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ovum HOLWAY

SYSTEMHOUSE

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

THE BIGGER THE COMPANY, THE FASTER THE GROWTH

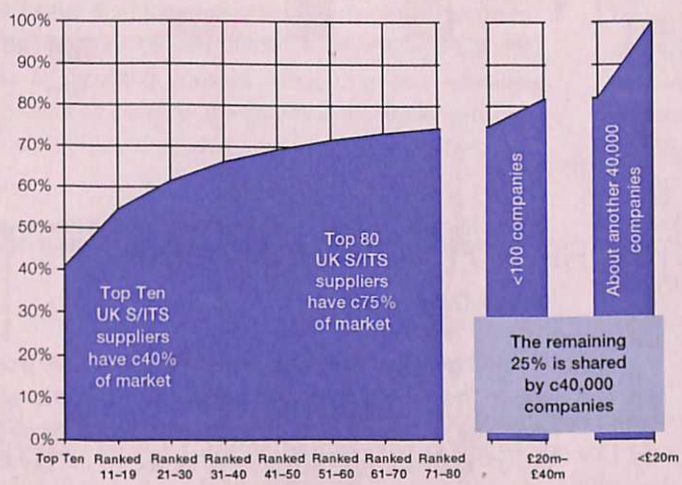
Over the last few years, there seems to have developed a view that the huge numbers of smaller UK S/ITS companies are growing at a much faster pace than their larger brethren. In turn, this is used as a reason why the low (or negative!) growth rates put about by the likes of Ovum Holway are far too pessimistic.

We would really love that to be the case. But unfortunately, all the evidence we can find points to exactly the opposite conclusion.

The bigger the company, the faster the growth

Since we started in the 1980s, we have maintained an extensive database of S/ITS companies that operate in the UK (regardless of the nationality of their parent). In those 16 years, nearly 5000 companies have been entered in the database. And a majority of them have left...being either acquired or, in most cases, going bust or just ceasing to trade.

Figure 1 Share of UK S/ITS market by size of company



Source: Ovum Holway

It is true that we put most of our efforts into the larger players. And any cursory glance at the statistics shows why. There are only about 100 companies with UK S/ITS revenues of more than around £40m. And these now represent about 75% of the total market. There are about another 100 companies in the £20m - £40m bracket. As there are around 40,000 active companies registered in the S/ITS category, you can see that most are very small. Indeed the vast majority of these are 'one-man-bands' or what the Inland Revenue refers to as 'Personal services' companies. In the main they are IT contractors.

Food chain

One of the many mistakes that is made is to add up all the revenues of all the companies involved and think that equals the total UK S/ITS market. If only it was that easy! You would get a market several times its actual size if you did that. At its simplest level Joe Bloggs Ltd (IT contractor) works for IT Staff Agency Parity who in turn works for Capgemini on the Inland Revenue contract. So, if you don't take care, you could count Joe Bloggs' revenue several times. The same applies to Microsoft or Oracle software sold via VARs. We have gone to great lengths to estimate and eliminate this double counting. For exampe, we currently reckon that about 20% of the revenues of the Top UK S/ITS suppliers are 'double-count'.

Big get Bigger

For this reason, we estimate that the Top Ten UK S/ITS suppliers now represent c40% of the UK market. We weren't quite as sophisticated back in the very first Holway Report in 1988 where we merely divided the revenues of the Top Ten by the market size. Using that same 'crude' measure throughout the last 15 years, you can see the dramatic change in the influence of those top players (see *Figure 2*)

Why?

The largest companies have consistently grown faster than the smaller players because:

- they have done more and bigger acquisitions. The bigger you are, the bigger the 'meals' you can eat without getting the dreaded 'acquisition indigestion'. All the biggest players are quoted on some stock exchange somewhere and therefore have access to funds and resources for such acquisitions which are not available to the smaller, private company.

- only the largest players have the resources to bid for and win the largest contracts. Nowhere is this truer than in outsourcing and in the public sector in particular. The most recent contract awards at NPfIT are a good example of this.

But are they smarter too? In innovation terms there is considerable evidence that smaller companies are better.

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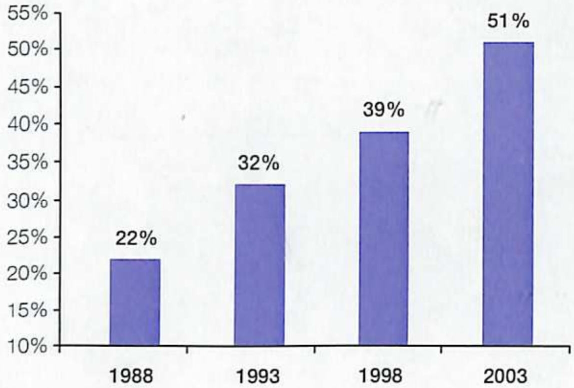
Figure 2 UK S/ITS revenues of top ten suppliers compared to total market size



Source: Ovum Holway

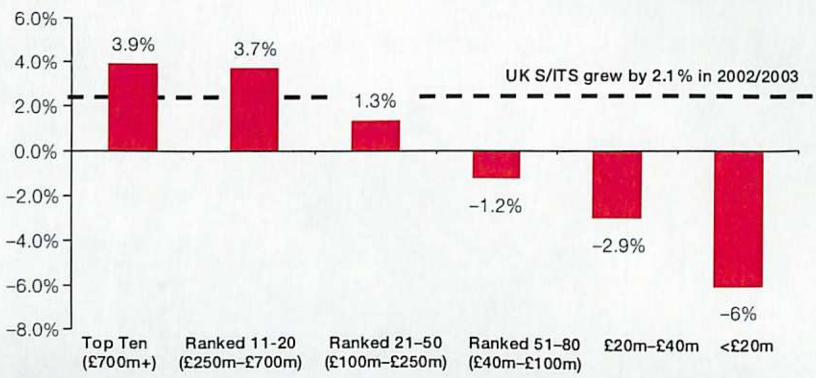
But when it comes to the sheer resources required to turn a good idea into a fully launched and marketed global product ...the big boys win hands down. This, of course, is the reason why most companies with innovative ideas get bought by the bigger players who then exploit their ideas commercially. As this has made millionaires out of many, perhaps there is nothing wrong with that either!

Big grow faster

The chart below surprised even me. In every single category, **the larger the company the faster the growth** between 2002 and 2003. Indeed, the pretty depressing c6% decline in revenues in the sub-£20m category is, if anything, too optimistic. We have only included those companies which reported revenues in 2003. We haven't included the 20%+ of companies that went bust or ceased to trade in 2003. If we had, the results would have been even worse.

But, let's also point out the huge diversity of growth rates by the smaller companies. We applaud those companies which figure prominently in those

Figure 3 UK S/ITS revenue growth rate by company size, 2002–2003



Source: Ovum Holway

'Fastest growing UK IT company' lists with annual growth rates of 100% or more. Those companies have always existed and may that please continue. But they are more than compensated for by those reporting, sometimes equally dramatic, revenue declines. Indeed by the significant numbers that go broke each year.

An example of this lies in the explanation for a rather bewildering 8% decline in the revenues of companies with UK S/ITS revenues between £50m-£80m. This range just happens to contain a high number of IT Staff Agencies – like MSB, Lorien and Harvey Nash – which all recorded near 20% revenue declines in 2003. It has indeed been a torrid few years for the ITSAs.

What now?

Every pointer we see at the moment would lead us to forecast that the proportion of revenues in the hands of the largest UK S/ITS players will continue to increase. Just look at the 26% UK S/ITS growth reported this month by Accenture or the double-digit growth reported by the S/ITS operations of BT. Indeed, the growth rates of the biggest players will continue to be higher in 2004 – and beyond – than the others. We have little doubt that in, say, another 15 years time, the Top Ten will have perhaps 75% of the UK market. Whether that is a 'good' or 'exciting' prospect...we will leave to others. *(Richard Holway)*

NB: this article replaces this month's 'Holway Comment'.

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INDICES (changes in June 04)

Holway S/ITS	+1.1%	5076
Holway Internet	+0.1%	4770
FTSE IT (SCS)	+1.41%	477
techMARK 100	+2.33%	1170
Nasdaq Comp	+3%	2047

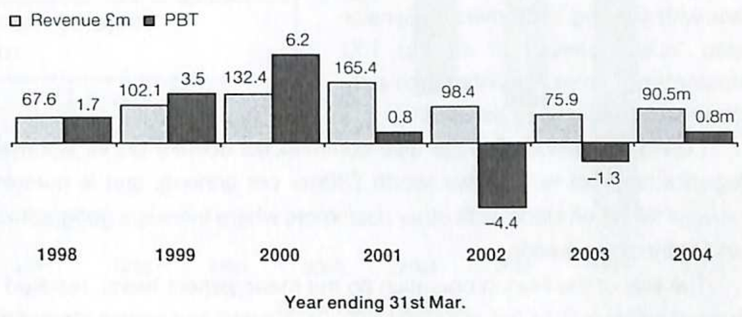
16%
129p

GLOTEL MOVES INTO PROFITS

IT Staffing agency, **Glotel** has moved into profits for the year ended 31st Mar 04. The company, which derives the majority of its sales from the UK and US, saw total revenues increase 19% to £90.5m. It converted last year's operating loss of £1.1m into a profit of £716K and moved from a pre-tax loss of £1.3m to a PBT of £754K. Diluted EPS was 1.2p. In the UK, turnover increased from £40m to £40.4m while operating profit improved from £246K to £490K.

Chairman, Les Clark said: *"The current year has started well in all our regions and we are confident for the year ahead."*

Glotel plc
7 year Revenue and PBT Record
Relative to 1998



Comment: With UK revenues pretty much jogging on the spot, it was Glotel's US sales that took the spotlight with sales up £10m to £34.4m despite the weakened dollar.

Glotel has clawed its way back from pre-tax losses of £4.4m in 2002 on revenues that were 9% higher than those reported this month. Its recovery is largely down to its performance outside of the UK, and indeed Europe. Glotel's core business is providing contract networking and telecoms engineers, which has positioned it well for the growth in the wireless market in the US. (Glotel Australia has also done well, increasing revenues by c60% to £5.4m.)

The pressure on margins in the UK continues but for Glotel the squeeze on gross margins is not getting any worse. Our view is that the UK ITSA market will contract by c6% in 2004 so Glotel's strengthened position in the US is very welcome, indeed crucial.

Shares were up 4% to 125p on the morning of the results announcement. *(Kate Hanaghan)*

0%
74p

SYNSTAR – INVESTING FOR GROWTH

Support services player **Synstar** has announced its results for the six months to end March 2004. Headline revenues declined c3% to £107.8m, however revenues from continuing operations were £102.8m, up 1% on H1 03. The appreciation of the Euro had a mildly positive effect, meaning revenue at constant currency was *'broadly level'*.

Synstar's operating profits from continuing activities were £0.5m, compared to £4.6m in H1 03, with the first half impacted by a £2.5m charge arising from restructuring of the business. Loss on disposal of the French operation (completed Jan. 04) totalled £14.3m, pushing LBT to £14.5m (H1 03 PBT: £3.7m). Loss per share was 9.4p, compared to EPS of 1.6p in H1 03.

Comment: Synstar's H1 04 results, which came in ahead of expectations, take a bit of unpicking, as the headline numbers disguise some significant changes taking place within the business. Back at the FY03 results announcement in December, CEO Steve Vaughan warned that Synstar (along with everyone else in the sector) faced inexorable price pressure and margin erosion in its 'traditional' maintenance business. Given that maintenance generated c40% of the revenues in 2003, the decision was taken to accelerate the development of managed services, committing c£5m for restructuring and investment in the current FY. We were also told, in December, that the sale of the French business (a perennially loss-making operation) was imminent.

So, six months on, how do things look? Well, the restructuring is on target and on budget, with Synstar having invested £2.5m so far in boosting its capacity to win and deliver managed services, and in winding down the contribution from some legacy areas of the business (such as network

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Synstar plc Six months to 31st March	Turnover £m		
	H1 04	H1 03	Change
Computer Services	98.0	101.3	-3.2%
Continuing operations	93.3	92.2	1.2%
Discontinued operations	4.7	9.0	-47.7%
Business Continuity	9.8	10.3	-4.5%
Continuing operations	9.6	9.7	-1.8%
Discontinued operations	0.2	0.5	-53.9%
TOTAL CONTINUING	**102.8**	**101.9**	**0.9%**
TOTAL	**107.8**	**111.5**	**-3.3%**

cabling and small scale maintenance). The c11% increase in sales and marketing is starting to pay off, with managed services wins with West Midlands Police (£1m/3 years), CGG (£4m+/3 years), and a pipeline of some 16 prospects each worth in excess of £1m per annum (the majority of which are with existing customers). Synstar also 'upsold' seven of its top 100 customers, from maintenance-only contracts, to managed services.

