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ovum HOLWAY

SYSTEMHOUSE

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

2005: TRANSFORMATIONAL OUTSOURCING GETS HARDER

As we approach the beginning of 2005, it's time to think about how different next year will be. The key growth area for S/ITS is clearly outsourcing, and we see some interesting dynamics developing here over the next 12 months or so.

The big success story in recent years has been suppliers combining outsourcing with consulting to create something that's greater than the sum of its parts. When combined properly, the two services reinforce and cross-sell each other and you get a turbo effect. It's what suppliers such as Accenture – which has been a pioneer of this – call 'transformational outsourcing'.

Transformational outsourcing contracts can give the supplier an effective monopoly of consulting services for that customer, or at least privileged permission to sell consulting to that account. As transformational outsourcing gobbles up more of the market, it progressively locks standalone IT consultancies – like Deloitte, PA Consulting and so on – out of a larger and larger customer base. It's like the cattle barons fencing off the prairies in the Wild West!

The standalone guys therefore need to dismantle this turbo-charged monster by driving a wedge between consulting and outsourcing. I think that 2005 will be the year in which that wedge becomes a reality.

Enter the trusted advisers

The standalone consultants are carving a powerful market niche in opposition to the outsourcers. We call this the *'trusted adviser'* role. They're arguing that CEOs need 'independent' (i.e. not from an outsourcer) advice so that they're not pushed around by the big outsourcers. They argue that the latter can't be trusted advisers because they have a 'hidden agenda' to sell their outsourcing services.

It's a compelling argument, and I think it will serve the likes of PA, Dettica, Deloitte and others well in 2005.

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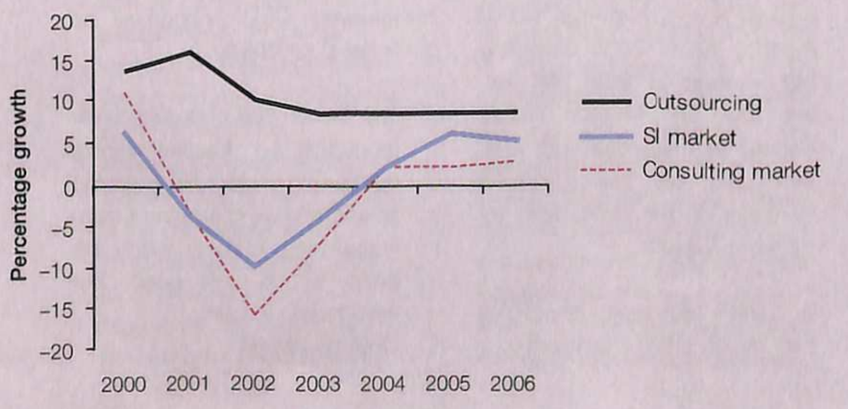
UK market growth



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FTSE IT (SCS)	+2.8%	477
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Nasdaq Comp	+6.0%	2096

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The standalones will then use this trusted position to persuade CEOs not to rush into transformational outsourcing contracts. They'll advise customers to do business transformation work first (using the trusted adviser, of course), and only after this transformation is complete to sign outsourcing contracts as a last resort.

Any outsourcing contract signed after all this happens will have a lot of the high-value elements sucked out, and the outsourcer will have missed out on some good consulting business. By 'owning' the CEO relationship, trusted advisers push outsourcers down the value chain.

The outsourcers' reply won't be easy. They should argue that their consulting services are the equal of standalone consultancies, and stress the synergies and economic benefits of bundling this high-quality consulting with outsourcing. It'll be an interesting battleground.

Multisourcing dilutes the turbo effect

We've been talking about multisourcing for years now; in fact we were first to identify and popularise the concept. Essentially, it's when CEOs create an ecosystem of suppliers in which they 'mix and match' services from multiple consultancies and outsourcers. The logic is to spread risk among vendors and get better access to 'best of breed' services than is supposedly possible in single-source contracts.

Many outsourcers – such as CSC – boast of their aptitude for multisourcing work. That's good business sense, since the anecdotal evidence suggests that multisourcing is increasingly popular and that vendors must therefore get used to working more in alliances and consortia.

