"*. The better news is that in its three largest country markets globally – namely France, the UK and Netherlands – organic growth was achieved.

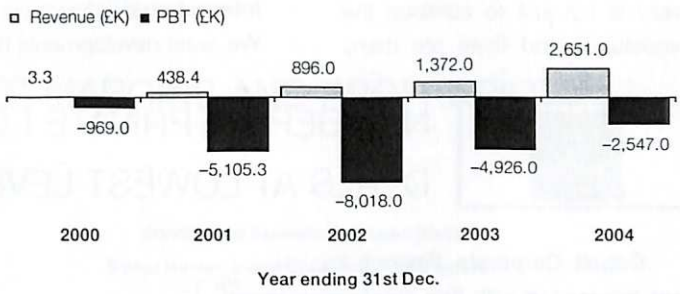
Overall, we think Atos Origin really has a good mix of services now that it has both Sema and KPMG Consulting under its belt, so it really must capitalise on its size and strength and take the battle to the enemy. *(Anthony Miller/Phil Codling)*

-6%
8p

FFastFill

OFFSHORE DEVELOPMENT HELPS FFASTFILL NARROW LOSSES

Ffastfill
5 year Revenue & PBT Record
From 2000



ISV-cum-ASP **Ffastfill** showed strong progress last year as it moved from selling software licences to selling its product as an ASP service in the trading and risk management market. Revenues for the year ended 31st Mar. 04 almost doubled to £2.65m and operating losses almost halved to £2.57m – and it's nice to see losses less than revenues for the first time! Pre-tax losses also almost halved to £2.43m resulting in a reduced loss per share of 3.43p compared to 10.05p the previous year. A recent (Apr. 04) share placement added a net £4m to Ffastfill's coffers, which held just under £1m at the end of the financial year. Executive Chairman Keith Todd (of ICL/Fujitsu fame) is *"confident of success"* but advises *"there is much work to be done"*.

Comment: It's really tough out there for the little guys. Since Todd moved the company towards an ASP model it has signed three clients in London and is chasing some large deals 'which will be decided in the next few months', and is aiming to launch its ASP service in the US – now that's a bold move. Meanwhile it seems to be taking advantage of its low cost development centre in Prague to help keep costs down. With the coffers replenished it is also on the look-out for acquisitions. And in the spirit of self-sacrifice, Todd and his co-exec directors (including Nigel Hartnell, also ex-ICL/Fujitsu) are waiving a chunk of their salaries over the next six months. Sends the right message to investors who seem keen to support them. It recognises that it needs to bulk up and with the organic business heading (hopefully) towards profitability, Ffastfill could turn into a nice little niche player. But stretching into the US has undone many small-fry before, and if it doesn't win the major contracts it's now chasing, its fortunes could change rapidly in the wrong direction. Let's hope not.

(Anthony Miller/Georgina O'Toole)

BT

S/ITS PROVES A WINNER FOR BT

The full year announcements from **BT** have been, rightly, positively received. The UK's largest telco reported revenues down 1% to £18,519m in the year to end March 2004 (after mobile termination rate reductions), with PBT up 10% to £2,016m. Revenues were up 1% year-on-year in Q4. Following successive quarters where revenue fell, this is an encouraging reversal of what was becoming a disappointing trend.

A lot of the reversal – and the positive reception – was down to BT's S/ITS bits:

- **BT Global Solutions** (that's the bit run by Neil Rogers that does network management and some BPO) increased its revenues by 14% in the full year (to 31st Mach) to £2,802m. Operating profit was up 25% to £261m, which is pretty impressive!
- **BT Syntegra** (the bit run by Tim Smart that does systems integration) grew revenues by 16% to £721m and operating profit by 17% to £28m. So still some more work on the bottom line required.

The performance in Q4 was even more impressive at BT Syntegra, with a 32% revenue boost to £253m. With Solutions, some £77m of the NHS revenues was taken in Q4, which explains much of this revenue increase.

The growth in the combined S/ITS businesses – up 14.5% at £3.5b – was THE reason for BT Global Services 7% growth in the year and a major contributor towards the much headlined 30% annual growth in BT's 'New Wave' revenues (which include broadband, mobile and other non-traditional service lines). Unexpectedly, 'New Wave' more than compensated for a 6% decline in 'traditional' revenues.

BT Syntegra and BT Global Solutions together won £2.3b of contracts in Q4 (a record) making over £7b in the year – a pretty amazing TWICE annualised revenues!

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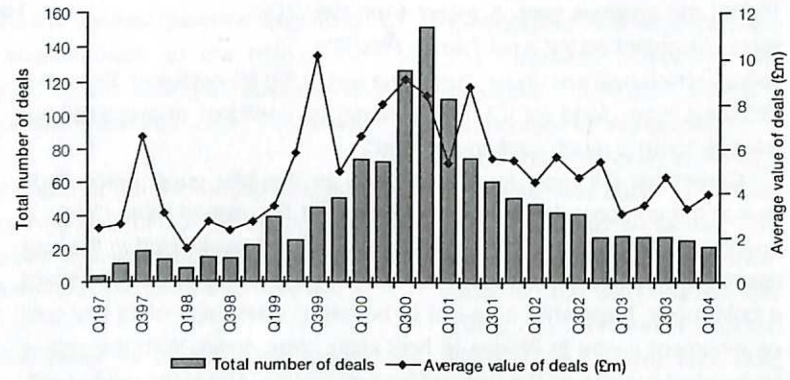
We have written about the wins at the NHS, Aspire etc on many occasions in the last year. Towards the end of May, BT inked another public sector contract – this time with Suffolk Local Councils, worth £330m. The key now is not just to continue the impetus – and there are many opportunities, such as MoD and BBC Technology with decisions due in the next period – but for BT to show it can handle large projects without too much of a detrimental effect on the bottom line.

BT's own press release talks of the 'transformation' at Global Services. One can but agree! It's been an amazingly successful year at a time when many other much larger global players have really suffered. BT now talks about building on that success with investment to 'strengthen the **international** network centric solutions and system integration capabilities'. We await developments here with anticipation. *(Richard Holway/Phil Codling)*

Cobalt Corporate Finance

NUMBER OF PRIVATE EQUITY TECHNOLOGY DEALS AT LOWEST LEVEL SINCE 1998

Cobalt Corporate Finance has just provided us with their latest data on UK private equity funding of technology companies in Q104. Rather than signalling the revival of technology venture capital funding, it is hard to pick out any positive trends. Compared to Q103, the number of technology financings over £1m fell from 28 to 21 – significantly, the lowest quarterly level on Cobalt's records since Q4 1998. The number of deals was also down on the last quarter of 2003 when 25 deals were recorded.



The total value of deals was flat sequentially compared to the last quarter of 2003 at £83m. If you want to take away a bit of good news, the total value of deals was up by £3m compared to Q103, primarily due to one large, exceptional £15m deal (a second round funding in **Ubinetics**, a provider of 3G technology, led by 3i with **PA Consulting**).

Nonetheless, Paddy MccGwire, MD of Cobalt, does see some reasons to be optimistic, *"Our conversations and meetings with VCs this quarter attest to an increasing level of activity and a renewed enthusiasm for looking at new opportunities"*. However, he tempers this with an element of caution, *"There are numerous companies trying to raise funds. VCs continue to be extremely selective about the sectors they invest in and the companies that do get funded have been rigorously assessed and are well positioned to be the sector leaders"*. Apart from Ubinetics, other large fundings were in the growth sectors of public sector (**Equinox Converged Solutions** – broadband solutions), and financial services (**Search Space** – risk-monitoring software), as well as in speech recognition technology (**Fluency**).