During the period, Synstar also commenced delivery on its landmark logistics contract with Fujitsu (worth £30m+ per annum), and is pursuing 'several follow-on leads' with other customers where there is a geographical and technology overlap.

The sale of the French operation (to the management team), resulted in a significant loss (£14.3m of which £8.5m is in cash), but getting shot of the French leaves the management free to concentrate on the other regions where Synstar has a direct presence. And here, there is still some work to be done. Whilst revenues from continuing European activities increased 2.8% to £30.4m, profit performance was mixed. Holland did well, delivering a c50% improvement in operating profit and Spain moved from breakeven to profits. Germany remains marginally loss making (we were told to expect that to be remedied for the full year), but Belgium, historically very profitable, saw operating profits fall from £0.9m to £0.2m. Vaughan sought to reassure, saying Belgium was not another France in the making, and that a reduction in the cost base, and new name sales effort would go some way to offset the impact of lower margin contract renewals.

Turning to the performance by activity, revenue from continuing ops was up 1%, but somewhat disappointing was the c2% decline in BC revenues. Vaughan explained that this was due to the decision to move away from (low margin) subcontractor work. This protected profits and margins, but we think BC really should be delivering some top line growth.

For the year as a whole, Synstar is shaping up to deliver growth in excess of 8%, and that's not all due to the Fujitsu logistics contract. Excluding the contribution from its logistics activities, Vaughan is anticipating underlying growth of 3-4%.

Synstar is also in the enviable position of being the support services partner for both the remaining consortia bidding for the Dii Future contract – via its relationships with Fujitsu (joint prime on the ATLAS bid), and via CSC (prime on the Radii bid). So, irrespective of who is awarded the £4bn contract, Synstar will receive a share of the spoils.

So, with an encouraging pipeline of managed services prospects Vaughan's plan to drive future profits through revenue growth looks well on course. *(Heather Brice)*

-7%
46p

focus

FOCUS SOLUTIONS MOVES CLOSER TO PROFITABILITY

Focus Solutions, provider of customer management solutions for the financial services industry, has announced results for the year to 31st Mar. 04. Turnover has fallen 18% to £5.4m, however the bottom line has improved – Focus reported an operating loss of £0.6m, compared to £3.0m in FY03, and pre tax losses of £0.4m, compared to £3.8m. Loss per share was 1.0p (13.4p).

Commenting on the outlook, John Streets, Chief Executive, said: *"Although we expect market conditions to remain challenging, we aim to capitalise on our strong presence in the life and pensions market, and build on our initial wins in the mortgage and bancassurance sectors.....coupled with continued emphasis on containing costs, we expect to further improve financial performance based on sustainable and scalable revenue streams."*

Comment: Despite the headline drop in revenues, and continuing losses, Focus Solutions has made good progress in FY04. The company generated an operating profit in H2, the first profitable half since it went public in 2000. But more importantly, the last two years have seen a radical transformation in Focus' business model, which bodes well for the future. FY04 saw the company enter the UK mortgage market, winning business with Network Data and Kensington Mortgages. While not significant in

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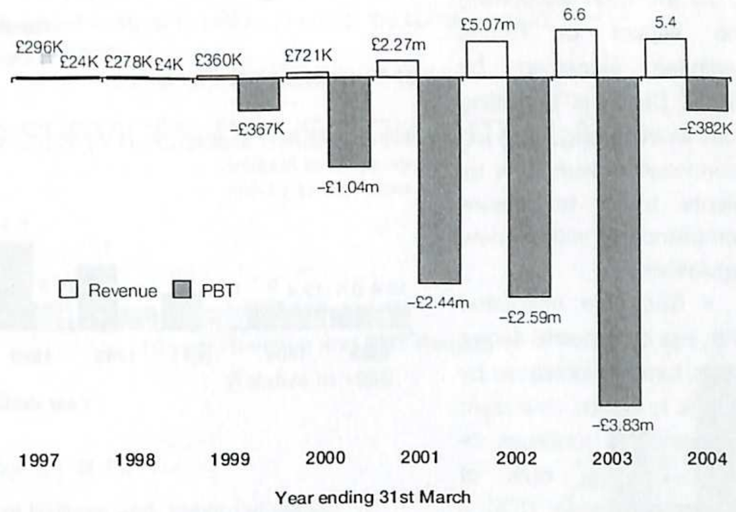
terms of value, these contracts take Focus into a new market - with the proliferation of mortgage products and the introduction of new legislation later this year to regulate mortgage advice, compliance is top of the agenda.

In FY02, 80% of revenue came from RIO, an insurance point-of-sale solution developed by Focus specifically for Norwich Union. In FY04, RIO accounted for only 30% of revenue - and falling. Meantime, its 'goal:technology' product is growing strongly in both services and licence sales - up 30% year-on-year and is now almost two thirds of sales. This hasn't quite taken up the slack from RIO's decline, which is why turnover was down so sharply. But growth looks likely for next year. Far from its prior dependency on Norwich Union, in the next FY Focus expects Norwich Union to account for less than 20% of revenue. Focus now counts all the top 10 life and pensions companies as its clients, and it's starting to penetrate banks and building societies too.

Focus Solutions
8 year revenue and PBT Record
Relative to 1997



Although Focus has - very wisely - concentrated on one vertical market (clear devotees of Geoffrey Moore), the goal:technology product is actually very generic. In an attempt to make its business model more scalable, Focus has been talking to potential partners. While some are in the same industry, it has come to an agreement with middleware giant BEA Systems. BEA and Focus Solutions will jointly sell, develop and market a version of goal:technology integrated with BEA's Weblogic application server suite. This will be a global initiative and not restricted to any one vertical. Focus is very excited about this for obvious reasons, though quite a lot of issues remain to be addressed (e.g. pricing). Though the company doesn't think that the effects of this deal will flow through until its next financial year, this is something of a coup for this 'little British battler', and we wish them well.

(Philip Carnelley/Heather Brice/ Kate Hanaghan)

-5%
578p

DETICA ONE YEAR FROM A 'BORING AWARD'

Detica has released a truly outstanding set of results for the year to 31st Mar. 04. Turnover is up by 37% to £53.5m (including contributions from the acquisition of **Rubus**), and by a still-impressive 25% on an organic basis. Turnover from the government sector increased by 53%, while turnover from the commercial sector increased by 16% (though declined slightly on an organic basis). More importantly, despite increasing headcount from 325 to 492 over the year, the company maintained a strong operating margin (before goodwill amortisation of £435K) of 16.4% (2003: 17.9%). Excluding one-off Rubus integration costs and development investment in technology products, this margin rises to an even more impressive 17.6%. At the pre-tax level, profits increased by 18% to £8.8m (and by 11% on an organic basis). Diluted EPS increased from 24.1p to 29.3p.

Across the vertical business units, the performance was as follows:

• *National Security:* Still accounting for the bulk of government business, turnover increased by 53% to £27.9m driven by an increased focus on security in the UK and the US.

• *Public Sector:* Turnover increased by 54% to £5.3m with demand driven by clients focused on law and order, immigration and transportation. Projects are increasing in size and are focused on consultancy and systems integration projects around large-scale information and data management.

• *Telecoms:* Turnover fell by 13% to £6.1m, as a number of projects with 'Three' came to an end. Three now accounts for just 31% of telecoms revenues compared to 86% at the same time last year. Detica continued to see strong revenue growth from other telecoms clients.

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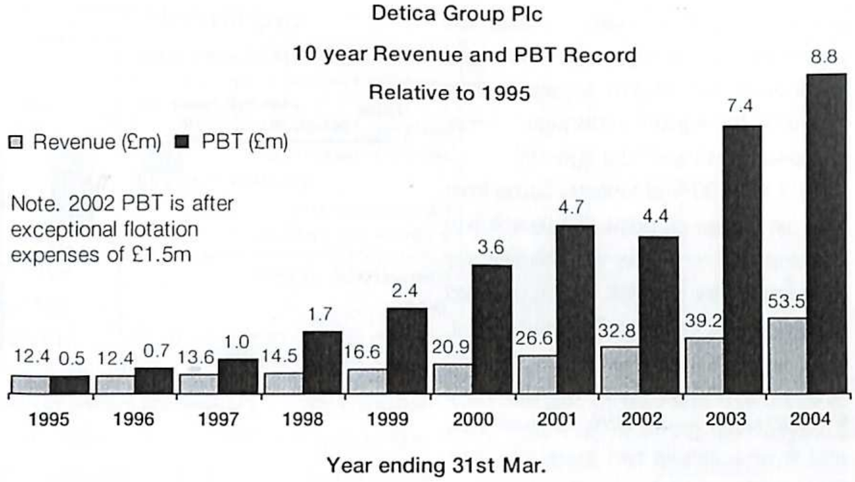
• *Financial Services:* Turnover increased by 157% to £5.9m. Even discounting the impact of Rubus revenues increased by c70%. Detica is benefiting from an increased focus on information infrastructure by clients trying to ensure compliance with new regulations.

• *Corporate Accounts:* With less of a specific sector focus, turnover increased by just 2% to £8.3m. One client – Centrica – continues to make up the bulk of business (just under 75%).



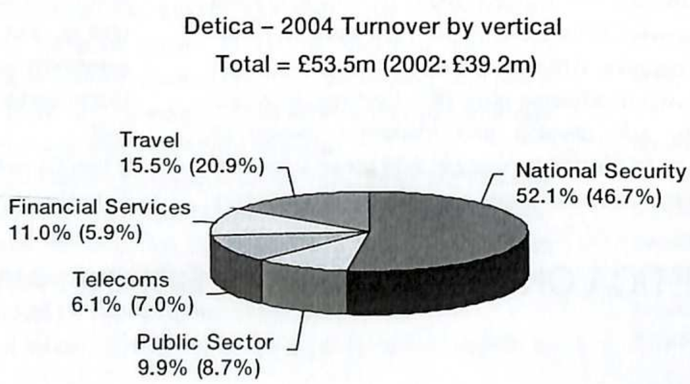
Detica has made a number of other interesting moves over the last year:

• Formation of a dedicated systems delivery team: Detica has previously carried out all SI work within the vertical business units. However, this small team has been formed to support some of the larger-scale contracts. All the staff that make up this team also belong to one of the vertical business units.

• Establishment of offshore capability: Detica has established a relationship with a Polish firm, Impaq, to ensure that the business remains competitive in the marketplace. Tom Black, CE, told us that this relationship has *"as much to do with perception as reality"* i.e. clients want to feel they are getting the best deal available.

• Increased importance of products: Detica is first and foremost a services company. However, a demand from clients, particularly in the National Security market, has resulted in the development of a number of bespoke communications products. An investment in the development of IPR in Internet security will add to the importance of products in the revenue mix. Detica cannot yet reveal details of this initiative, however investment has so far been focused on market testing to ensure sufficient demand.

• Opening of a Washington DC office: In response to increased demand from US National Security clients, the opening of the Cheltenham office last year will be followed by the opening of a US office by Sep. 04.



• Dr Tom Black, CE, commented, *"The overall Group strategy remains unchanged. We will continue to grow, both organically and through selective acquisitions, and will maintain our position at the high end of the consultancy value chain with a focus on Information Intelligence".*

Comment: Detica continues to impress. It has now succeeded in achieving an unbroken record of growth in profits and diluted EPS for the last nine years. Only one more year to go and we'll be pleased to award Tom Black and his team with the prestigious Holway Boring Award! The company's success continues to be driven by its position as a trusted supplier to the National Security market. This position is set to serve it well in other high-spending areas of the government market over the next few years, namely in areas such as border control and immigration. We expect to see strong demand for external IT services from departments such as the Home Office (including the Passport Agency, the Immigration & Nationality Directorate), as well as HM Customs & Excise. Outside the government sector, performance is a little less solid, however we believe Detica is ideally positioned to assist banks and insurance companies in complying with new regulations such as Basel II. After all, the biggest challenge is ensuring data integrity – right up Detica's street.