But let's be honest here. If you were big and tough enough to single-source a multi-billion pound account and harvest all those synergies and benefits for yourself – well you would, wouldn't you?

Multisourcing isn't undiluted bad news for transformational outsourcers. If it's done as a consortium led by a tough outsourcer that exerts strong control over its partners, it poses less of a threat. But if it's the customer (or worse, the trusted adviser) performing the leadership role, then we can see a weakening of the outsourcer's ability to 'lock' its clients into outsourcing/consulting bundles, to lock standalone consultancies out, and to cross-sell and up-sell services.

The outsourcers will of course praise multisourcing, but some will subtly point out that multisourcing can multiply risks of supplier failure and the complexity of delivery, and increase the management overheads in dealing with suppliers. Interesting arguments, but the big outsourcers won't stem the tide of multisourcing.

The in-sourcing backlash

And there are signs of a backlash against outsourcing itself. We've recently seen CEOs cancelling big outsourcing deals. This year, we saw JP Morgan Chase cancel its mega-deal with IBM; last year we saw Cable & Wireless do the same, albeit for different reasons.

A trend? Not really. In-sourcing has mostly been a series of one-off incidents, either caused by internal political upheavals (as with JP Morgan) or the breakdown of the relationship between outsourcer and client (as with Cable & Wireless). This sort of thing will always happen, because 'stuff happens'. The incidence will rise, because the outsourcing base is growing.

More importantly, standalone consultancies will deploy bold arguments next year against the very economics of outsourcing itself. They'll argue, for example, that long-term contracts hand outsourcers the benefits that customers should rightly get from technological innovation and falling prices.

The outsourcers should fall back on their core arguments: that they offer economies of scale in infrastructure (and access to skills and experience) that businesses struggle to find, and that 'value-sharing' mechanisms ensure that customers benefit as much as outsourcers from long-term trends. For all but the largest organisations with internal economies of scale and privileged access to skills (like big banks), outsourcing should still make sense.

Transformational outsourcing will continue to grow, but it will face stronger challenges. The standalones will start to drive that wedge between outsourcing and consulting, partly on the back of renewed CEO willingness to invest in consulting.

The 'Golden Age' of single-source, monolithic transformational outsourcing mega-deals is nearing an end, and we're entering a more complicated world in which the going is still very good, but nevertheless tougher.

(Douglas Hayward)

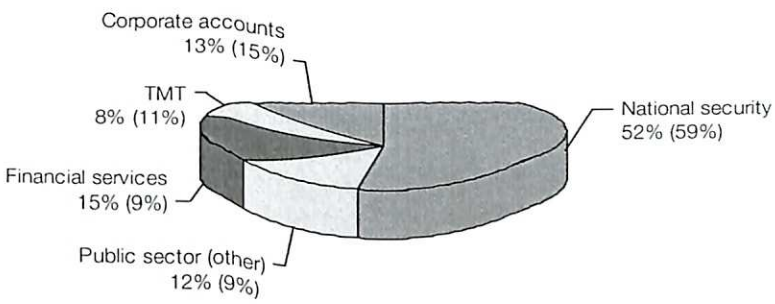
0.4%
705p

DETICA CONTINUES TO OUTGROW MARKET

Detica, the UK consultancy specialising in 'information intelligence', has announced its results for the first half ending 30 September 2004. Total turnover grew by 46% to £32.6m (2003: £22.3m) while organically (excluding the acquisition of Rubus) turnover increased by an equally impressive 37%. The Government business experienced an increase in turnover of 43% (41% organic) to £20.8m while the Commercial business, which experienced the biggest impact from the acquisition of Rubus, increased turnover by 52% (28% organic) to £11.8m. Digging a little deeper into the verticals, the performance was as follows:

- National Security business grew by 37% to £17.0m and remained 50% of Group revenues. This business benefited from an increasing number of long-term contracts including two major framework contracts signed with GCHQ and another unnamed UK Government agency last year and another framework agreement signed with HM Customs & Excise (now the company's second largest account).
- Public Sector (outside National Security) business grew by 82% to £3.8m driven predominantly by a large increase in projects driven by border and immigration control at the Home Office.
- Financial Services business was the main driver of growth in the commercial world. Turnover increased by 158% to £5.0m and by 97% organically. The majority of projects are linked to helping customers meet regulatory requirements such as Basel II and new mortgage and insurance industry regulations.
- TMT business grew by 15% to £2.7m and by 13% organically. This growth followed a period of decline in FY04 as work with major clients Centrica and '3' tailed off. Detica has now improved revenue diversity in this sector and is signing up new clients to make up for this 'drop off'.
- Corporate Accounts business grew by 18% to £4.1m. However almost all of this growth was as a result of the Rubus acquisition and organically revenues grew by just 1%.

Detica Group Plc
Breakdown of turnover by industry
Six months to 30 September 2004
Total turnover = £32.6m (£22.3m)



In terms of profitability, at the operating level profits were up 12% to £3.3m, pre-tax profits increased by 21% to £3.6m and diluted EPS increased from 10.0p to 13.4p. However, it is worth considering the profitability of Detica's core business i.e. without the impact of investment in new subsidiary StreamShield Network. Excluding the impact of that investment, operating profit increased by 48% to £4.6m i.e. after £1.0m of costs associated with setting up the new business.

Comment: Detica has furnished us with another excellent set of results. It continues to grow at a far higher rate than the UK S/ITS market as a whole. Indeed, over the last five years it has managed to record compound annual growth of an impressive 26%. The growth continues to be driven by the strong foundation of the company's National Security business, which has strong relationships with several government departments and agencies. Importantly Detica is also using expertise built up in this niche vertical to grow the business both geographically and vertically. Sensibly in the rest of the public sector, the focus is on related areas such as border & immigration control and law & order. While outside government, Detica is firmly focused on sectors that, like the intelligence community, are information-intensive and have to cope with increasing levels of regulation. Now the trick in the commercial sector will be to firm up some of the client relationships so that the business becomes more stable. In terms of geographic expansion we have been pleased with Detica's decision to concentrate on the US market which, though a difficult market to break into,

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should provide plenty of opportunities in National Security.

We have no doubt that Detica has the credentials required to succeed going forward – exceptional technical expertise, a committed management team, and a strong balance sheet. However, it would be wrong of us not to point out that outside its core niche vertical of National Security, the territory is less well known. As such, emulation of Detica's 'National Security' success, particularly in the commercial sector, presents a tough challenge and the next period of growth will certainly be tougher than the last.

Footnote: Detica has edged even closer to eligibility for the *Ovum Holway Boring Award*. The prize is awarded for ten years of unbroken profit and EPS growth. If Detica keeps up this sort of performance in the second half of the financial year, we'll have the pleasure of handing over the award to CEO, Tom Black! *(Georgina O'Toole)*

9.9%
638p

AVEVA POSTS A STRONG FIRST HALF

Aveva has delivered a good set of results for the six months to the end of September 2004, with revenues up 45% (11% organically) to £24.37m. Operating profit (before amortisation of goodwill and exceptionals) jumped 82% to £3.05m (28% organically) taking margins to 12.5% from 9.9% in the comparable period in 2003. Exceptional items (£1.89m) and goodwill amortisation (£1.21m) moved the company from a PBT of £1.36m in 2003 to a loss of £163k. Diluted loss per share was 1.94p from a diluted EPS of 5.19p in the previous year.

Chairman Richard King said the company had *"good prospects in all its major business areas"*. He added that he was confident the full year would be *"in line with expectations"*.

Aveva 6 months to 30 Sept	Turnover* £m		
	2004	2003	Change
UK	2.07	1.38	49.7%
Rest of EMEA	9.92	7.05	40.7%
Americas	4.24	4.34	-2.3%
Asia-Pacific	8.14	4.06	100.3%
TOTAL	24.37	16.84	44.7%

*by destination

Comment: Tribon, acquired by Aveva in April 2004, is being integrated 'ahead of plan' with some real benefits being delivered in terms of operating profits and turnover. The integration is expected to span three years and, provided Aveva can sustain the apparent good work done so far, Tribon looks set to be a real winner.