In short, with funding in short supply, the message for IT companies looking for investment is that a solid business case remains essential for attracting investor interest. *(Georgina O'Toole)*

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

INVU

EARLY DAYS FOR 'MAIDEN' INVU

Tiny document management software company **INVU** has reported its maiden results since listing on AIM (and de-listing from Nasdaq) earlier this year. Revenues grew by a very healthy 19% to £2m but operating losses deepened significantly from £104K to £1.02m, mainly due to a £760K goodwill write-off (and full marks, chaps, for putting this above the line!). As a result, pre-tax losses widened from £439K to £1.38m, but losses per share improved from (–)1.45p to (–)0.36p, helped by a £1.25m tax credit.

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INVU scored some useful contract wins with the likes of Telegraph Group, Solarglass Windowcare and Maersk. However, INVU CEO David Morgan warned that revenues and profits would be hit over the next few months, but still aims to achieve profitability this financial year. INVU is chaired by Daniel Goldman, son of the late Sage founder, David.

Comment: INVU is pitching its tent in the SME market in which, frankly, there is no shortage of suppliers of document management software. However, it successfully raised £3m (gross) when it listed on AIM so has a modest pot of cash to help it through these early days. We wish it well.

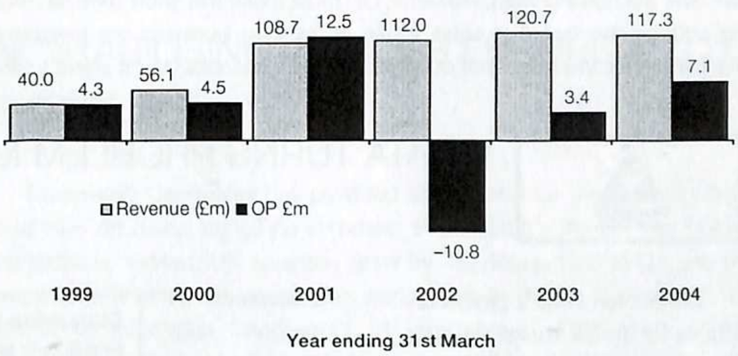
(Anthony Miller)

SX3 IMPROVES MARGINS AND PROFITABILITY

Conglomerate and parent of **Sx3**, Viridian Group, has announced preliminary results for the full year to 31st Mar. 04 revealing an increase of 7% in Group turnover to £834.2m and an increase of 14% in pre-tax profits to £89.2m.

The bit that we're interested in is Sx3, provider of software and IT services and a top ten S/ITS player in the local government market. Turnover at Sx3 fell by about 3% to £117.3m, however, profits more than doubled from £3.4m to £7.1m. As a result operating margins increased significantly from 2.8% to 6.1%.

Service and Systems Solutions (Sx3)
6 year Revenue and Operating Profit Record
Relative to 1999



Comment: This is the first time since Sx3 was formed in 1999 that it has experienced a decline in turnover. However the good news is that the decline was as a result of a change in the mix i.e. a move away from hardware resale, but a continuing increase in turnover from services and proprietary software. It was this that had a positive effect on margins. Hardware sales now account for 25% of revenues compared to 30% a year earlier. Geoff Neville, Sx3's MD, is happy with the change in business mix and expects the proportion of turnover attributable to services to increase going forward. Consequently profits are expected to rise at a faster rate than turnover. There is also potential for margin improvement in the Infrastructure Solutions business as costs are reduced and efficiency levels are improved. Another interesting element of the results was a continuing decline in captive revenues (i.e. attributable to parent Viridian), which now account for 16% of total revenues compared to 17% in 2003. *(Georgina O'Toole).*

-6%
20p

GB GROUP MOVES INTO LOSSES

GB Group has released its results for the year to 31st March 04. Turnover is up 6% to £11.9m, however, the company has moved into operating losses of £123K from profits of £609K in the previous year. It moved into losses at the pre-tax level by just £10K from profits of £813K in 2003. Diluted EPS was nil compared with last year's 0.9p.

GB is organised into three business areas: Its CRM divisions, DataIntegrity and DataSolutions make up the existing business and DataAuthentication, which provides anti-fraud solutions, is its new business area. The profitability of the existing businesses was dented due to investments made over the year and increased competition.

John Walker-Haworth, Chairman, said of the current year: "*...like-for-like turnover for the first two months in our existing businesses is marginally ahead of last year. GB's turnover and profitability in these businesses continue to be weighted towards the second half of the year*". He added

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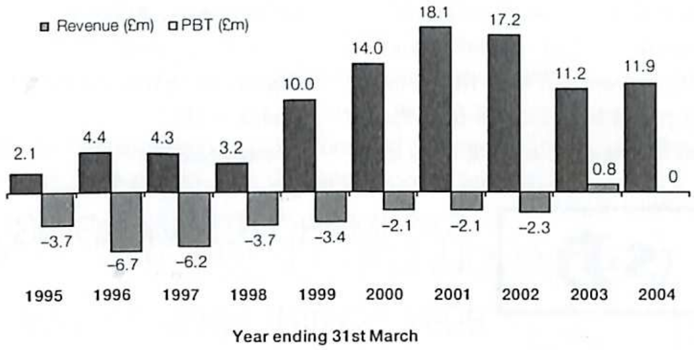
that he remains cautious with regards to the year as a whole.

Comment: While revenues have edged-up, GB has been treading water over the last year as it gets its house in order by investing in sales and marketing and focussing on product development. In the year, it invested £600K in sales and infrastructure resources for its existing businesses. This investment increased turnover by....£600K. More than 50% of sales now come from multi-year contracts or the rollover of annual contracts. We're pleased to see that it's phasing out its sale of third party software.

Sales from its new business were £41K but losses were £413K (the company will continue to invest in URU, its data authentication project with BT over the coming year). However, GB must make this short-term sacrifice to counter the fact that sales within its existing business are becoming harder to win. We hope that during this current financial year it starts to see some payback on its investments.

Traders took kindly to the figures pushing shares up 2.6 % to 20p on the day of the results announcement. *(Kate Hanaghan)*

GB Group
10 year Revenue & PBT Record
From 1995



-18%
31p

DIDATA TURNS PROBLEM MARKETS AROUND

Dimension Data's preliminary results for the six months to 31st Mar. '04 revealed revenue growth and a return to profitability. Total group revenues were 16% up on the first half of 2003 at $1.18bn (£664.7m) and the company reported pre-tax profits of $13.9m (£7.9m), compared to losses of $194.6m in the same period last year. EPS was 0.1 cents, compared to a loss per share of 14.5 cents in H1 03.

Brett Dawson, the former COO appointed CEO of DiData in March, was cautiously optimistic about the outlook for the group in the second half. He said: *"We will continue to focus on profitable growth, margin stabilisation, cost controls and making further progress in improving returns in under-performing regions".*

A greater external focus and continued emphasis on growing services revenues has helped DiData to grow revenues and return to profitability, with strong turnarounds in the US, Germany, France and South Africa. The UK's performance is less clear-cut – revenues were 13% down on H1 03 at $99.3m (despite favourable exchange rates). On a like-for-like basis – reflecting a change in the accounting treatment of revenues from its Fixed Mobile Telephony business – UK constant currency revenues actually increased by 10% sequentially. Having said that, there is no disguising the fact that UK managed services revenues took a tumble – down 32% on H1 03 to $35.7m – as revenues fell at DiData's managed call centre business, The Merchants Group.