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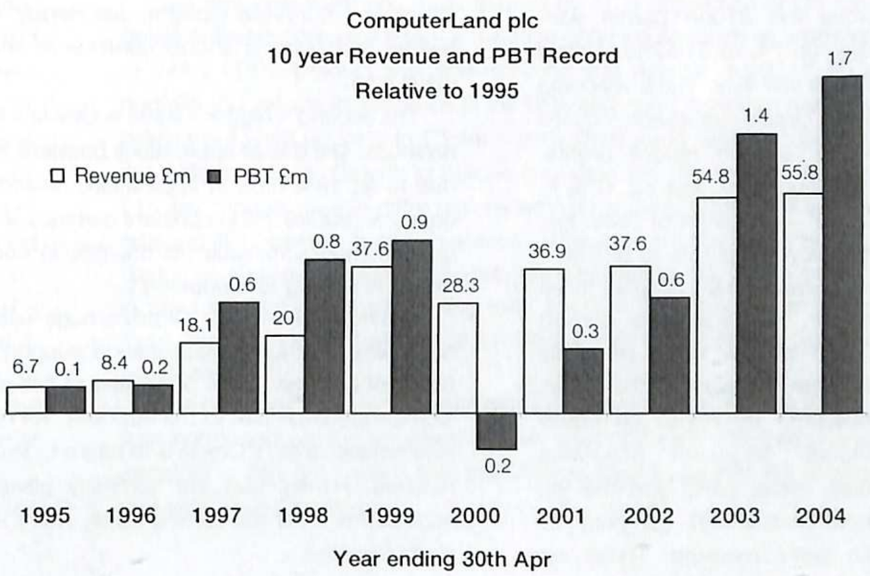
Our overall observation is that Detica's position in the National Security market provides a solid foundation for the business. However, it is also a class act when it comes to spotting trends in the market and making successful investment decisions related to recognised opportunities. Growth in headcount will be much slower this year but the company now has the resources in place to fulfil its plans for the coming period.
(Georgina O'Toole)

ComputerLand

MANAGED SERVICES DRIVE COMPUTERLAND IN FY04

ComputerLand, the AIM-listed supplier of IT hardware, support and project services, has announced results for the year to 30th April 2004. The headlines are:

- turnover increased by 3% to £56.4m
- operating profit was up by 20% to £1.7m
- PBT came in at £1.86m, 23% up on last year's £1.5m thanks partly to interest receivables of £0.1m
- diluted EPS was 12.9p, compared to 10.3p in FY03
- the balance sheet looks strong with £7.5m of net cash (2003: £6.5m).



Higher sales at ComputerLand's managed services and project based business have partly offset lower hardware maintenance revenues and flat product sales. The managed services business has done particularly well, reporting 46% growth during the period.

Commenting on the outlook, Graham Gilbert, chairman, said the new year had started well and that he was encouraged by market conditions in general. *"Key to our long-term success is our ability to win new managed services contracts. We have recently seen an upturn in our bid pipeline and this leads us to be hopeful of further [managed services] wins...later in the year."*

Comment: ComputerLand can hand a big thank you to its managed services business for helping to drive profits on revenues that made only a slight improvement. That 46% growth in managed services has been particularly driven by a handful of sizeable deals with clients including EGG, Manchester City Council and Experian. Underlying growth was around the 15-20% mark. Managed services holds the key to ComputerLand's future prosperity and it needs to keep delivering on quality to ensure it retains the customers it now has onboard.

The performance of its hardware business is, unsurprisingly, somewhat different. Organic revenues are down 20% as a result of on-going pricing pressures and the company's decision to walk away from less profitable business. However, it has been focused on stripping out costs and reinvigorating its marketing efforts and still views it as an intrinsic part of the business. ComputerLand's acquisition of maintenance company and former partner, Information Technology Solutions has added scale and scope to its offering. However, it can expect competition this year to be as tough as ever.

Even after the acquisition, ComputerLand has net cash of £7.5m. That's a tidy sum, especially when one considers that there are no immediate plans for further acquisitions. A credible balance sheet is, however, a necessity when dealing with mid-market customers.

The coming period will be all about focussing on managed services and ensuring that its product and maintenance businesses do not counteract what has so far been a solid overall performance.
(Kate Hanaghan)

ORACLE'S PROFIT SOARS IN 2004 AS IT RETURNS TO GROWTH

Right in the middle of its court battle with the DoJ over its proposed PeopleSoft acquisition, **Oracle** has been able to report good news: its results for its FY2004, ended 31 May, when it broke the $10bn barrier with sales up 7% to $10.2bn. After a 2% fall last year, that's welcome news. Oracle's message focuses on its all-time record profits. Operating profit was up 12% to $3.9bn – a margin of 38%. Net income was up 16% to $2.7bn.

Comment: Even before these results, BusinessWeek ranked Oracle as the most profitable software company in the world, measured by return on equity (though Microsoft generates more actual profit) and the 9th most profitable IT company by the same measure. These are strong results from a powerful company.

And yet...there are two little snags. First is that old bugbear of ours, currency. While sales were up 7% in dollars, they were up only 2% in constant currency. Oracle won't get that windfall again this year (though rising optimism among users may well compensate). The currency benefit has a magnified effect on the bottom line. We'll say more about that issue in our next EuroView Opinion. Jeff Henley, Chairman and CFO said *"we believe that margins should continue to improve"* – that will be a great result if so.

The second – bigger – issue is Oracle's applications business, 24% of revenues. The overall applications business fell 3% (as reported) – primarily due to an 18% drop in applications-related services. New licence sales grew 2%, but fell 2% in constant currency. In the most recent (and largest) quarter, licence revenue fell 6% (9% in constant currency). No wonder Oracle is fighting for PeopleSoft.

Having said all that, Oracle's huge user base is a great source of renewable revenues. Maintenance support fees were up 15% (9% at constant currency) to $4.5bn – almost half revenues. New licences are an increasingly small part of the business. Yet new licences lead to increased maintenance fees. If Oracle is to return to strong growth, new initiatives are required. Henley said the company plans to make *"multibillion-dollar acquisitions"* over the coming years. That's why.

(Philip Carnelley)

0%
209p

TRIBAL BENEFITS FROM ITS NON-IT RELATED CAPABILITIES

Tribal Group, the consultancy and support services group focused on the UK public sector, announced its results for the year to end March 2004. Having made several acquisitions over the period, total turnover increased by 76% to £185.7m, while underlying organic growth was 18%.

Before goodwill amortisation and impairment, employee benefit trust costs and exceptional items (relating to bid costs), operating profit on continuing operations was up 6.7% to £17.8m, and total operating profit was up 38.8% to £23.2m. Pre-tax profits were down 32.2% to £5.3m (predominantly effected by goodwill amortisation and impairment of £10.7m (2003: £6.3m)), and the diluted loss per share was 1.4p compared to EPS of 5.5p in 2003. Shareholders will be pleased to receive a full year dividend of 3.0p after a dry year in 2003.

Comment: Tribal is benefiting from increasing government expenditure, particularly in the areas of health and education. Its committed income for 2005 is already 47% of budgeted turnover. However, with a high proportion of IT spend in the health sector directed at the NHS National Programme for IT (with which Tribal has no involvement) and a flat market for software and IT services (S/ITS) in the education sector, much of Tribal's recent successes have been non-S/ITS related. Like Capita, Tribal's portfolio is broad ranging. Recent notable wins have included a contract to manage a failing hospital trust, the renewal of its schools inspections contract with Ofsted, and a contract for the provision of schools improvement services. The Group has also recently established a third delivery stream (on top of consultancy and support services) called Mercury Health. This is specifically aimed at taking advantage of opportunities in the health market around the setting up of independent sector treatment centres (ISTCs). On the technology front, Tribal renewed its contract with Fujitsu to maintain and support the learning environment at the heart of Ufi learndirect and has also been awarded contracts to run three Ufi learndirect hubs. These latter contracts will run over two years and will be worth up to £9.6m.

(Georgina O'Toole)

2%
68p

ait

AIT – RETURN TO THE GOOD TIMES

AIT Group, after a couple of rather turbulent years, has announced its preliminary results for 2004 showing a welcome return to growth and profitability. Turnover increased 11.7% to £19.6m (£17.6m) and software revenues (licence and maintenance) increased even more sharply – up 31% to £11m, making it now 56% of turnover. Operating profit was £1.3m, up from a loss of £15.3m in 2003. Net profit was £2.96m, after a net loss of £38.9m in 2003.

Comment: It seems AIT's annus horribilis is now behind it. To recap, AIT announced *"a satisfactory end"* to 2002 at the beginning of May 02 and then at the end of the month issued a shocker of a profits warning. The directors had to make a loan of £700K to the company in order to meet *"certain immediate payment obligations"* (payroll) and the shares went into freefall. Founder and former Chairman, Richard Hicks, returned to the helm with the objective of turning around the company's fortunes. As the necessary turnaround now looks on track, Hicks announced today that he now feels able to return to a non-executive role.

The problems were principally caused by AIT's acquisition of US call-centre software company IMA – a question of timing as much as anything, as IMA's EDGE product was well-regarded and remains a part of AIT's portfolio. AIT retains its presence in the USA and north American sales (by destination) were up 24% to £3.4m – particularly good taking account of the dollar's decline. Growth in Europe (including the UK) was up 15% to £15.4m, though sales in other regions almost halved to £0.8m. As well as retaining its position in financial services – retaining and growing its flagship customer, Nationwide Building Society – the company has shown traction in sales into the public sector, e.g. with a win at Europe's largest police force. It is looking particularly to its partnership with Unisys to help in public sector sales.

The company improved its cash/debt position during the year by issuing loan notes and placing additional shares worth £2.74m with institutional investors in Jan. 04 – a sign that the City has confidence that AIT is back on track. *(Philip Carnelley)*

3%
85p

InTechnology

INTECHNOLOGY GROWS MANAGED SERVICES

InTechnology, provider of data storage, security and network solutions and managed services, announced results for the year to 31st Mar. 04. Turnover increased by 42% (1.4% organic) to £223.5m, including £64.4m from the Allasso acquisition (April 2003). Operating profit before goodwill amortisation was £1.6m, an improvement on last year's £2.6m loss, and pre-tax losses eased to £3.8m, down from a £6.7m loss in 2003. Loss per share was 3.4p, compared to a 5.1p loss the year before.

After a slow start to the year, the Specialist Distribution division had a strong second half, reporting revenue of £209m for the year (2003: £148.7m), including revenues from Allasso. Higher margin security, consultancy, maintenance and enterprise software sales have now grown to 31% of the unit's turnover, up from 17% the year before. But it's the Managed Data Services business (offsite backup, data replication, hosting, etc.) that most interests us, and here things are progressing well. Revenues were up by 77% to £14.5m and operating losses lessened to £10m, compared to £13m in 2003. Cumulative contracts totalled over £60m at 31st March, up from £40m in 2003, generating £18m of recurring revenue per annum.

InTechnology CEO Charles Cameron said group trading in the first two months of the fiscal year had been in line with management expectations and ahead of the same period last year. During the month, the company also acquired NetConnect Training, the network security training arm of hosted services player, NetStore, in a cash deal worth £900K up front and another £100K earn-out over 12 months.

Comment: InTechnology's focus this year has been on maintaining margins in the distribution business in the face of significant pricing pressure, and on driving the managed services business towards breakeven. At current course and speed, we'd be surprised if the managed services business didn't achieve run-rate profitability

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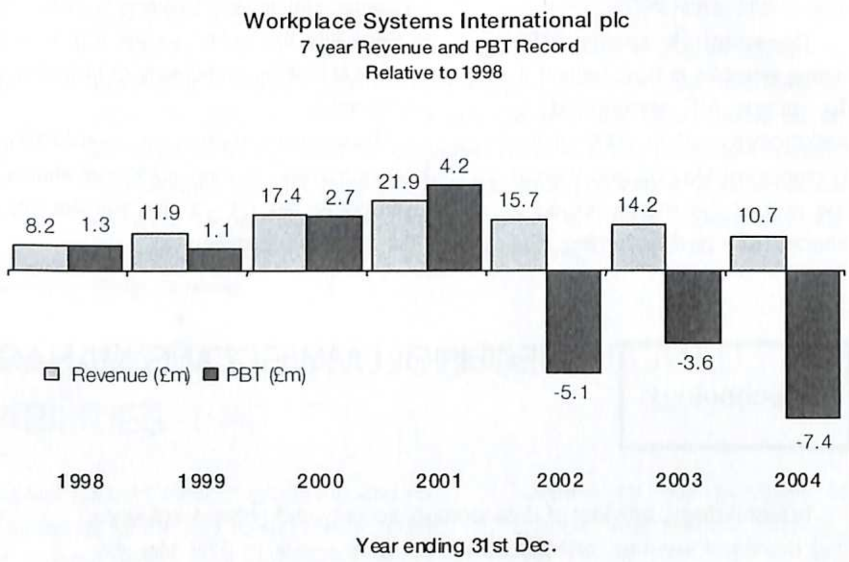
this fiscal year (despite the inevitable time delays between winning and commissioning contracts). The unit is now tantalisingly close to the magic £65m mark for total contract value, at which point Cameron expects it to breakeven. Longer term, InTechnology is well positioned to benefit from growth in storage volumes, increased concerns over data security and the growing burden of regulatory compliance. The group is already strong in the central government and financial services sectors in the UK where these trends are particularly evident.

As for the acquisition of NetConnect, we think this is a positive move for both NetStore and InTechnology. Even though the IT training market overall is still in the doldrums, NetConnect Training should fit nicely alongside InTechnology's network security products business, Alasso. It should also support its managed data services activities. The sale is also in line with NetStore's ongoing strategy of disposing of non-core activities in order to concentrate on its main hosted services business. *(Tola Sargeant/Phil Codling)*

27%
13p
WorkPlace

WORKPLACE PLEASES SHAREHOLDERS WITH FULL-YEAR DIVIDEND

Workplace Systems International has released results for the year to 31st Mar 04 revealing a decrease in total turnover of 25% to £10.7m following the sale of its TeleWare division. The increase in turnover from continuing operations of 14.3% to £8.7m tells a much more positive story. The sale of the loss-making division also helped Workplace move into operating profit – at least before goodwill amortisation of £542K and an exceptional loss of £8.3m (predominantly affected by a full goodwill write-down). The small operating profit achieved before deduction of these items was £310K. At the bottom line pre-tax losses were £7.4m but would have been deeper had it not been for a gain of £959K from the profit on the sale of TeleWare. Diluted loss per share was 4.8p (2003: 1.5p).



The Board *"still remains cautious since the recovery of the market is fragile but our leading position with functionally rich products and proven international reference sites provides the opportunity for business growth in the UK and internationally"*.

Comment: Workplace's share price increased by 7.1% to 11.25p immediately following the release of their results. Shareholders have been rewarded with a dividend of 0.2p after going without in 2003. Not only will this be a welcome addition to shareholders' bank accounts, it also highlights the renewed confidence of the Board. Having sold its computer telephony division, Workplace is now 100% focused on growing market share in the Workforce Management Software market and has maintained a high level of investment in product development and improvement. Its solution is relevant across all industries but the company is currently highlighting strong demand from retail and transport organisations. It is also expanding its reach outside the UK through the use of strategic partners. As such, 89% of continuing revenues were derived in the UK in 2004 compared to a higher 93% in 2003. The trick now will be to maintain growth while bringing in a bottom-line profit.

(Georgina O'Toole)

-3%
82p

xansa

XANSA BACKING BPO AND OFFSHORE

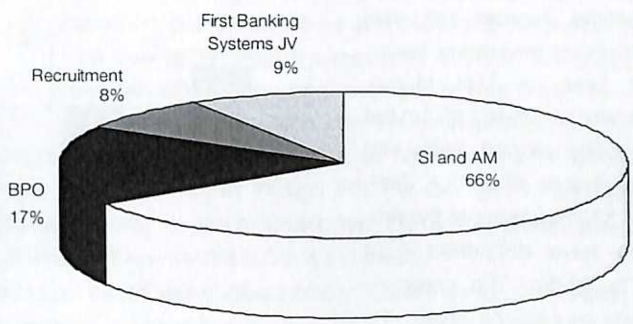
Xansa has announced its results for the year to end April 2004. Total revenues were down 7% at £419.5m. Operating profits before goodwill impairment and exceptionals were £13.3m, compared to £13.6m in FY03. Loss before tax was much improved - thanks to lower goodwill impairment - at £31.2m, compared to last year's £157m. Loss per share was 12.67p (FY03: 57.09p). Xansa is maintaining its full-year dividend at 3.24p.

Comment: A look at any Xansa chart - be it revenue, profit or share price - shows what a torrid time they have had for the last three years or so. But, as CEO Alistair Cox, told us in our discussions around the company's results, *"Stability is returning"*.

Certainly the 5% underlying growth (i.e. excluding the now terminated FBS JV with HBOS) in the UK business to £363.7m is encouraging. After all the UK now represents 95% of Xansa's revenues.

And Cox has really taken the Ovum Holway research and forward view to heart. Outsourcing, rather than new project work, is the key to the future. Xansa's adventures in business process outsourcing have proved especially fruitful and hold much promise for the future. The company grew its BPO revenues by 49% in FY04 to £69.1m. It also added Thames Water, Mytravel and Barclaycard to its BPO customer list during the year. Basically, in the space of just two financial years, Xansa's BPO operation has leapt from 'zero to hero'.

Xansa UK - FY04 Business mix
Total = £398.9m



BPO may still only account for 17% of Xansa's total UK business (£398.9m in FY04), but its impact on top-line growth is significant. This is because the bulk of its UK business (in applications management and SI) is still struggling to find growth amid tough market conditions (in fact, combined revenue of £262.8m from these areas in FY04 was flat against the previous year). Meanwhile, Xansa's recruitment business remains a drag on growth, falling by 17% to £31.8m in the year.

One key element in Xansa's BPO strategy - indeed in its overall strategy - is its focus on offshore delivery. FY04 saw Xansa invest heavily in India, with a doubling of headcount to just under 1,900. It expects to hit 3,500-4,000 by April 2005. 22 of Xansa's top 30 clients are now serviced at least in part from India, across BPO services and application management. All this makes Xansa, by our reckoning, the most offshore-centric of the larger IT services players in the UK market today, barring the 'pure-play' offshore specialists from India and elsewhere. This emphasis on offshoring - and the relative maturity of Xansa's Indian presence compared to some of its competitors - should prove a significant asset in the current climate, with new and existing customers continuing to demand 'more for less'.

But despite all its positive moves into BPO and offshore, Xansa's fundamental problem is that, without a niche of its own, it remains a mid-sized player competing with the really Big Boys. They tend to be gaining market share because they are the only ones with the critical mass to win the larger outsourcing deals (particularly in the public sector and hence Xansa's lower than average share of that market) and by acquisitions. As Cox conceded to us, Xansa's performance in the last few years is hardly conducive to gaining the shareholder and investor confidence required for Xansa itself to go on a buying spree.

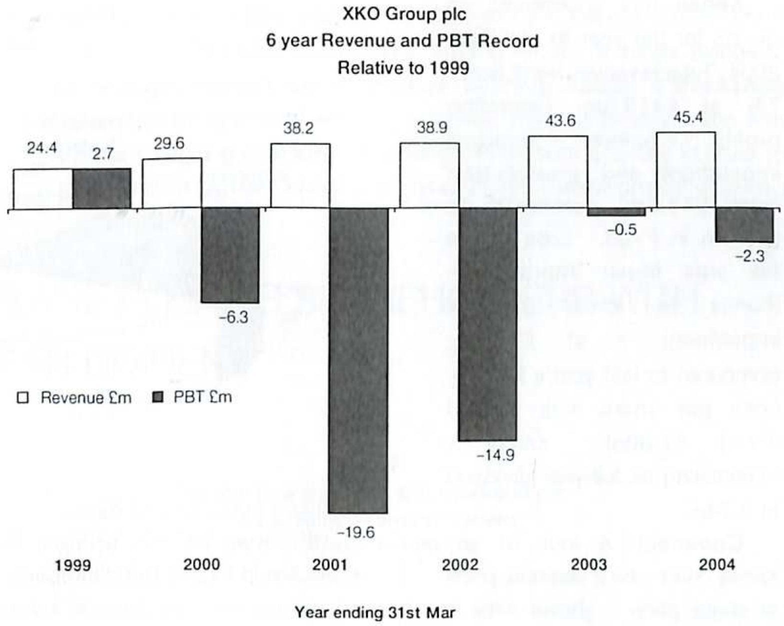
As we have long suspected, that leaves Xansa looking more and more like it'll be part of someone else's acquisition ambitions. So while the wider market might be stabilising, Xansa may find itself feeling increasingly vulnerable.

(Richard Holway/Phil Codling)

-4%
85p

XKO SLIPS BACK INTO LOSSES

XKO Group, supplier of services and software to the Building, Wholesale Distribution and Financial Services industries has announced preliminary results for the year to 31st March. Turnover was up 4% to £45.4m but the company slipped back into operating losses of £356K from profits of £1.3m.Losses at the pre-tax level have deepened from £545K to £2.3m. The company made two acquisitions during the year, The Control Group and Datacentre, both for cash (totalling £3.1m).



Chairman Brian Beverley commented: *"Trading during the last 12 months has been reasonably stable, although a climate of rising interest rates and general economic uncertainty is not ideal for our customers. However, XKO has a broad customer base with a high level of recurring revenues and this model should be capable of yielding further growth in the future."* *(Philip Carnelley)*

Comment: XKO has taken a hit from a combination of goodwill amortisation and exceptional items. Stripping these out, the company produced operating profits of £3.6m, up c40% on the previous year. But its approach to goodwill is healthy: goodwill relating to Control will be amortised over 2 years and Datacentre in just over a year. The acquisitions made an important contribution to overall revenues, which on an organic basis declined 1.6% (last year XKO grew revenues organically by 1%). The company will continue searching for acquisition opportunities to widen its customer base and, with its most recent purchases now fully integrated, its management team has the relevant experience to handle future acquisitions.

There are some indications that XKO is succeeding in shifting away from lower margins activities. Its Financial Services business, which focuses on providing infrastructure and third party products, saw revenues decline 4.6% but operating profits (excluding goodwill) increase 22% to £1.6m – a figure not far off the performance of its software/services division.

XKO enters its current financial year with a high level of contracted, recurring revenues. With trading in the current financial year expected to be similar, future acquisitions will be the bread and butter of any revenue growth it achieves.

(Kate Hanaghan)

6%
193p

CIVICA MAKES GOOD PROGRESS IN FIRST HALF

Civica, the public sector-focused software and services group, reported its first set of interim results since floating on AIM last December. Turnover for the six months to 31st Mar. 04 was up 19% to £52.5m compared to the same period in 2003. Operating profit before goodwill amortisation and other exceptionals was 9.5% higher at £4.41m while pre-tax profits rose 11.4% to £3.76m. EPS came in at 5.8p, compared to 5.2p in H103.

Software systems is the largest and the fastest growing area of Civica's business, showing 21% growth in revenue to £41.3m. Revenue from consulting was up by 14% to £5.6m while the slower growing managed services business reported 6% growth in revenues to £5.7m.

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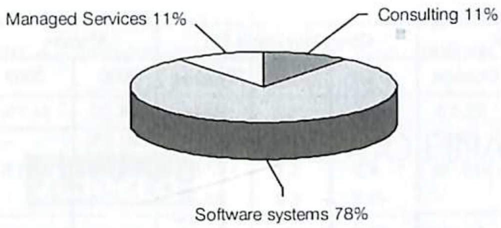
Civica – H1 04 Business mix
Total = £52.5m



Comment: Civica's maiden interim results showed strong growth in profits and turnover on a pro-forma basis (as if the company had been trading in its current form for the whole period). This is nothing less than we'd expect from the ambitious public sector-focused business and we'll be looking for more of the same in the second half.

Civica is well positioned in the local government and criminal justice markets and is benefiting from trends such as an increased investment in enforcement – it is known for its Automated Number Plate Recognition (ANPR) systems, for example. The growth in the new 'practitioner consulting' business is particularly encouraging. Over the last year, Civica has taken on practitioners from local government and the police to enable it to offer practical consulting to its customers, which in turn pulls through IPR. For example, its consultants are helping local authorities to secure funding from the DWP to prevent benefit fraud, some of which is then invested in Civica's software.

Having got the IPO out of the way, Simon Downing told us he is keen to build on the company's strong foundation in the local government and enforcement markets. This could well mean we'll see Civica making some acquisitions with cash from the IPO in the next few months. *(Tola Sargeant)*

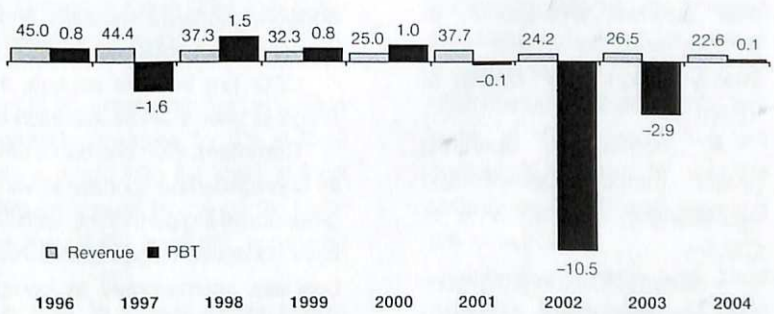
Commenting on the results, Simon Downing, CE, said: *"The Group has made good progress over the last six months, strengthening relationships with existing customers and securing a number of important new contracts whilst at the same time enhancing core products and services".*

-10%
12p

BSG IN RACE TO GROW SERVICES BUSINESS

Business Systems Group's (BSG) results for the year to 31st Mar. revealed a 14% decline in revenue to £22.6m but a move into profitability at the pre-tax level. The consultancy, managed services and product firm reported a small PBT of £139k, compared to a loss of £2.9m in FY03. However, BSG is still loss making at the operating level (before interest receivables and exceptional items). It reported an operating loss of £129k compared to a £3.3m loss last year. EPS was 0.18p, an improvement on last year's 3.4p loss per share.