Dimension Data Six months to 31st Mar	Turnover $m		
	2004	2003	Change
Africa	207.6	171.0	21.4%
Asia	176.9	166.8	6.1%
Australia	221.7	157.1	41.1%
Continental Europe	220.9	183.4	20.4%
UK	99.3	114.1	-13.0%
United States	195.2	182.9	6.8%
Other	1.8	2.5	-28.5%
Associates	53.2	34.7	53.4%
TOTAL	**1176.7**	**1012.5**	**16.2%**

The change in the business mix, lower contributions from The Merchants Group and cabling businesses and increased competition from network services providers, have all pushed margins down in the UK. The UK gross margin was 23% in H1 04 compared to 24.7% in H2 03. A downward trend in UK margins is worrying since the UK has been an exemplar for the rest of the Group when it comes to profitability, reporting operating margins of 4.9% in the period compared to just 0.8% for the group as a whole. So, while DiData should be congratulated for the distinct turnaround in many of its problem markets and a return to profitability, there is much still to be done. Dawson is right to focus on profitable growth and margin stabilisation in the second half. *(Tola Sargeant)*

-4% 66p AttentiV systems

ATTENTIV INTERIMS REVEAL HEALTHY GROWTH

AttentiV Systems Group, the provider of software and services to the UK financial services sector previously known as Lynx Financial Systems, announced its first set of interim results since its March IPO. Revenues for the six months to end March 2004 were up 10.5%, compared to the same period last year, to £14.4m. Operating profits improved markedly from £208K to £1.5m, taking AttentiV's operating margin to 10.7%. PBT was up to £1.6m and EPS rose from 0.4p to 2.5p.

AttentiV is doing rather well in its financial services niche. It has a good spread of customers in the lower tiers of the FS industry - especially among mutual building societies, which is an area where the mega-players (IBM, EDS etc) do not enjoy the sort of influence they have in the larger retail banking sector. AttentiV's business model comprises a healthy mix of its own software, tailored solutions and other services including maintenance. And with £3.7m extra funds in its pocket following its AIM debut in March, it looks well placed to continue profitable growth. We also wonder if it might make an attractive, vertically-focused acquisition target, although with a current market cap of around £40m it may be slightly too pricey for some. *(Phil Codling)*

CAP GEMINI ERNST & YOUNG

CAPGEMINI 'STABILISING' ACROSS EUROPE AS Q1 REVENUES DECLINE

Capgemini has reported a 5% decline in revenues to euro1,477m for the three months ended 31 March 2004. This also represents a 2.4% decline in constant terms compared to Q4 2003. The company advises that revenue is *"stabilising"* across Europe though *"this is not yet the case in North America"*, where they have seen some improvement in consulting and SI business.

Comment: Capgemini has provided scant detail for these results but what they do reveal brings no surprises. In Europe it's the UK that holds the promise. Indeed, UK revenues grew by 4% sequentially in Q1 and of course this is before revenues from Aspire kick in. Aspire is expected to add some £245m to Capgemini's UK revenues in 2004 which could conceivably push them over the £1bn mark in 2004 in the UK if the rest of the business holds up. Of course, all eyes are on the other two big public sector contracts that Capgemini are in the frame for; at MoD, where Capgemini is part of the Radii consortium with CSC and BT for the DII (Future) contract, and Defra. What a shot in the arm it would be for Capgemini if they clinched these deals too!
(Anthony Miller)

CSC

CSC SURGES AHEAD AT YEAR END

The last of the US mega-players to announce its 2003 results has, on the face of it, been the best. **CSC** reported total revenues up by 30% to $14.77bn in the year (actually 53 weeks) ended 2 Apr. 04. However, this impressive result was significantly boosted by a full year's contribution from DynCorp, which CSC acquired in Mar. 03, and of course currency exchange rates. At constant currency, growth was about 25%. We estimate that without DynCorp, organic revenue growth was more like 10% top line and may be 4%-5% at constant currency. Net income rose 18% to $746.9m.

European revenues, which we believe were little affected by DynCorp, grew by over 23% top line to $3.68bn, and about 11% at constant currency. This is a pretty impressive result, mainly due to major outsourcing deals at Royal Mail, National Grid Transco and Marconi in the UK, and SAS in the Nordic region. Just as well, as consulting & SI revenues in Europe suffered, especially in Central, West and Southern Europe. We reckon that the UK mega-deals boosted CSC's UK revenues by nearly 13% to £1.12bn, marking CSC's initiation into the 'billion pound' club.

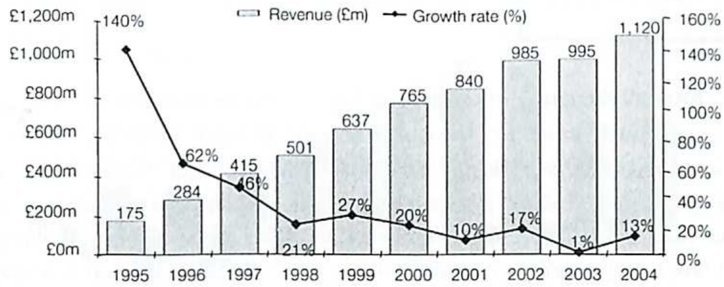
CSC chairman and CEO Van Honeycutt is expecting 8%-10% revenue growth this fiscal year.

During the month CSC also announced a raft of contract extensions and a new outsourcing

[continued on page sixteen]

client, with contract values totalling some £62m. Existing clients Whitbread, Allders, Homebase and Gallaher have renewed or extended contracts, and CSC has also signed up " a significant company in the leisure industry" for a data centre outsourcing deal. In addition, CSC, one of five local service providers (LSPs) implementing the £6bn National Programme for IT in the NHS, has confirmed that the 10-year contract awarded by the Department of Health to implement Picture Archiving and Communications Systems (PACS) across the West Midlands and North West regions of England is worth £196m to the CSC-led alliance, which includes CSC, Kodak and ComMedica. CSC estimates its share of the contract at £108m.

CSC UK
10 year Revenue growth rate



Year ending 31st March

Comment: Well they're certainly on a roll! After years in the megadeal wilderness, CSC has won some stonking contracts in the UK last year, and are in the frame for more, including MoD and BBC Technology. The MoD DII (Future) contract just got a whole lot more interesting last month when it was revealed that IBM and HP have joined the EDS-led Atlas alliance, competing against the CSC-led Radii consortium. Talk about strange bedfellows! Not sure whether CSC should be more or less worried by this development; with Atlas, could be a case of 'too many cooks ...'! Meanwhile, CSC finds itself fighting with Accenture and Fujitsu Services to keep its 4th position in the UK S/ITS rankings this year (see front page story), so, game on!
(Anthony Miller)

2e2 Group

2E2 PLANS JUNE FLOAT

In recognising that time is of the essence, **2e2 Group**, a company with a portfolio of support and project services companies, is to hop through the 'window of IPO-tunity' with a debut on AIM penned for June. The flotation is expected to value the company at up to £70m and will raise £25m, which will be used to reduce debt and fund future acquisitions.

The company is funded by Gresham LLP, which has a 48% stake and led by CEO Terry Burt and COO Mark McVeigh who have a 39% share. You might recognise the names as the team behind maintenance firm 4Front Technologies, which was sold to NCR for $252m.

We met with the team very recently to get the inside track on the Group's plans and were impressed with what we heard. 2e2 has a portfolio of nine companies operating in the UK (representing 80% of revenues) and the Netherlands (20% of revenues). Between them, these various businesses cover off a range of support services, including maintenance, helpdesk and network solutions, plus some consulting. In 2003, 2e2 reported revenues of only £15.7m but now claims a run rate of some £75m. It was loss-making, mostly due to the purchase of Norsk Data, which it has since turned around.

Something of a hungry horse when it comes to acquisitions, 2e2 is thinking big and aims to have profitable revenues of £200m by 2006. Hence the flotation, which will provide the funds for it to rapidly add to its list of subsidiaries. We believe that it will be nigh on impossible for any support services player in the mid-market to grow into something resembling the size of, say, an EDS. However, there is certainly room for a number of consolidators working in selected niches.