Business Systems Group
9 year Revenue and PBT Record
Relative to 1996



Year ending 30th Jun. until 1999 then 31st Mar. FY00 is 9 month period

BSG also announced its intention to move from the Official List of the London Stock Exchange to the AIM market. It has concluded that the cost and compliance aspects of being on the Official List outweigh the benefits.

Commenting on the outlook Roger Keenan, chairman, said: *"The constant tightening of the hardware markets, combined with BSG's declining focus on this area, means that the exact timing of BSG's return to operating profitability remains uncertain and hinges on whether the profits from managed services can be increased faster than profits from hardware decline."*

Comment: BSG is belatedly working to shift its business model away from hardware and towards managed services, whilst at the same time reducing its reliance on one-off project work, the market for which remains 'unpredictable'.

And it is having some success – hardware revenues declined by 23% but total revenues only fell by 14%; contractual revenues rose to £5.8m by the year-end and gross margins improved to 22% (from 20% in 2003) as a result of the shift in business mix.

Unfortunately, however, BSG doesn't provide enough detail in its results for us to judge how the individual business divisions are performing, or how it intends to continue growing its services business going forward. One thing is for sure though, with the hardware business set to continue on a downward trend, BSG will need a very focused services strategy if it is to grow and prosper. *(Tola Sargeant)*

12%
433p

ISOFT LOOKING TO BECOME 'THE SAP OF HEALTHCARE'

iSoft revealed its FY2004 with an air of (justified) jubilation, following the merger with Torex and the winning of three key NHS National Programme application contracts. It now claims to be the fourth largest software and services firm on the LSE.

iSoft	Turnover £m			Operating Profit £m			Margin	
FYE: 31st March	2004	2003	Change	2004	2003	Change	2003	2002
UK	116.5	74.0	57.4%	39.8	25.7	54.9%	34.2%	34.7%
Europe	18.1	–	–	4.3	–	–	23.8%	–
Asia-Pacific	14.7	17.5	-16.0%	4.2	5.8	-27.6%	28.6%	33.1%
Central Cost	–	–	–	-8.8	-5.9	49.2%	–	–
TOTAL	149.3	91.5	63.2%	39.5	25.6	54.3%	26.5%	28.0%

The financial highlights for the year to 30th April are as follows:

• total turnover was up 63% to £149.3m – this of course includes revenue from Torex from 23rd Dec but excludes revenue from Torex Retail and Torex Laboratory Systems which have either been or will be sold. Organic revenue growth was still pretty impressive at 15.5%

• pre-tax profits were down slightly at £17.6m, compared to £18.9m the year before, but that's after goodwill amortisation of £11.3m and exceptional items (mainly redundancy costs) of £7.9m

• 'normalised operating profits' (before goodwill and exceptionals) were up 54% to £39.5m

• diluted EPS fell to 6.57p from 11.08p the year before, again as a result of goodwill and exceptional charges

• the cash position improved from a net debt of £2.9m the year before to positive funds of £3.8m after the proceeds from the sale of Torex Retail (£60.8m) were used to repay Torex's loans (£68.4m).

By region, UK and Ireland revenue grew by 57.4% to £116.5m. Revenue from Continental Europe was £18.1m: this is from Torex's business in Germany (£8.9m) and Holland (£9.2m). In Asia-Pacific revenue fell slightly to £14.7m, compared to £17.5m the year before.

After such an eventful year for iSoft, we were pleased to receive an update on both the Torex merger and NPfIT contract wins at the company's analyst briefing. The integration of Torex is *"progressing well"* in the words of Patrick Cryne, executive chairman. The delay caused by the OFT debacle gave iSoft plenty of time to plan the integration and we get the impression that things are pretty much 'business as usual' now. iSoft expects to realise £10m in cost synergies from the merger this year.

The news is also good (for iSoft at least!) on the NPfIT-front. iSoft has completed the first scheduled delivery of software to its LSPs on time and is confident of meeting the deadline for the delivery of the next release phase, the end of Dec. 04. What is more, iSoft now has much better visibility on how much additional revenue it is likely to get under the NPfIT (on top of the c£300m in core application revenue already announced). It has now identified at least an extra £200m in revenue due from the delivery and support of additional software modules and provision of services to the LSPs. The majority of this additional revenue will reach iSoft between 2005 and 2007.

CEO Tim Whiston expects the current year to be one of *"continuing progress prior to an acceleration of growth in 2006 and 2007."*

Comment: iSoft has had a cracking year, what with the Torex acquisition, its unprecedented success at winning National Programme contracts and a groundbreaking partnership with Microsoft to package Lorenzo. These events have conspired to give iSoft a real chance of winning healthcare application business internationally in competition with the US players. It's these international opportunities that iSoft believes will lead to an acceleration of revenue growth in 2006 and 2007.

One thing iSoft is not short of is ambition. It wants to be the 'SAP of healthcare', the natural choice of healthcare application provider on a global basis. But the management team have their feet firmly on the ground and won't be rushing into any new markets without due rigour. In the near term, we expect iSoft to extend and consolidate its strong positions in the UK, Ireland, Holland and Australasia and to strengthen its position in Germany, Austria and Switzerland where Torex had a foothold. (iSoft's Lorenzo product will be launched in Germany and Holland in Q3 and Q4 of this year). The US is also a target market, but we don't expect to see much activity in this market for a couple of years, as iSoft works with Microsoft to develop Lorenzo for the US market.

However, it's not just the international markets that hold promise for iSoft. In the UK, although legacy revenues will slowly fade, iSoft will continue to benefit from its commanding position under the NPfIT.

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The additional £200m of NPfIT revenue identified today is unlikely to be the last, indeed Cryne told analysts at the briefing today that *"it would be wrong to conclude that this (£200m) is it"*. And that's before you take account of any business that iSoft might win in the non-iSoft regions (London and the Southern cluster). For those of you worried about the profitability of iSoft's NPfIT contracts, Tim Whiston assures us that he expects to maintain operating margins at c29% going forward.

In short, we'd be inclined to agree with Tim Whiston when he describes the outlook for iSoft as *"very exciting"*. *(Tola Sargeant)*

ADECCO FINALLY RELEASES 2003 RESULTS

Almost five months after identifying *"material weaknesses in internal controls"* at its North American operations and postponing the announcement of its 2003 results, Swiss staffing giant **Adecco** completed the audit work and revealed last year's numbers at the beginning of June.

No revisions were made to the results, quelling fears of another audit scandal. The resulting auditor and legal fees are, however, expected to cost Adecco about eur100m (eur6m was expensed in 2003, the remainder will be charged in 2004). The much-delayed results show Group sales for 2003 were up 2% in local currency terms (or down 5% in euro) to eur16.3bn. Net income for the year was up 26% to eur305m.

Sales at the Ajilon Professional Division, home of the UK's second largest IT staff agency (ITSA) Computer People, were down 4% in local currency or 15% in euro to eur1.6bn. But management focus on maintaining gross margins and containing costs boosted profits at the division by 35% in local currency (14% in euro) to eur51m. Sales at the Adecco Staffing Division were up 2% in local currency (down 3% in euro) but profits improved by 22% to eur551m. Growth in Spain (7%), Italy (5%), USA (5%), Japan (11%) and the UK (5%) offset declines in Benelux (–12%), Germany (–5%) and Switzerland (–2%).

A closer analysis of Adecco's results for Q4 03 reveals that the UK's Ajilon Computer People had a great quarter, growing revenues by 6% in local currency. In contrast Ajilon Professional as a whole had flat sales in local currency (–9% in euro) while Adecco Staffing grew sales by 2% on the same basis. At the Group level gross margins declined in Q4 to 16.9%, compared to 17.1% in the same period a year earlier.

The short-term outlook for Adecco is likely to include further margin pressure as a result of competitive pricing and a change in the business mix. Furthermore, the cost of the audit delay will have a significant impact on profitability in 2004. In the medium term though Adecco is confident that margins will improve thanks in part to an increase in the number of permanent placements and 'the recovery of the professional staffing sector, particularly IT'.

Comment: What a palaver! After months of investigations the auditors have found precisely... nothing. They haven't restated a single number, but they have picked up the best part of eur100m for their trouble. In the meantime, Adecco's reputation, credit rating and share price have all suffered, not to mention the impact on profitability of the eur100m charge. Still, the show must go on! And Adecco looks to have a solid base from which to grow – 2% sales growth and double-digit improvements in profitability aren't to be sneezed at in today's market (to put things in perspective, we reckon the UK ITSA market declined by 17% last year). In this context, we are particularly pleased to see the UK's Computer People reporting 6% growth in Q4.

However, we would urge Adecco's management to keep the focus on cost control and profits growth and not to bet everything on a sustained recovery in the IT staffing market just yet. *(Tola Sargeant)*

9%
65p

NORTHGATE FIRMLY 'ON THE MAP' IN HR SERVICES AND PUBLIC SECTOR

Northgate Information Solutions has announced its results for the year ended 30th April 2004. Turnover increased 64% to £136.5m; this included a contribution of £42.9m from acquisitions. Organic revenue growth was 12% (to £93.6m).

Operating profit before goodwill amortisation and exceptional items, including the impact of acquisitions, increased by 156% to £11.6m.

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However, after exceptional items of £14.2m and goodwill amortisation of £5.9m, the Group operating loss was pushed into the red to the tune of £8.5m (compared to a loss of £1.2m in 2003). Exceptional items pertained mainly to reorganisation costs of £11.2m (relating to acquisitions) and costs surrounding the Employee Share Option Scheme (ESOS).

At the bottom line, last year's pre-tax profit of £28m (which had been buoyed by the sale of the health software business) was converted to a loss of £10m. Diluted loss per share was 2.86p (2003: EPS of 10.33p).

Across the business, the results were as follows, with each of the operating units growing their revenues organically:

• Public Services revenue was up 13% to £46.2m (including acquisitions

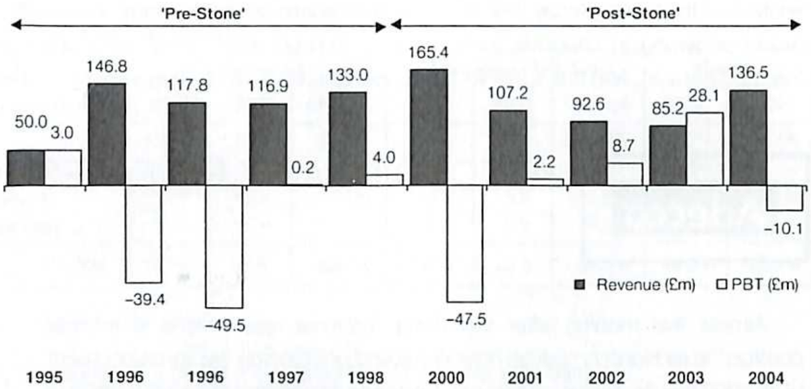
• Human Resource Systems (HRS) revenues were up 19% to £22.5m (a growth of 173% to £51.5m including acquisitions). Total operating profit increased by 43% to £3.7m. Acquisitions contributed another £3.0m to the operating profit.

• Corporate Sector revenues were up 6% (all organic). This business had experienced a 30% fall in revenues in the previous year, primarily as a result of the company's exit from hardware resale. Operating profit increased by almost 20% to £1.4m.

Chief Exec, Chris Stone said: *"The outlook for Northgate is very positive...Strong levels of growth, both organic and acquisitive, are expected to continue..."*

Comment: Between FY02 and FY03, Northgate's performance produced flat revenue and profits. However, a *'strategic repositioning'*, including the disposal of its non-core healthcare software business to

Northgate Information Solutions plc
10 year Revenue and PBT Record
Relative to 1995



Year ending 31st December until 2000 when year end changed to 30th Apr

iSoft and its gradual exit from the hardware resale market, has resulted in a turnaround in FY04. This turnaround has been accelerated by investment in a total of five acquisitions over the year – most notably that of HR application and outsourcing company, RebusHR, in January 2004. This latter-mentioned acquisition catapulted Northgate's revenues above the £100m mark and as a result, today's briefing attracted interest from new raft of City analysts.

As well as increasing capacity, recent acquisitions have put Northgate even more firmly on the map in HR services and in the public sector. These two markets – one horizontal and one vertical – are now clearly the focus for the company's application software and managed services offerings. There are some really exciting opportunities within these areas and Northgate proves time and time again that it is highly adept at spotting gaps in the market. One of the most notable opportunities currently surrounds Assert, its means-testing benefits system. Northgate is currently undertaking a pilot 'National Projects' pilot with Microsoft and BT. If successful, the company could once again find one of its applications penetrating a high proportion of local authorities.

The public sector and HRS businesses now make up more than 80% of total turnover making it easy to forget that Northgate has any other 'corporate' business. Indeed, the corporate business continues to lack focus and it's hard to envisage where its future lies. It would seem most sensible for Northgate to concentrate on finding ways to find ways of applying its public sector-focused software capability into other verticals. For now, we must at least be thankful that it managed to increase revenues in the last financial year.

Going forward, things are looking positive for Northgate. Its high proportion (41%) of managed services revenues, mean that at any one time, 60% of the following twelve-month's revenues are underpinned by the order book. The company also doesn't rule out the option of undertaking further bolt-on acquisitions, particularly as it has now proven to the market that it can successfully integrate companies. The average operating margin run-rate for the five companies acquired in 2004 is now 22% compared to 11% at the time of acquisition.

The share price has dropped 5.4% to 61.5p, as a result of the pre-tax profit coming in below market expectations. This was as a result of the higher take up of voluntary redundancies following the Rebus acquisition (as announced in May). *(Georgina O'Toole)*

FUJITSU SERVICES GETS BOTTOM-LINE BOOST

A rejuvenated **Fujitsu Services** has delivered a substantial improvement to the bottom line in 2003 according to its recent results statement. Although top line revenues fell by 7% to £1.74b in the year ended 31st March 2004, pre-tax profits jumped 65% to £50.4m. Revenues from continuing operations slipped by 1% to £1.73b.

However, operating profit before exceptionals fell by 9% to £54.3m, meaning margins eased slightly from 3.2% to 3.1%. OP after exceptionals dropped by 18% to £36.6m.

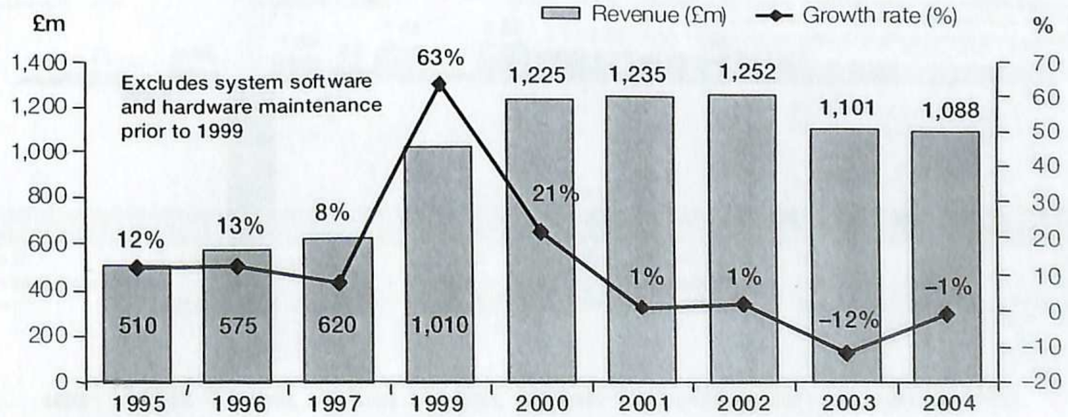
Operating cash flow was up 25% to £126m, there's some £93m cash on hand, and the order book now stands at £5.5b.

Fujitsu Services' newly promoted CEO, David Courtley, was *"particularly pleased"* with the backlog. *"Contract performance and productivity have continued to improve significantly."*

Comment: We're delighted to see that Fujitsu Services maintained profitability for a second year and indeed grew the bottom line. Our concerns on the apparent drop in operating profit were somewhat allayed when Courtley explained that this was due to additional investment needed to fight (and indeed win) the Aspire and NHS bids. Of course, bid investment will continue (there's still the MoD DII (Future) bid to be resolved) but he assured us that future bid costs will remain around current levels. Underlying operating profit is better and should improve further. The 'extra' profit that pushed Fujitsu Services to £50m PBT came from Fujitsu Services' continuing 20% share in Camelot (UK national lottery) and the disposal of a couple of small, non-core businesses. We were much relieved that this was not a repeat of the 'selling the family jewels' escapade that was characteristic of 'old' ICL's way of showing a bottom line profit!

We estimate that Fujitsu Services' UK S/ITS revenues actually grew by 2%–3% to around £1.09b, which is a tad faster than the market. Overall, UK revenues fell by 4% to £1.24b, with hardware sales down nearly 16%. The star in Fujitsu Services' business was actually support services which grew by 7%. Outsourcing, which now represents over 70% of S/ITS revenues, grew by nearly 4%. Like most other players, project service revenues fell, but by just 2%. These results place Fujitsu Services at sixth spot in our new 2003 UK S/ITS rankings. However, as they have just subsumed much smaller (c£75m) sibling Fujitsu Consulting (at long last!), this would place them in fourth spot, which goes to show how close the top ranked players are matched. Of course, its splendid wins at Inland Revenue and NHS, along with other tasty contracts such as the recent £60m/10 year deal with UK airline bmi, will give a substantial lift to Fujitsu Services' business this year. We would like to think that this will also be reflected in its profits. *(Anthony Miller)*

Fujitsu Services (was ICL pre-2002)
10 year UK S/ITS revenue growth record



Year end 31st Dec till 1997 then 31st March

10%
66p
KEWILL

KEWILL SYSTEMS SEEM SET FAIR AFTER RETURN TO PROFIT

Supply chain management software supplier **Kewill Systems** has returned to profit in FY04 against a declining top line. For the year ended 31st March 2004 the company reported total turnover down 11.5% to £22.1m, however continuing operations managed a 2.3% increase (8% in constant currency terms). Stripping out the three month's contribution from **TradePoint**, the US-based provider of trade facilitation software acquired in December 2003, Kewill's organic revenue dipped 5.8%.

However, the picture at the bottom line is much improved. FY03's operating loss of £10.7m is now an operating profit of £0.8m, and pre-tax losses of £6.0m turned into a pre-tax profit of £1.5m. Diluted EPS is 2.7p, compared to a loss per share of 7.9p last year.

Kewill's chairman Andy Roberts is *"confident that our acquisitions will bolster our international growth and future development"*.

Comment: Like various other software companies which have survived the last few years, Kewill emerges from the downturn a rather different company to the one that went in. Having now fully divested itself of its old ERP business, Kewill is now completely focused on 'supply chain execution' - that is, software to help ordered goods reach the customer, primarily in the retail sector.

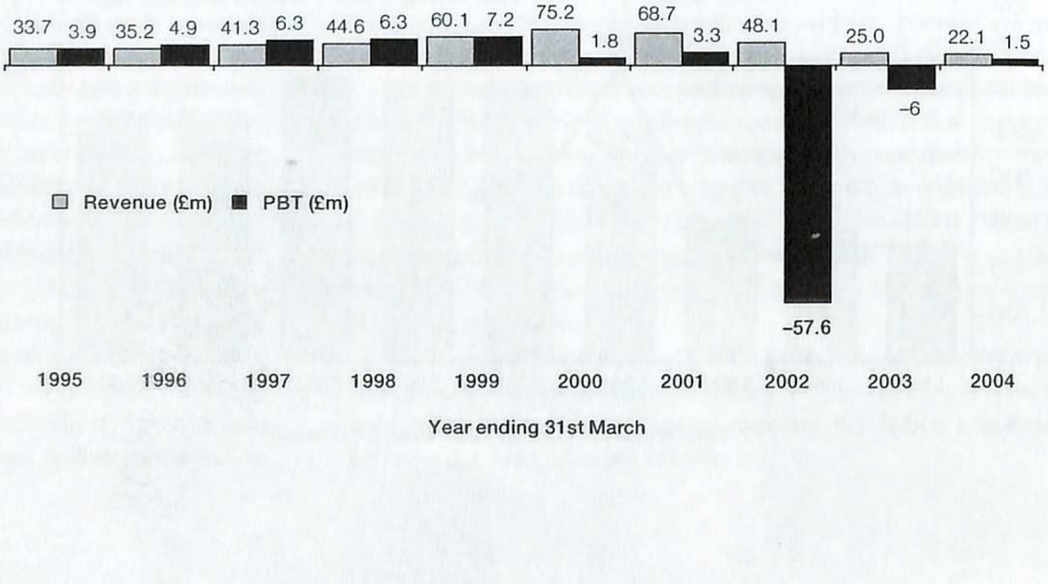
The acquisitions made in the first quarter of this year, of **ShipNow**, **Paral** and **TradePoint**, can best be seen in this light. They considerably extend the reach of Kewill's portfolio. To its core order management functionality linking buyer and supplier, Kewill now adds software to link into the freight forwarders (UPS, DHL and the like) and customs brokers. The ShipNow software adds scalability and more modern technology to Kewill's largest division, Shipping Management.

Now Kewill has returned to profit, the company is looking to grow profits as well as sales. Three clear ways are open to it. First, it can cross-sell its order management products into its newly acquired TradePoint customers, and vice versa. Second, it can look to expand the user base for ShipNow, which is essentially still a start-up. Third, although it principally acquired Mumbai-based Paral because it had developed the ShipNow product, Kewill now has the opportunity to use its Mumbai base for some of the development and support of all its products, thus reducing its cost base.

With a steadily increasing blue-chip client base (and considerable customer loyalty), a very strong market position in several substantial niches - such as shipping for home shopping in the UK, with customers including Littlewoods and JD Williams - and partnerships with key players in its market like DHL and FedEx, things at last look set fair for Kewill. We hope that the profitable operation of the last year will not just be a one-off, and that there will be true growth in 2004/5.

(Philip Carnelly/Anthony Miller)

Kewill Systems
10 year Revenue and PBT Record
Relative to 1995



Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
CedAR	OpenAccounts plc	Accounting software	100%	n/a	Latest accounts filed for OpenAccounts are to 30th Apr 03 and show revenues of £7.5m and PBT of £802K generated by some 83 staff. Alchemy-backed CedAr now claims annual revenues of £45m, 400 staff and 1200 customers. They also reckon they are now "the third largest financial management systems vendor in the UK" with products spanning financial management, HR, procurement and BI. Roughly 50% of revenues come from the public sector. The last time we asked, CedAr was projecting a 20% profit margin – so we would expect that for the new operation too.
CIBER	Ascent	SAP and Sage ERP partner, and proprietary CRM software firm	100%	$40m	US-based SI consultancy, CIBER acquired Leicestershire-based software company Ascent for $40m. Annualised revenues are around the £23m mark and the company is profitable. Recurring revenues account for c30% of its total sales. Customers include Aston Villa and Aberdeen football cubs - both use the company's CRM software. Ascent was on the look out for a larger player to take it to the vertical and geographical markets it couldn't reach by itself. For CIBER, the acquisition will complement its European operations and give it a stronger footing in the UK.
Gores Technology	Microwarehouse's European operations	Reseller	100%	£82m	Investment house Gores Technology acquired the European operations of Microwarehouse. The UK operations were sold to PC World Business.
Icon Medialab	Melstar's Business Solutions division	Document management and process related solutions for insurance, financial services and government sectors	100%	n/a	Icon Medialab - which is listed on the Stockholm stock exchange - acquired the business solutions division of Melstar for an undisclosed amount. The combined UK operations will be renamed LBI Linkhand, and will have revenues of c£4m.
Intec Telecom Systems plc	ADC Telecommunications' Singl.eView division	Billing software	100%	$74.5m	A rare example of a UK software firm buying a US one! ADC reported revenue of $35m from Singl.eView for the last half year, well down from $92m in the 2003 financial year, and had made no secret that it intended to withdraw from the billing market. Intec now faces a number of challenges, not least of which is integration, as this acquisition more than doubles its size. Secondly, the retail billing market is very competitive. We suspect that Intec will have some catching up to do on the product development front, so earnings growth may prove elusive for some time to come.
InTechnology	Netstore	ASP	100%	£1m	Data storage, security and network services provider, InTechnology has paid £900K in cash for Netstore's network security training business. A further £100K, conditional upon the company's performance, will be paid over the next 12 months.
Microgen	Diagonal	SAP consultancy and ITSA	7.46%	£2.7m	Microgen approached Diagonal with a view to exploring a possible combination of the two groups, principally by way of a share exchange. But Diagonal's board rejected the unsolicited proposal on the grounds that "*it believes it to be without significant merit*". Microgen is continuing to seek a dialogue with Diagonal. Any offer for the company would likely be in the range of 50-55p per Diagonal share.
PC World Business	Microwarehouse's UK operations (including Inmac, Machouse and Technomatic)	Reseller	100%	£50m	PC World Business, the SME reseller arm of PC World owned by Dixons, has acquired the UK operations of MicroWarehouse. Small resellers are finding the going tougher and tougher. With little or no margin on the hardware, even those that have built a services arm have found support prices falling year after year by double digit percentages. Unless you have a specialisation, the days of the smaller, generalist reseller are indeed numbered. No wonder so many are throwing in the towel.
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SiRVis IT plc	IT support division of OSE	IT support services	100%	max. £2.1m	SiRVis IT's subsidiary, Linetex Computers Ltd, acquired the IT support services division and related stock of OSE for cash
Systems Union plc	Lasata	Australian BI developer	100%	c£10m	Systems Union, provider of financial management and BI software, paid £10m for Lasata. The Australian firm turned over £5.9m, and made PBT of £1.8m in FY03. It has been a longstanding provider to Systems Union and will be folded into the company's BI Divi