Perhaps 2e2's greatest challenge (when it's got its breath back after the IPO!) will be creating one customer face for its group of subsidiaries. The plan is to slot each company into one of four 'silos' creating a line of business model. Organic growth will come from cross selling between those silos. Eventually, each company will carry the 2e2 name but for the moment there's no rush to fully integrate the subsidiaries.

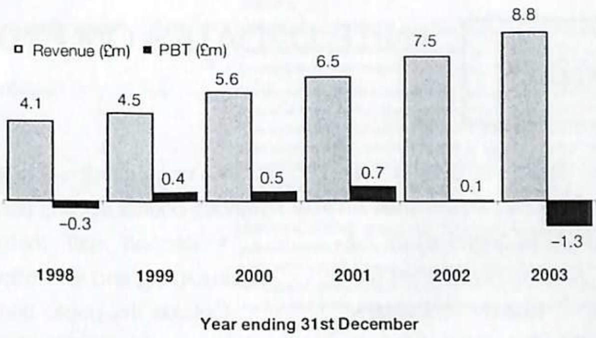
We're comforted by the fact that neither the management nor Gresham is selling up when the company goes public. Indeed, with a strong and very experienced management team, and a supportive VC, the timing looks right to us.
(Kate Hanaghan/Anthony Miller)

0% 14p

VI GROUP SUFFERS ON US DE-LISTING

VI Group, provider of software to the mould and die industry, this month reported results for the year to 31st Dec. 2003 revealing the full impact of its de-listing from AMEX. Turnover was 17% up on 2002 to £8.8m, but the cost of de-listing its American Depository Receipts from the American Stock Exchange (£789K) and goodwill amortisation of £500K pushed it into the red at the bottom line. VI reported a loss before tax of £1.25m, compared to a PBT of £70K the year before, and loss per share worsened to 3.92p (2002: 0.74p loss). Cash balances at the year-end had fallen to £0.5m from £1.2m in 2002.

VI Group
6-year Revenue & PBT Record
From 1998



Comment: VI has grown rapidly over the last three years – turnover has doubled in the period and it has opened offices in Detroit, Toronto, Lyon, Rome and Tokyo - and listing in the US was a step too far.

The listing, in 2002, was designed to provide a currency for acquisitions in the US. When the introduction of Sarbannes-Oxley caused the cost of a listing to 'spiral' the company sensibly decided to de-list its ADRs and write-off the cost of the financing it had raised for acquisitions. These costs hit VI Group's bottom-line in 2003 producing a result that was, in Chairman Stephen Palframan's words, *"extremely disappointing"*.

We're pleased to say the signs for 2004 are much more encouraging. Turnover in Q1 was £2.6m, 27% higher than the same period last year, and the Group showed a pre-tax profit of £33K, compared to a loss of £272K in Q1 03.

In our opinion, what the Group now needs is a period of stability, rather than further expansion or acquisition, to enable it to concentrate on strengthening its position in its current markets. *(Tola Sargeant)*

-2.7% 179p

COMINO REPORTS 'SIGNIFICANT PROGRESS' IN FY04

Comino, provider of software for local government, social housing and occupational pensions administration, has reported *"significant progress"* and continued profit growth in the year to 31st March 2004. Turnover was flat at £24.5m (or up by 3% when you take account of the £800k managed services business that ceased in Mar. 03). Pre-tax profits improved by c42% to £1.7m but diluted earnings per share dropped from 8.9p in 2003 to 6.9p.

The accounts include and exceptional item of £149K for legal fees arising from Comino's defence in litigation relating to a £850K contract in Social Housing signed in 2001. However, Comino has not made any provision for future legal fees or any potential settlement relating to the claim and said: *"the eventual outcome of this matter cannot be predicted with any certainty"*.

Comment: Comino hasn't provided a detailed revenue breakdown for its different business areas this year because it has integrated the Local Government, Social Housing and Occupational Pensions divisions within Comino plc. But it's clear that the local government business is the jewel in its crown. Comino has built up a strong position in local government – where sales are up by 11% on a like-for-like basis – and we believe it is well positioned to benefit from the trend among local authorities towards enterprise-wide solutions that join up processes and departments. The company's products include front and back-office software with an emphasis on workflow and electronic document and record management software, demand for which is being driven by the need to meet the 2005 Freedom of Information Act deadline. Success at selling to individual local government departments gives Comino a foot in the door when it comes to selling enterprise-wide solutions.

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Comino is already winning enterprise-wide contracts in this way (e.g. at London Boroughs of Hackney and Hillingdon) and estimates some 25% of existing local government customers are promoting it from a 'departmental' to an 'enterprise' supplier. A good track record in local government also leads to sales of its housing systems, which "continue to improve on all fronts".

The real thorn in Comino's side at the moment is the Occupational Pensions business, which we believe is still suffering from the lack of demand for replacement administration systems. And given the current state of the pensions market in the UK we do not expect a dramatic turnaround in this market any time soon. The litigation mentioned above is also a potential distraction for management and uncertainty over the outcome appears to have unnerved shareholders. *(Tola Sargeant)*

-17%
48p

Anite

ANITE UPDATES ON FY04 PERFORMANCE

Anite today provided an insight into trading in the year to 30th April 2004 ahead of its full results in July and announced two non-exec board changes, including the departure of former interim chief executive David Thorpe. The highlights and lowlights include:

- sales and profits for FY04 were down on previous years 'in line with expectations'
- underlying profitability in the second half was ahead of the same period in 2003 and the first half of 2004
- cash generation during the period was a pleasant surprise – net cash as at 30th April was £6.6m compared to a net debt of £10.8m at 31st October 2003
- the order book is 4% up on the previous year at £206m
- the public sector division returned to profit in the second half (thanks partly to cost cutting and partly to the seasonality of public sector business) – however it made a small loss in the year
- the public sector division has been restructured into three market focused lines of business: *Health & Social Care, Regional & Local Government* and *Enforcement & Security*
- the provision for the loss making housing system contract in Australia's State of Victoria has been extended by c£10m to a total provision of c£12.5m over the next four years
- a new provision of c£4m has been booked against the development of the Pericles council tax and benefits software to be used over the next 18 months
- second half restructuring costs were greater than expected (restructuring and exceptional costs will be c£6m for the full year).

Outside the public sector, the travel and telecoms divisions continue to perform well with strong cost control sustaining good profitability. However, market conditions remained tough for the International division, especially in Germany, resulting in lower sales, margins and profits.

Separately, Anite announced that David Thorpe, a non-exec at Anite since June 2002 and former interim CE of the Group, will step down from the Board from August 1st *"to pursue the Chairmanship of a significant new opportunity"*. We suspect that having been CE for a time and having made a positive impact on the business, the role of non-exec director wasn't enough for him. Peter Bertram, a non-exec at AttentiV Systems and former CEO of Azlan Group, will join Anite's Board as a non-exec director from June 1st 2004.

Commenting on the outlook, CE Steve Rowley said: *"Most of our businesses are now performing satisfactorily and the recovery in Public Sector continues in line with plan excluding the State of Victoria contract. As a result the Board remains cautiously optimistic about Anite's future prospects"*.

Comment: Anite's very full trading update has thrown up some surprises, most notably the scale of the problems with the State of Victoria contract. However, our overriding impression is that Steve Rowley and the strengthened management team are doing what needs to be done to get Anite's house in order. What is more the fruit of their labour is beginning to show – the public sector division has returned to profitability (if only in the second half) and Anite today announced the first live customer for its much-delayed Pericles software: Newcastle-under-Lyme Council. Consolidation, integration and cost cutting have made Anite a stronger business and, overall, it is now in much better shape.