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
PlusNet Technologies	ISP	Dotcom	CS	AIM	N/a	N/a	TBC
Prologic	S/ITS for fashion retailers	S/ITS	CS	AIM	N/a	£3.2m	05-May-04

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

AFA Systems plc

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

AIT Group plc

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

Alphameric plc

	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 plc

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

AttentiV Systems Group

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

Autonomy Corporation plc

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

Aveva Group plc

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

Axon Group plc

	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

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

	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 plc

	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

	Interim - Dec 03	Final - Jun 03	interim - Dec 04	Comparison
REV	£24,761,000	£52,880,000	£29,328,000	+18.4%
PBT	-£711,000	-£407,000	-£260,000	Loss both
EPS	-2.30p	1.30p	-0.80p	Loss both

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 plc

	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 plc

	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

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

GB Group plc

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

Gladstone Plc

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

Glotel plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£75,900,000	£90,499,000	+19.2%
PBT	-£1,347,000	£754	Loss to profit
EPS	-2.30p	1.20p	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		£58,514,000	-41.5%
PBT	-£391,114,000	-£24,088,000	Loss both
EPS	-173.78p	-7.67p	Loss both

InTechnology plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£156,899,000	£159,069,000	+1.4%
PBT	-£6,675,000	-£3,814,000	Loss both
EPS	-5.10p	-3.40p	Loss both

Intelligent Environments Group plc

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

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

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

I S Solutions plc

	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

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

LogicaCMG plc

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

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

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

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

Morse plc

	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	0.16p		0.76p	n/a

Myratech.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

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

NSB Retail Systems plc

	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 plc

	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

	Interim - Apr 03	Final - Oct 03	Interim - Apr 03	Comparison
REV	£4,175,000	£8,562,000	£3,164,000	-24.2%
PBT	£498,000	-£999,000	£969	Loss both
EPS	-0.76p	-147p	-148p	Loss both

Retail Decisions plc

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

RM plc

	Interim - Mar 03	Final - Sep 03	Interim - Mar 04	Comparison
REV	£85,363,000	£215,494,000	£106,755	-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

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

Systems Union Group plc

	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

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

Telecity plc

	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

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

Trace Group plc

	Final - May 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

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

Ultima Networks plc

	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

	Final - Mar 03		Final - Mar 04	Comparison
REV	£14,241,000		£10,664,000	-25.1%
PBT	-£3,555,000		-£7,398,000	Loss both
EPS	-1.52p		-4.80p	Loss both

Xansa plc

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

XKO Group plc

	Final - Mar 03		Final - Mar 04	Comparison
REV	£43,627,000		£45,400,000	+4.1%
PBT	-£545,000		-£2,323,000	Profit to loss
EPS	-2.90p		-9.70p	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	-0.70p	Loss both

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Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Jun-04	Capitalisation 30-Jun-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Jun-04	Share price move since 28-May-04	Share price % move in 2004	Capitalisation move since 28-May-04	Capitalisation move (£m) in 2004
AFA Systems	SP	£0.16	£7.55m	Loss	1.17	133	-13.51%	-40.74%	-£1.18m	-£2.48m
AIT Group	CS	£0.68	£33.90m	Loss	1.93	443	2.27%	11.57%	£0.70m	£6.24m
Alphameric	SP	£0.85	£99.12m	Loss	1.58	390	4.94%	-2.30%	£4.42m	-£2.42m
Alterian	SP	£0.79	£30.95m	Loss	5.46	395	10.49%	15.33%	£2.95m	£4.07m
Anite Group	CS	£0.53	£185.87m	Loss	0.86	310	10.42%	4.95%	£17.47m	£10.17m
Argonaut Games	SP	£0.07	£6.69m	Loss	1.26	73	3.70%	12.00%	£0.24m	£0.61m
AttentiV Systems	SP	£0.64	£38.50m	7.9	1.50	934	-3.05%	15.45%	-£1.20m	£5.20m
Autonomy Corporation	SP	£2.50	£275.98m	n/a	8.22	76	13.36%	4.49%	£33.28m	£9.87m
Aveva Group	SP	£5.58	£122.13m	24.8	3.20	2788	7.31%	16.15%	£8.33m	£39.46m
Axon Group	CS	£1.28	£66.32m	27.7	1.32	729	0.79%	-21.30%	£0.52m	-£17.96m
Bond International	SP	£0.48	£12.00m	21.6	1.71	731	-4.04%	0.00%	-£0.30m	£5.03m
Business Systems	CS	£0.12	£9.89m	Loss	0.37	99	-9.62%	-11.32%	-£1.01m	-£1.31m
Capita Group	CS	£3.19	£2,126.62m	25.1	1.97	86097	2.74%	31.07%	£56.62m	£507.98m
Charteris	CS	£0.23	£9.42m	Loss	0.77	250	40.63%	-15.09%	£2.72m	-£1.68m
Chelford Group	CS	£0.02	£11.60m	Loss	1.17	304	0.00%	133.33%	-£0.30m	£7.26m
Civica	CS	£1.93	£87.16m	17.0	0.97	1100	6.06%	10.00%	£5.06m	£7.96m
Clarity Commerce	SP	£0.67	£10.60m	36.0	1.46	532	0.00%	-5.67%	£0.30m	-£0.28m
Clinical Computing	SP	£0.25	£7.88m	Loss	4.24	202	25.00%	-35.06%	£1.57m	-£4.22m
CMS Webview	CS	£0.06	£4.77m	Loss	2.93	429	-25.00%	-51.22%	-£1.63m	-£5.48m
CODASciSys	CS	£3.28	£83.20m	14.8	1.22	2539	-0.76%	11.02%	-£0.60m	£8.30m
Comino	SP	£1.89	£26.27m	27.4	1.07	1454	5.59%	-6.20%	£1.37m	-£1.72m
Compel Group	R	£0.86	£28.60m	69.1	0.54	688	-3.91%	10.97%	-£0.90m	£4.60m
Computacenter	R	£3.76	£710.22m	16.0	0.37	561	-3.59%	-20.00%	-£26.48m	-£174.81m
Computer Software Group	SP	£0.55	£17.14m	Loss	4.78	468	0.00%	29.41%	-£1.76m	£3.88m
Corpora	SP	£0.35	£4.83m	Loss	16.74	908	-12.66%	15.00%	-£0.69m	£0.63m
DCS Group	CS	£0.16	£4.00m	Loss	0.08	267	-4.76%	18.52%	-£0.19m	£0.62m
Delcam	SP	£2.44	£14.83m	9.1	0.72	937	9.44%	46.69%	£1.33m	£4.83m
Detica	CS	£5.78	£129.10m	16.3	2.41	1444	-4.94%	-6.10%	-£6.70m	-£8.39m
Diagonal	CS	£0.47	£42.50m	Loss	0.75	676	27.40%	14.81%	£9.20m	£6.26m
Dicom Group	R	£7.80	£163.48m	17.1	1.05	2391	0.32%	13.29%	£0.48m	£20.19m
Dimension Data	R	£0.32	£422.89m	Loss	0.33	56	3.28%	-16.00%	£13.49m	-£80.32m
DRS Data & Research	SP	£0.61	£20.37m	13.5	1.51	550	-0.82%	-3.97%	-£0.43m	-£1.10m
Easyscreen	SP	£0.30	£21.32m	Loss	8.05	176	-16.08%	42.86%	-£4.08m	£7.82m
Eidos	SP	£1.07	£152.38m	6.8	0.90	5360	-10.63%	-23.39%	-£18.12m	-£43.52m
Electronic Data Processing	SP	£0.59	£14.43m	11.7	1.66	1791	-5.65%	-4.88%	-£0.87m	-£0.77m
Empire Interactive	SP	£0.10	£5.79m	5.8	0.23	167	2.56%	-16.67%	£0.15m	-£1.15m
Epic Group	CS	£0.93	£24.25m	15.7	2.77	881	-4.15%	-3.65%	-£1.05m	-£0.75m
Eurolink Managed Services	CS	£0.34	£3.54m	27.9	0.39	340	0.00%	21.43%	£0.00m	£0.63m
Financial Objects	SP	£0.42	£11.50m	Loss	1.10	180	3.75%	71.13%	£0.40m	£4.81m
Flomerics Group	SP	£0.61	£8.86m	18.2	0.87	2327	-1.63%	0.00%	-£0.15m	-£0.00m
Focus Solutions Group	SP	£0.46	£13.20m	Loss	2.01	236	-7.07%	31.43%	-£1.00m	£3.27m
GB Group	SP	£0.17	£13.51m	Loss	1.13	110	-12.82%	-44.26%	-£1.99m	-£10.79m
Gladstone	SP	£0.18	£7.85m	9.6	0.91	450	16.13%	44.00%	£1.08m	£2.40m
Glotel	A	£1.29	£48.93m	107.5	0.64	670	15.70%	30.30%	£6.63m	£11.43m
Gresham Computing	CS	£3.46	£170.98m	Loss	16.76	3720	12.16%	3.75%	£18.58m	£6.72m
Harrier Group	CS	£0.20	£5.79m	35.9	0.64	154	8.22%	-8.14%	£0.44m	-£0.50m
Harvey Nash Group	A	£0.75	£44.80m	Loss	0.34	426	8.76%	-1.32%	£3.60m	£2.44m
Highams Systems Services	A	£0.13	£2.54m	Loss	0.23	361	-1.89%	6.12%	-£0.05m	£0.14m
Horizon Technology	CS	£0.69	£49.20m	Loss	0.24	252	17.60%	4.58%	£7.40m	£4.40m
Hot Group	CS	£0.18	£40.90m	Loss	15.58	217	-2.67%	0.00%	-£1.10m	£16.60m
ICM Computer Group	CS	£2.90	£60.30m	17.8	0.77	1611	8.41%	22.11%	£4.70m	£10.90m
I-Document Systems	SP	£0.10	£18.19m	Loss	4.07	13	2.56%	-6.98%	£0.49m	£1.69m
In Technology	CS	£0.85	£117.69m	Loss	0.75	3400	3.03%	40.50%	£3.49m	£33.97m
Innovation Group	SP	£0.33	£142.37m	Loss	2.43	143	4.80%	19.09%	£6.47m	£26.72m
Intelligent Environments	SP	£0.08	£10.80m	Loss	4.04	80	-6.25%	-14.29%	-£0.70m	-£1.30m
IQ-Ludorum	SP	£0.02	£1.76m	Loss	0.45	29	-8.33%	22.22%	-£0.14m	£0.32m
iSOFT Group	SP	£4.33	£988.33m	65.9	10.80	3936	12.03%	16.79%	£106.13m	£530.03m
I S Solutions	CS	£0.14	£3.41m	Loss	0.57	514	16.95%	58.62%	£0.50m	£1.25m
ITNET	CS	£1.93	£141.33m	10.6	0.75	550	-33.73%	-36.05%	-£71.57m	-£79.21m
Jasmin	SP	£0.45	£2.13m	Loss	0.36	300	0.00%	-10.00%	£0.00m	-£0.24m
K3 Business Technology	SP	£0.94	£47.85m	Loss	6.84	718	1.62%	56.67%	£0.75m	£41.73m
Kewill	SP	£0.66	£51.80m	24.4	2.34	1304	10.46%	12.82%	£4.90m	£6.85m
LogicaCMG	CS	£1.83	£1,371.86m	Loss	0.80	2506	-2.14%	-28.59%	-£30.14m	-£549.11m
Lorien	A	£0.87	£16.10m	Loss	0.17	865	-2.26%	0.58%	-£0.40m	£0.10m
Macro 4	SP	£1.74	£36.30m	Loss	1.12	702	3.26%	9.78%	£1.20m	£3.23m
Manpower SoftWare	SP	£0.33	£14.50m	Loss	4.07	338	-5.07%	39.36%	-£0.70m	£4.12m

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Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Jun-04	Capitalisation 30-Jun-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Jun-04	Share price move since 28-May-04	Share price % move in 2004	Capitalisation move since 28-May-04	Capitalisation move (£m) in 2004
Marlborough Stirling	SP	£0.64	£143.58m	24.8	1.25	454	4.96%	44.32%	£6.98m	£44.28m
MERANT	SP	£1.70	£183.70m	Loss	2.34	821	-10.53%	29.77%	-£21.60m	£45.78m
Microgen	CS	£0.61	£52.60m	Loss	1.99	259	2.54%	11.01%	£1.30m	£5.40m
Minorplanet Systems	SP	£0.17	£25.70m	Loss	0.29	353	-6.49%	-48.36%	-£1.80m	-£2.00m
Misys	SP	£1.98	£1,053.62m	9.8	1.04	2463	-4.81%	-6.49%	-£53.38m	-£127.82m
Mondas	SP	£0.24	£6.12m	Loss	1.65	313	-4.08%	-38.16%	-£0.28m	-£3.81m
Morse	R	£1.34	£174.84m	Loss	0.50	534	3.09%	-6.32%	£5.24m	-£10.31m
MSB International	A	£0.69	£14.10m	90.8	0.21	363	-4.17%	-22.91%	-£0.70m	-£4.33m
Myratech.net	CS	£0.03	£0.74m	Loss	0.39	19	0.00%	-16.67%	£0.00m	-£0.06m
Ncipher	SP	£1.60	£41.76m	Loss	3.22	638	2.41%	4.93%	£0.96m	£3.02m
NetBenefit	CS	£0.76	£14.52m	20.0	2.32	378	29.06%	96.10%	£3.32m	£8.23m
Netstore	CS	£0.39	£36.96m	Loss	2.60	260	-4.29%	0.65%	-£1.74m	£0.23m
Northgate Information Solutions	CS	£0.65	£321.70m	Loss	3.77	250	8.79%	12.55%	£26.00m	£155.86m
NSB Retail Systems	SP	£0.26	£88.61m	Loss	1.38	2217	-2.86%	50.00%	-£2.59m	£34.84m
OneclickHR	SP	£0.06	£8.55m	Loss	1.78	144	0.00%	-30.30%	£0.00m	£3.79m
Parity	A	£0.12	£33.19m	11.0	0.19	1917	15.00%	6.98%	£4.29m	£2.12m
Patsystems	SP	£0.21	£30.29m	Loss	2.84	192	5.13%	17.14%	£1.49m	£4.79m
Pilat Media Global	SP	£0.45	£22.44m	80.5	2.38	2225	-13.59%	34.85%	-£3.56m	£7.90m
Pixology	SP	£1.39	£27.70m	Loss	10.95	992	-8.88%	-4.48%	-£2.70m	-£0.90m
Planit Holdings	SP	£0.29	£26.13m	Loss	1.28	1188	7.55%	0.00%	£1.83m	£0.00m
PSD Group	A	£2.76	£69.08m	Loss	1.84	1252	16.74%	-6.61%	£9.78m	-£5.02m
QA	CS	£0.04	£10.70m	Loss	0.37	17	-11.76%	-11.76%	-£1.10m	£6.75m
Quantica	A	£0.56	£22.70m	Loss	0.87	452	3.70%	15.46%	£0.80m	£3.10m
Raft International	SP	£0.13	£8.24m	Loss	0.96	198	2.04%	-16.67%	£0.16m	-£1.60m
Retail Decisions	SP	£0.17	£50.12m	17.2	1.65	233	4.55%	35.29%	£2.22m	£13.23m
RM	SP	£1.27	£113.50m	11.9	0.53	3614	-7.33%	-4.53%	-£8.90m	-£5.32m
Royalblue Group	SP	£5.15	£167.65m	22.0	2.97	3029	0.00%	1.38%	-£0.35m	£0.01m
Sage Group	SP	£1.87	£2,388.01m	21.2	4.26	71731	5.52%	6.12%	£125.01m	£140.41m
SDL	CS	£1.23	£66.68m	Loss	1.04	817	5.15%	44.97%	£3.18m	£20.91m
ServicePower	SP	£0.37	£26.80m	Loss	5.98	365	-0.82%	-7.59%	-£0.20m	£4.40m
Sirius Financial	SP	£0.78	£13.30m	Loss	0.65	520	1.96%	4.70%	£0.30m	£0.60m
Sopheon	SP	£0.26	£27.20m	Loss	4.04	374	8.33%	62.50%	£2.10m	£11.50m
Spring Group	A	£1.16	£181.70m	Loss	0.52	1289	3.57%	0.43%	£6.30m	£2.75m
Staffware	SP	£8.10	£118.32m	35.5	2.77	3600	3.18%	39.66%	£3.62m	£34.20m
StatPro Group	SP	£0.36	£11.90m	22.9	1.41	450	0.00%	16.13%	£0.00m	£1.70m
SurfControl (was JSB)	SP	£6.10	£188.76m	32.3	4.08	3050	7.39%	-18.72%	£12.66m	-£41.34m
Synstar	CS	£0.74	£120.40m	19.9	0.54	448	0.00%	12.98%	£0.00m	£14.00m
Systems Union	SP	£1.14	£116.56m	11.9	1.68	873	1.34%	11.27%	-£2.14m	£10.56m
Tadpole Technology	SP	£0.16	£45.99m	Loss	8.64	374	-3.13%	24.00%	-£1.11m	£13.26m
Telecity	CS	£0.11	£48.62m	Loss	2.07	15	-6.25%	-21.05%	£15.92m	£19.72m
Tikit Group	CS	£1.35	£16.67m	19.3	1.74	1174	7.57%	19.47%	£1.17m	£2.97m
Torex Retail	SP	£0.59	£89.86m	7.2	9.08	1463	-6.40%	46.25%	-£6.14m	£29.86m
Total Systems	SP	£0.73	£7.58m	15.1	1.9	1367.9	1.40%	26.09%	£0.10m	£1.57m
Touchstone Group	SP	£0.97	£10.00m	64.3	0.7	919.0	0.52%	-4.46%	£0.00m	-£0.50m
Trace Group	SP	£0.80	£12.20m	Loss	0.8	640.0	4.58%	24.03%	£0.60m	£2.40m
Triad Group	CS	£0.70	£10.50m	Loss	0.4	514.8	-2.80%	17.80%	-£0.30m	£1.56m
Tribal Group	CS	£2.09	£144.48m	Loss	1.4	1263.6	-0.24%	-37.01%	-£0.22m	-£74.18m
Ultima Networks	R	£0.02	£3.28m	16.0	1.6	39.0	-1.23%	-20.00%	£0.00m	-£0.09m
Universe Group	SP	£0.26	£14.99m	Loss	0.4	1133.3	-5.56%	0.00%	-£0.81m	£4.17m
Vega Group	CS	£1.64	£26.08m	Loss	0.7	1340.2	0.62%	-6.57%	-£4.02m	-£6.32m
VI group	SP	£0.13	£4.94m	Loss	0.6	265.0	-1.85%	0.00%	-£0.09m	£0.01m
Warthog	SP	£0.02	£5.83m	Loss	0.5	40.7	-22.22%	-77.42%	-£1.72m	£2.03m
Wealth Management Software	SP	£0.18	£8.61m	Loss	1.2	138.5	7.46%	0.00%	£0.60m	£1.06m
Workplace Systems	SP	£0.13	£23.20m	Loss	1.6	0.0	26.83%	10.64%	£4.70m	£2.00m
Xansa	CS	£0.82	£277.00m	Loss	0.6	2089.7	-3.26%	-4.12%	-£9.30m	-£10.86m
XKO Group	SP	£0.85	£23.53m	Loss	0.5	566.7	-3.95%	0.59%	-£0.97m	£0.13m
Xpertise Group	CS	£0.01	£3.13m	Loss	0.7	30.0	0.00%	-40.00%	£0.00m	-£1.57m

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A SMALL INCREASE FOR THE S/ITS INDEX

30-Jun-04	S/ITS Index	5076.72
	FTSE IT (SCS) Index	477.34
	techMARK 100	1170.40
	FTSE 100	4464.10
	FTSE AIM	888.20
SCS Index =1000 on 15th April 1989	FTSE SmallCap	2582.79

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/06/04 to 30/06/04)	+1.10%	+0.75%	+2.33%	+1.41%	+3.20%	+2.97%
From 15th Apr 89	+407.67%	+117.38%				
From 1st Jan 90	+451.76%	+89.00%				
From 1st Jan 91	+617.18%	+106.63%				
From 1st Jan 92	+385.88%	+79.06%				
From 1st Jan 93	+218.57%	+56.83%				+86.17%
From 1st Jan 94	+204.07%	+30.59%				+38.21%
From 1st Jan 95	+238.63%	+45.62%				+47.89%
From 1st Jan 96	+124.78%	+21.00%	+48.29%		-6.84%	+33.03%
From 1st Jan 97	+89.61%	+8.39%	+27.96%		-9.01%	+18.31%
From 1st Jan 98	+67.27%	-13.07%	+22.68%	-52.27%	-10.46%	+11.65%
From 1st Jan 99	+28.80%	-24.11%	-19.62%	-66.99%	+10.80%	+24.72%
From 1st Jan 00	-55.74%	-35.58%	-69.03%	-87.16%	-54.04%	-16.63%
From 1st Jan 01	-39.36%	-28.26%	-54.38%	-75.51%	-38.23%	-18.86%
From 1st Jan 02	+5.81%	-14.44%	-20.53%	-43.46%	-1.07%	+0.14%
From 1st Jan 03	+87.14%	+13.29%	+80.40%	+40.30%	+47.32%	+41.87%
From 1st Jan 04	+8.56%	-0.29%	+15.31%	-5.22%	+6.32%	+4.35%

End June 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 Jun 04
System Houses	15.2%	-55.1%	-39.6%	8.8%	116.7%	13.0%	2.5%
IT Staff Agencies	-57.9%	-63.4%	-41.6%	5.3%	58.4%	3.9%	6.1%
Resellers	92.9%	-7.1%	22.9%	36.8%	85.0%	-3.5%	0.3%
Software Products	88.1%	-54.8%	-67.2%	5.8%	75.3%	8.0%	0.6%
Holway Internet Index	376.7%	-42.0%	-14.8%	54.2%	135.4%	14.4%	0.1%
Holway S/ITS Index	28.8%	-55.7%	-39.4%	5.8%	87.1%	8.5%	1.1%

June was a steady month for the Ovum Holway Index of UK Software and IT Services companies. With a gain of 1.1%, the performance of the Index was in line with that of the **FTSE IT SCS Index**, which increased 1.4%. The **techMARK** turned in gains of a little over 2%, while the **FTSE AIM** and **FTSE Small Cap** each increased c3%.

Topping our list of losers is **ITNET**. The Cabinet Office announced on 29th June that it would be terminating an £83m datacentre hosting contract as 'none of the services' under the remit of the contract had been delivered. The market reacted accordingly, slicing a third off ITNET's share price value (–34% to 193p). Other notable losers include **Eidos** (–11% to 107p), which announced a strategic review following a profit warning in May. **Torex Retail** was down by 6% to 59p despite strengthening its management team with the appointment of a new FD.

At the other end of the spectrum, **Charteris** gained 40% to 23p while **Diagonal** gained 27% to 47p after **Microgen**'s strategic acquisition of a 7% shareholding (see our M&A table on p19 for more).

The best performing sector within the S/ITS Index were the generally rather troubled IT Staff Agencies. The overall gain was buoyed by increases from **Parity** (+15% to 12p), **Glotel** (+16% to 129p) and **PSD Group** (+17% to 276p). Parity has reported seeing 'some firming' of the market. The company appears to be benefiting from the up-tick in demand for contractors – particularly in the public sector. Glotel's move into profits pleased the market (see p3 for more on its full year results).

In contrast, the software product and reseller sectors moved ever so slightly into negative territory (by –0.6% and –0.34% respectively) while IT services companies gained 2.5%. Fuller analysis of the UK S/ITS industry can be found using Hotnews or the Holway@Ovum service. *(Kate Hanaghan)*

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