The provision for the State of Victoria contract (signed in October 2002 and worth £11m over five years) follows an in-depth assessment of the situation by the new management. In a conference call with analysts this morning Steve Rowley said the contract should never have been signed. It was *"dramatically under-costed"* and the timescales for delivery were *"way too optimistic"* – a salutary warning against signing woolly public sector contracts. The situation is now in hand and the provision is prudent. It should give more clarity to the performance of the public sector business going forward.

The realignment of the public sector business into three go-to-market entities should also give the public sector business some much needed focus, particularly in the high-growth areas of health/social services and criminal justice. *(Tola Sargeant)*

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
I-document Systems Group (IDOX)	TFPL	Knowledge and information management consulting firm	100%	max. £4m	IDOX, provider of e-government software to local authorities, plans to combine TFPL's consultancy, training and project teams with its own IM s/w and services. There is a good fit between the two companies' products and services and there should be plenty of opportunities for cross-selling between their public sector clients. This is a sizeable acquisition for IDOX - successful and rapid integration will be key to realising the anticipated synergies and cost savings.
HP	CEC Europe Service Management Ltd	IT service management consulting and training	100%	n/a	CEC was founded in 1999, and employs 12 staff. The company provides ITIL/ITSM advice to IT players, financial services companies, utilities and government. CEC's founder and MD, David Wheeldon now leads HP's service management education practice in EMEA.
NetBenefit	Easily Ltd	Domain name and hosting services provider	100%	£2.5m	NetBenefit paid a mix of cash and new shares for Easily, another provider of domain name and hosting services in the UK. London-based Easily had revenues of £2.5m in 2003 and PBT of £84K.
Vedior	Active Plus	Leading staffing provider in Poland	70%	n/a	Vedior has the right to acquire the remaining shares in Active Plus in due course. Active Plus turned over cEur6m in the year to Dec. 03. The acquisition strengthens Vedior's position in Central Europe and also provide it with another source of 'new European' candidates to meet demand for lower cost staff elsewhere in Europe.
Vedior	Ma Foi	India's largest staffing and HR outsourcing company	76%	n/a	Vedior has the right to acquire the remaining shares in Ma Foi in due course. Ma Foi's revenues more than doubled in FY03 to cEur16m, over 80% of which comes from the provision of temporary and permanent staff in the IT, engineering, accounting and teleservices sectors. It has also been a pioneer of HR outsourcing in India. The acquisition gives Vedior access to the fast growing Indian staffing market and at the same time enables it to source staff from India for its overseas operations.
Vedior	Platoforma	Portuguese call-centre staffing specialist	100%	n/a	Platoforma reported annual sales of Eur19m in the year to Dec. 03.
Wealth Management Software	Fairs Ltd	Portfolio management and commission management software for IFAs	100%	£2.0m	The price paid is equivalent to a PSR of 2.2 - a little on the steep side, even for a software company - but Fairs is profitable, and there's a good fit between the two companies. Furthermore, the acquisition adds to WMS' recurring revenue stream.

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
Dealogic	ICT systems for the capital markets industry	SITS	SP	AIM	170-220p	£119m-£154m	10-May-04
Ventiva	Investment in niche or vertical focus S/ITS companies	N/A	N/A	AIM	n/a	£2m	04-May-04

Recent IPOs

Name	Activity	S/ITS or Dotcom	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Apr. 04	Premium/ Discount
Dealogic	ICT systems for the capital markets industry	SITS	SP	AIM	220p	£154.0m	05-May-04	211p	-4%

experian

EXPERIAN CONTINUES GROWTH IN FY04 RESULTS

GUS plc, the parent of international information services provider **Experian**, has today released its results for the year to end March 2004. Experian saw its total sales from continuing operations grow in the year to £1.22bn - that's a 10% headline rise, or 14% in constant currency terms. Operating profits grew 20% to £290m, with operating cash flow up 10% to £298m. Experian International – which comprises Europe, Asia-Pacific and a few other operations outside North America - grew revenues by 20% to £550m, with operating profits up 24% at £108.8m. Sales in the UK specifically 'grew by over 10%'.

Comment: Experian is a major player in the global information services market and as such is something of a fringe player in the BPO market - hence our interest. It's also a highly profitable operation (21% operating margins, excluding minority interests) and has now managed four straight six-month periods of double-digit growth in both sales and profit. Hardly surprising then that GUS, which also controls Argos and Burberry, seems unlikely to release its grip on Experian any time soon.

But Experian isn't just sitting on its laurels. The company continued to re-align its focus in FY04. It disposed of a number of non-core businesses in North America and Europe during the year and is discontinuing its UK contact centre and remittance processing operations. Basically, if it can't be a leader in its market, Experian would rather seek a graceful exit. But it does believe in expanding where it makes sense and spent £162m in the year on acquisitions that reinforced or extended existing areas of strength. Key examples in Europe include the Nordic Info Group and French cheque processing and document management group DMS Atos, which Experian purchased from Atos Origin in September 2003. *(Phil Codling)*

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

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	-156.50p	-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

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

Anite Group plc

	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	1.10p	-11.20p	-2.24p	Profit to Loss

AttentiV

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

Autonomy Corporation plc

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

Aveva Group plc

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

Axon Group plc

	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 03	Comparison
REV	£7,298,000		£9,877,000	+35.3%
PBT	-£1,025,000		-£373,000	Loss both
EPS	-0.16p		-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	£315,000	£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

	Final - Dec 02		Final - Dec 03	Comparison
REV	£1,206,000		£1,629,000	+35.1%
PBT	-£683,000		-£543,000	Loss both
EPS	-1.12p		-0.92p	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

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

Compel Group plc

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	£1,800,000	£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

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

Diagonal plc

	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

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

Epic Group plc

	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

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

Gladstone Plc

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

Glotel plc

	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

	Final - Dec 02		Final - Dec 03	Comparison
REV	£11,578,000		£10,245,000	-11.5%
PBT	£1,148,000		-£1,955,000	Profit to loss
EPS	2.45p		-4.05p	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

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

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

	Final - Dec 02		Final - Dec 03	Comparison
REV	£7,426,000		£5,985,000	-19.4%
PBT	-£1,368,000		-£188,000	Loss both
EPS	-5.06p		-0.89p	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

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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

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

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

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

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

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

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

Minorplanet Systems Plc

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

Misys plc

	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%

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

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

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	0.18p	0.76p	n/a

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

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

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

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

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%

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

OneclickHR plc

	Final - Dec 02	Final - Dec 03	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

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

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

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

Pixology

	Final - Dec 02	Final - Dec 03	Comparison
REV	£1,550,364	£2,528,038	+63.1%
PBT	-£1,928,933	-£1,919,177	Loss both
EPS	-17.00p	-12.70p	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%

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

QA plc

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

Quantica plc

	Interim - May 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%

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

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

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

RM plc

	Interim - Mar 03	Final - Sep 03	Interim - Mar 04	Comparison
REV	£85,363,000	£215,494,000	£106,755	-99.9%
PBT	-£1,820,000	£6,219,000	£766,000	Loss to Profit
EPS	-1.80p	7.90p	0.00p	N/a

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%

Sage Group plc

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

SDL plc

	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

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

Sirius Financial Systems plc

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

Sopheon plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£12,353,000	£6,734,000	-45.5%
PBT	-£16,179,000	-£5,806,000	Loss both
EPS	-19.40p	-6.30p	Loss both

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

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%

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

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%

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%

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%

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

Telecity plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£24,954,000	£23,536,000	-5.7%
PBT	-£40,604,000	-£9,522,000	Loss both
EPS	-20.20p	-4.70p	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%

Torex Retail

	Final - Dec 02	Final - Dec 03	Comparison
REV	£62,600,000	£67,600,000	+8.0%
PBT	£5,950,000	£9,920,000	+66.7%
EPS	5.20p	8.04p	+54.6%

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%

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%

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

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

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

Ultima Networks plc

	Interim - Sep 02	Final - Dec 02	Interim - Sep 03	Comparison
REV	£1,119,000	£2,026,000	£810,000	-27.6%
PBT	-£12,000	£165,000	-£15,000	Loss both
EPS	0.06p	0.10p	0.01p	-83.3%

Universe Group plc

	Final - Dec 02	Final - Dec 03	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

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

VI Group plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£7,542,000	£8,823,000	+17.0%
PBT	£70,000	-£1,250,000	Loss both
EPS	-0.74p	-3.92p	Loss both

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

Wealth Management Software plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£10,997,000	£7,300,000	-33.6%
PBT	-£1,061,000	£5,000	Loss to profit
EPS	-3.32p	-0.05p	-98.5%

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

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

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

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

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Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 28-May-04	Capitalisation 28-May-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 28-May-04	Share price move since 30-Apr-04	Share price % move in 2004	Capitalisation move since 30-Apr-04	Capitalisation move (£m) in 2004
AFA Systems	SP	£0.19	£8.73m	Loss	1.35	154	-20.60%	-31.48%	-£2.27m	-£1.31m
AIT Group	CS	£0.66	£33.20m	Loss	1.89	433	-7.69%	9.09%	-£2.80m	£5.54m
Alphameric	SP	£0.81	£94.70m	Loss	1.51	372	-11.96%	-6.90%	-£12.90m	-£6.83m
Alterian	SP	£0.72	£28.00m	Loss	4.94	358	-5.30%	4.38%	-£1.60m	£1.12m
Anite Group	CS	£0.48	£168.40m	Loss	0.78	281	-16.88%	-4.95%	-£34.20m	-£7.30m
Argonaut Games	SP	£0.07	£6.45m	Loss	1.21	70	-3.57%	8.00%	-£0.49m	£0.37m
AttentiV Systems	SP	£0.66	£39.70m	n/a	1.54	963	-3.68%	19.09%	-£1.50m	£6.40m
Autonomy Corporation	SP	£2.21	£242.70m	n/a	7.23	67	-11.52%	-7.83%	-£32.70m	-£23.41m
Aveva Group	SP	£5.20	£113.80m	23.4	2.99	2598	0.29%	8.23%	£23.30m	£31.13m
Axon Group	CS	£1.27	£65.80m	27.5	1.31	723	-8.33%	-21.91%	-£6.00m	-£18.48m
Bond International	SP	£0.50	£12.30m	Loss	15.97	762	-5.71%	4.21%	-£0.70m	£5.33m
Business Systems	CS	£0.13	£10.90m	Loss	0.41	109	-10.34%	-1.89%	-£1.30m	-£0.30m
Capita Group	CS	£3.10	£2,070.00m	36.8	1.91	83799	0.00%	27.57%	£0.00m	£451.37m
Charteris	CS	£0.16	£6.70m	Loss	0.55	178	-23.81%	-39.62%	-£2.09m	-£4.40m
Chelford Group	CS	£0.02	£11.90m	Loss	1.20	304	-30.00%	133.33%	-£5.30m	£7.56m
Civica	CS	£1.82	£82.10m	16.0	0.91	1037	-6.20%	3.71%	-£5.50m	£2.90m
Clarity Commerce	SP	£0.67	£10.30m	36.0	1.42	532	-5.00%	-5.67%	-£0.50m	-£0.58m
Clinical Computing	SP	£0.20	£6.31m	Loss	3.40	161	-24.53%	-48.05%	-£2.05m	-£5.79m
CMS Webview	CS	£0.08	£6.40m	Loss	3.93	571	-13.98%	-34.96%	-£1.00m	-£3.85m
CODASciSys	CS	£3.30	£83.80m	33.3	1.23	2558	-3.65%	11.86%	-£3.20m	£8.90m
Comino	SP	£1.79	£24.90m	25.9	1.02	1377	-2.72%	-11.17%	-£0.70m	-£3.09m
Compel Group	R	£0.90	£29.50m	68.8	0.56	716	-4.28%	15.48%	£0.50m	£5.50m
Computacenter	R	£3.90	£736.70m	16.0	0.38	582	-9.30%	-17.02%	-£75.50m	-£148.33m
Computer Software Group	SP	£0.55	£18.90m	Loss	5.27	468	18.28%	29.41%	£4.40m	£5.63m
Corpora	SP	£0.40	£5.52m	Loss	19.13	1039	-5.95%	31.67%	-£0.35m	£1.32m
DCS Group	CS	£0.17	£4.19m	Loss	0.08	280	-1.18%	24.44%	-£0.07m	£0.81m
Delcam	SP	£2.23	£13.50m	10.8	0.66	856	1.14%	34.04%	£0.20m	£3.50m
Detica	CS	£6.08	£135.80m	17.1	2.54	1519	-8.30%	-1.22%	-£12.30m	-£1.69m
Diagonal	CS	£0.37	£33.30m	Loss	0.59	531	-26.26%	-9.88%	-£11.90m	-£2.94m
Dicom Group	R	£7.78	£163.00m	29.9	1.04	2384	1.44%	12.93%	£2.30m	£19.71m
Dimension Data	R	£0.31	£409.40m	Loss	0.32	54	-17.57%	-18.67%	-£87.30m	-£93.81m
DRS Data & Research	SP	£0.61	£20.80m	13.5	1.54	555	-5.43%	-3.17%	-£1.50m	-£0.67m
Easyscreen	SP	£0.36	£25.40m	Loss	9.58	210	5.93%	70.24%	£1.40m	£11.90m
Eidos	SP	£1.20	£170.50m	8.7	1.01	5997	-29.41%	-14.29%	-£70.50m	-£25.40m
Electronic Data Processing	SP	£0.62	£15.30m	15.6	1.76	1898	-4.62%	0.81%	-£0.70m	£0.10m
Empire Interactive	SP	£0.10	£5.64m	N/a	0.23	162	-4.88%	-18.75%	-£0.29m	-£1.30m
Epic Group	CS	£0.97	£25.30m	14.6	2.89	919	4.32%	0.52%	£1.20m	£0.30m
Eurolink Managed Services	CS	£0.34	£3.54m	27.8	0.39	340	-2.86%	21.43%	-£0.10m	£0.63m
Financial Objects	SP	£0.40	£11.10m	Loss	1.06	174	-3.61%	64.95%	-£0.40m	£4.41m
Flomerics Group	SP	£0.62	£9.01m	2.2	0.88	2365	-10.22%	1.65%	-£0.99m	£0.14m
Focus Solutions Group	SP	£0.50	£14.20m	Loss	2.16	254	-10.00%	41.43%	-£1.50m	£4.27m
GB Group	SP	£0.20	£15.50m	Loss	1.30	126	-6.02%	-36.07%	-£1.00m	-£8.79m
Gladstone	SP	£0.16	£6.77m	34.4	0.79	388	14.81%	24.00%	£0.88m	£1.32m
Glotel	A	£1.12	£42.30m	Loss	0.56	579	-5.91%	12.63%	-£2.60m	£4.80m
Gresham Computing	CS	£3.09	£152.40m	n/a	14.94	3317	-12.23%	-7.50%	-£21.00m	-£11.86m
Harrier Group	CS	£0.18	£5.35m	33.0	0.59	142	-34.82%	-15.12%	-£2.84m	-£0.94m
Harvey Nash Group	A	£0.69	£41.20m	Loss	0.31	391	-15.43%	-9.27%	-£7.50m	-£1.16m
Highams Systems Services	A	£0.13	£2.59m	Loss	0.23	368	-1.85%	8.16%	-£0.05m	£0.19m
Horizon Technology	CS	£0.58	£41.80m	Loss	0.21	214	-7.54%	-11.07%	-£3.40m	-£3.00m
Hot Group	CS	£0.19	£42.00m	Loss	15.99	223	-6.25%	2.74%	£11.00m	£17.70m
ICM Computer Group	CS	£2.68	£55.60m	21.7	0.71	1486	-2.73%	12.63%	-£1.60m	£6.20m
I-Document Systems	SP	£0.10	£17.70m	Loss	3.96	13	-7.14%	-9.30%	£1.60m	£1.20m
In Technology	CS	£0.83	£114.20m	Loss	0.73	3300	-10.81%	36.36%	-£13.80m	£30.48m
Innovation Group	SP	£0.31	£135.90m	Loss	2.32	136	-3.85%	13.64%	-£6.50m	£20.25m
Intelligent Environments	SP	£0.08	£11.50m	Loss	4.31	85	-20.00%	-8.57%	-£3.10m	-£0.60m
IQ-Ludorum	SP	£0.02	£1.90m	Loss	0.48	32	4.35%	33.33%	£0.10m	£0.46m
iSOFT Group	SP	£3.87	£882.20m	34.8	9.64	3514	-5.27%	4.25%	-£32.40m	£423.90m
I S Solutions	CS	£0.12	£2.91m	Loss	0.49	440	4.89%	35.63%	£0.12m	£0.75m
ITNET	CS	£2.91	£212.90m	17.0	1.13	830	-1.86%	-3.49%	-£4.10m	-£7.63m
Jasmin	SP	£0.45	£2.13m	Loss	0.36	300	0.00%	-10.00%	£0.00m	-£0.24m
K3 Business Technology	SP	£0.93	£47.10m	Loss	6.73	707	-7.04%	54.17%	£36.20m	£40.98m
Kewill	SP	£0.60	£46.90m	Loss	1.86	1181	-11.48%	2.14%	-£6.10m	£1.95m
LogicaCMG	CS	£1.87	£1,402.00m	Loss	0.82	2561	-13.82%	-27.02%	-£225.00m	-£518.97m
London Bridge Software	SP	£0.95	£162.40m	N/a	2.79	2375	1.60%	79.25%	£2.60m	£71.85m
Lorien	A	£0.89	£16.50m	Loss	0.17	885	1.14%	2.91%	£0.20m	£0.50m
Macro 4	SP	£1.69	£35.10m	Loss	1.08	679	-5.07%	6.31%	-£1.90m	£2.03m
Manpower SoftWare	SP	£0.35	£15.20m	Loss	4.27	356	-5.48%	46.81%	-£0.90m	£4.82m

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Holway/**SYSTEM**HOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 28-May-04	Capitalisation 28-May-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 28-May-04	Share price move since 30-Apr-04	Share price % move in 2004	Capitalisation move since 30-Apr-04	Capitalisation move (£m) in 2004
Marlborough Stirling	SP	£0.61	£136.60m	100.0	1.19	432	0.83%	37.50%	£1.10m	£37.30m
MERANT	SP	£1.90	£205.30m	Loss	2.61	918	1.06%	45.04%	£2.20m	£67.38m
Microgen	CS	£0.59	£51.30m	Loss	1.94	252	-1.67%	8.26%	-£0.90m	£4.10m
Minorplanet Systems	SP	£0.19	£27.50m	Loss	0.31	378	-11.06%	-44.78%	-£3.40m	-£0.20m
Misys	SP	£2.08	£1,107.00m	26.6	1.09	2588	0.24%	-1.77%	-£39.00m	-£74.45m
Mondas	SP	£0.25	£6.40m	Loss	1.73	327	-5.77%	-35.53%	-£0.40m	-£3.53m
Morse	R	£1.30	£169.60m	Loss	0.48	518	-5.82%	-9.12%	-£10.50m	-£15.55m
MSB International	A	£0.72	£14.80m	94.7	0.22	379	-9.43%	-19.55%	-£1.50m	-£3.63m
Myratech.net	CS	£0.03	£0.74m	n/a	0.39	19	0.00%	-16.67%	£0.00m	-£0.06m
Ncipher	SP	£1.56	£40.80m	Loss	3.14	623	-5.61%	2.47%	-£1.80m	£2.05m
NetBenefit	CS	£0.59	£11.20m	N/a	1.79	293	27.17%	51.95%	£3.75m	£4.92m
Netstore	CS	£0.41	£38.70m	Loss	2.73	272	-1.81%	5.16%	-£0.70m	£1.96m
Northgate Information Solutions	CS	£0.60	£295.70m	10.3	3.47	230	-12.13%	3.46%	-£40.90m	£129.86m
NSB Retail Systems	SP	£0.26	£91.20m	Loss	1.42	2283	5.00%	54.41%	£7.30m	£37.43m
OneclickHR	SP	£0.06	£8.55m	Loss	1.78	144	0.00%	-30.30%	£0.00m	£3.79m
Parity	A	£0.10	£28.90m	9.6	0.16	1667	-11.11%	-6.98%	-£3.60m	-£2.17m
Patsystems	SP	£0.20	£28.80m	Loss	2.70	182	-15.22%	11.43%	-£5.10m	£3.30m
Pilat Media Global	SP	£0.52	£26.00m	80.5	2.76	2575	-14.88%	56.06%	-£0.60m	£11.46m
Pixology	SP	£1.52	£30.40m	11.9	12.02	1089	4.83%	4.83%	£1.40m	£1.80m
Planit Holdings	SP	£0.27	£24.30m	Loss	1.19	1104	-13.11%	-7.02%	-£3.60m	-£1.83m
PSD Group	A	£2.36	£59.30m	Loss	1.58	1073	-6.90%	-20.00%	-£4.40m	-£14.80m
QA	CS	£0.04	£11.80m	Loss	0.40	19	-10.53%	0.00%	-£1.80m	£7.85m
Quantica	A	£0.54	£21.90m	Loss	0.84	435	-0.92%	11.34%	-£0.20m	£2.30m
Raft International	SP	£0.12	£8.08m	Loss	0.94	194	-5.77%	-18.33%	-£0.49m	-£1.76m
Retail Decisions	SP	£0.17	£47.90m	33.0	1.57	223	-16.46%	29.41%	-£9.30m	£11.01m
RM	SP	£1.37	£122.40m	17.2	0.57	3900	-9.90%	3.02%	-£13.50m	£3.58m
Royalblue Group	SP	£5.15	£168.00m	22.0	2.97	3029	-9.65%	1.38%	-£18.00m	£0.36m
Sage Group	SP	£1.77	£2,263.00m	21.7	4.04	67981	2.32%	0.57%	£51.00m	£15.41m
SDL	CS	£1.17	£63.50m	Loss	0.99	777	-3.32%	37.87%	-£2.20m	£17.73m
ServicePower	SP	£0.37	£27.00m	Loss	6.03	368	-11.33%	-6.84%	-£3.30m	£4.60m
Sirius Financial	SP	£0.77	£13.00m	Loss	0.63	510	-2.55%	2.68%	-£0.30m	£0.30m
Sopheon	SP	£0.24	£25.10m	Loss	3.73	345	-12.73%	50.00%	-£3.60m	£9.40m
Spring Group	A	£1.12	£175.40m	Loss	0.50	1244	-2.18%	-3.03%	-£3.90m	-£3.55m
Staffware	SP	£7.85	£114.70m	52.6	2.69	3489	-0.95%	35.34%	-£1.10m	£30.58m
StatPro Group	SP	£0.36	£11.90m	60.0	1.41	450	-2.70%	16.13%	-£0.30m	£1.70m
SurfControl (was JSB)	SP	£5.68	£176.10m	43.2	3.81	2840	-5.33%	-24.32%	-£9.90m	-£54.00m
Synstar	CS	£0.74	£120.40m	20.5	0.54	448	-5.13%	12.98%	-£6.50m	£14.00m
Systems Union	SP	£1.12	£118.70m	21.0	1.71	862	-4.68%	9.80%	-£5.80m	£12.70m
Tadpole Technology	SP	£0.16	£47.10m	Loss	8.85	386	-12.33%	28.00%	-£6.70m	£14.37m
Telecity	CS	£0.12	£32.70m	Loss	1.39	15	-9.43%	-15.79%	£5.30m	£3.80m
Tikit Group	CS	£1.26	£15.50m	43.0	1.62	1091	-7.38%	11.06%	-£1.20m	£1.80m
Torex Retail	SP	£0.63	£96.00m	7.7	9.70	1563	-8.09%	56.25%	-£8.40m	£36.00m
Total Systems	SP	£0.72	£7.48m	17.4	1.9	1349.1	-12.27%	24.35%	-£1.04m	£1.47m
Touchstone Group	SP	£0.96	£10.00m	23.3	0.7	914.3	-5.88%	-4.95%	-£0.60m	-£0.50m
Trace Group	SP	£0.77	£11.60m	Loss	0.7	612.0	2.00%	18.60%	£0.20m	£1.80m
Triad Group	CS	£0.72	£10.80m	Loss	0.4	529.6	-4.98%	21.19%	-£0.50m	£1.86m
Tribal Group	CS	£2.09	£144.70m	38.0	1.4	1266.7	-4.57%	-36.86%	-£6.20m	-£73.96m
Ultima Networks	R	£0.02	£3.28m	16.2	1.6	39.5	-10.00%	-19.00%	-£0.09m	-£0.09m
Universe Group	SP	£0.27	£15.80m	Loss	0.4	1200.0	5.88%	5.88%	£0.90m	£4.98m
Vega Group	CS	£1.63	£30.10m	Loss	0.8	1332.0	6.56%	-7.14%	£1.90m	-£2.30m
VI group	SP	£0.14	£5.03m	Loss	0.6	270.0	0.00%	1.89%	£0.00m	£0.10m
Warthog	SP	£0.02	£7.55m	Loss	0.7	52.3	-10.00%	-70.97%	-£0.41m	£3.75m
Wealth Management Software	SP	£0.17	£8.01m	Loss	1.1	128.8	-1.47%	-6.94%	£0.88m	£0.46m
Workplace Systems	SP	£0.10	£18.50m	Loss	1.3	0.0	-10.87%	-12.77%	-£2.30m	-£2.70m
Xansa	CS	£0.84	£286.30m	Loss	0.6	2160.3	-7.42%	-0.88%	-£23.00m	-£1.56m
XKO Group	SP	£0.89	£24.50m	Loss	0.6	590.0	-5.35%	4.73%	-£1.40m	£1.10m
Xpertise Group	CS	£0.01	£3.13m	Loss	0.7	30.0	-25.00%	-40.00%	-£1.05m	-£1.57m

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S/ITS INDEX NOT ALONE IN DECLINE

May has been a month of declines across practically all of the indices we follow. The **FTSE IT SCS** Index, down 6%, **AIM**, down 3%, **FTSE 100** down 1% and the **Holway S/ITS** Index down 6%.

The biggest S/ITS loser was **Harrier** – slumping 35% to 18p. This followed an announcement from the company that profitability to date is below its expectations. At the end of FY03, the information storage and data security solutions company generated PBT of £200K. The concern is clearly that it could slip back into negative territory. Other notable losers include **Anite**, down 17% to 48p. A trading statement from the company revealed the extent of the problems with its State of Victoria contract.

Within the sectors we track, services companies (–7.7%) sit almost shoulder to shoulder with the resellers (–7.6%) as the areas experiencing the greatest declines. LogicaCMG lost 30p over the month to 187p. A disappointing pre-AGM statement from the company revealed that H1 profit margins would be lower in IT services – due mainly to its performance in France and Germany. The company also warned that its Wireless Networks unit would make a loss on revenues that are expected to be 10% lower in H1.

At the other end of the scale, **Sage** ranks as the only large player to have made a notable share price gain (the software sector as a whole was down 5% in May). The company's share price gained 4p last month to 177p. **Vega** (up 7%) was boosted by news that sales in its Government and Defence sectors would be stronger than expected in H2. Meanwhile, domain name and hosting services provider **NetBenefit** saw shares gain 27% following the announcement that full-year results will beat expectations.

Fuller analysis of the UK S/ITS industry can be found using Hotnews or the Holway@Ovum service. *(Kate Hanaghan)*

28-May-04		
	S/ITS Index	5021.36
	FTSE IT (SCS) Index	470.69
	techMARK 100	1143.70
	FTSE 100	4430.70
	FTSE AIM	860.70
S/ITS index =1000 on 15th Apr 1989	FTSE SmallCap	2508.36

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/05/04 to 28/05/04)	-6.14%	-1.31%	-1.67%	-6.22%	-3.35%	-5.45%
From 15th Apr 89	+402.14%	+115.75%				
From 1st Jan 90	+445.74%	+87.58%				
From 1st Jan 91	+609.36%	+105.09%				
From 1st Jan 92	+380.58%	+77.72%				
From 1st Jan 93	+215.10%	+55.65%				+80.80%
From 1st Jan 94	+200.76%	+29.61%				+34.23%
From 1st Jan 95	+234.94%	+44.53%				+43.63%
From 1st Jan 96	+122.33%	+20.10%	+44.91%		-9.72%	+29.19%
From 1st Jan 97	+87.54%	+7.58%	+25.04%		-11.82%	+14.90%
From 1st Jan 98	+65.45%	-13.72%	+19.88%	-52.93%	-13.24%	+8.43%
From 1st Jan 99	+27.40%	-24.68%	-21.45%	-67.45%	+7.37%	+21.12%
From 1st Jan 00	-56.23%	-36.07%	-69.74%	-87.34%	-55.47%	-19.03%
From 1st Jan 01	-40.03%	-28.80%	-55.42%	-75.85%	-40.14%	-21.20%
From 1st Jan 02	+4.65%	-15.08%	-22.34%	-44.25%	-4.13%	-2.74%
From 1st Jan 03	+85.10%	+12.44%	+76.28%	+38.35%	+42.76%	+37.78%
From 1st Jan 04	+7.38%	-1.03%	+12.68%	-6.54%	+3.03%	+1.34%

End May 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 May 04
System Houses	12.3%	-56.2%	-41.1%	6.1%	111.3%	10.2%	-7.7%
IT Staff Agencies	-60.3%	-65.5%	-45.0%	-0.8%	49.3%	-2.1%	-5.8%
Resellers	92.3%	-7.4%	22.5%	36.3%	84.4%	-3.8%	-7.6%
Software Products	86.9%	-55.0%	-67.4%	5.2%	74.2%	7.4%	-5.3%
Holway Internet Index	376.2%	-42.1%	-14.9%	54.0%	135.2%	14.3%	-5.7%
Holway S/ITS Index	27.4%	-56.2%	-40.0%	4.6%	85.1%	7.4%	-6.1%

SYSTEMHOUSE® is published monthly by Ovum Holway, 2, St. George's Yard, Farnham, Surrey, GU9 7LW. Tel: 01252 740900; Fax: 01252 740919; E-mail: mail@ovumholway.com which also publishes the annual 'Holway Report'. Ovum Holway analysts might hold stock in the companies featured.