Aveva operates across Asia, Europe and the Americas. Asia performed well during the period – in particular, the company finally sealed an order in Australia, which eventually came through *"somewhat larger than anticipated"*. The Americas remain challenging while Europe progresses on track having seen good take-up of new products.

With good prospects across all of its major business areas for the coming half year, Aveva can look forward with confidence to the completion of its full year.
(Kate Hanaghan)

STERIA LOOKING STRONG IN Q3

Steria released Q3 revenues up 5.7% to euro220.6m. France was the star performer with an increase of 14.4%. As of 30 September, the group recorded 2.4% organic growth, driven by a 9.7% improvement in France and a 4.5% improvement in the UK. A decline in other territories is mainly explained by the planned decrease of the company's software and hardware activities, inherited from its merger with Integris.

Steria guided the market towards 'slight growth in revenue' and 'an improvement of its operating margin', despite 'unfavourable effects of average prices decrease compared to last year".

Comment: This is a good set of results, especially at home.

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Steria's 9.7% organic growth over the first nine months puts it among the better performers in the French market, on a par with Sopra and ahead of Unilog (6.2%). This is a strong uptick, as Steria was lagging behind Sopra at mid-year (6.7% vs 9.7%).

This strong performance in the company's home market is good news with regard to its objective to raise its profitability; as H1 results showed improved margins in France (6.4% vs 3% a year before).

Things look much better in the UK too, where the company had a rather weak Q2. Indeed, over nine months, organic growth in this country has reached 4.5% compared with 3.3% at mid-year.

We understand the UK is a profitable organisation. However, with French operating profits accounting for 80% of total H1 operating profits (compared with 40% in 2003), we'd like to learn more about the profits story of Steria in the UK.

At the end of October, the UK business announced a deal with the six councils of Warwickshire to implement a contact centre solution across the authorities. The contract is worth £3m over five years. Additionally, it announced an extension to its contract with Castle Point Borough Council. The council will be using Steria's 'Intelligent Service Desk' to field technical enquiries and provide support to employees.

Steria in the UK, for its last full financial year, saw more than 80% of its business coming from outsourcing services. And, with a strong foothold in the public sector (c60% of revenues), it is well positioned. But the business has increasingly found itself 'piggy in the middle' as larger players, such as CSC, move into its mid-range territory while the niche players take hold at the smaller end of the market.

Overall, however, we feel that the company's sales guidance towards 'slight growth' shows a progressive slide from prior objective to win market share in a 3%–5% growing market. To the company's credit, this revision over the year has been a common story in the market, as it seems that IT service companies tended to be slightly too upbeat in their outlook at the beginning of the year.

But, for Steria, three years after the acquisition of Integris, the key point is rather to improve its operating margin, which would definitively assert the company's reputation to spot strategic deals and integrate large scale' acquisitions. A talent which will be soon be needed if the deal with Mummert goes through.

(François Dauriat and Kate Hanaghan)

11.1%
10p

PARITY'S PROFITABILITY HIT BY TRAINING

Last month, **Parity** revealed that the second-half performance of its training business had not met expectations. As a result, the Group is expected to produce a pre-tax loss before goodwill amortisation of c£2m for the year to 31 December 2004. Parity also confirmed that the company's founder and former Chairman, Philip Swinstead, is replacing current non-exec Chairman Bill Cockburn with immediate effect.

At its interims back in September, Parity warned that the training business would be reliant on a seasonal uplift in trading and the closure of several large opportunities in the sales pipeline. These have failed to appear – autumn bookings in the public training market have fallen short of expectations and several large expected sales of in-house training have been delayed into 2005. Due to the fixed cost structure of the training business these disappointments translate directly into losses. Parity's other business units (Business Solutions, Resourcing Solutions and the Americas) are apparently still profitable at the operating level 'at or ahead of last year's levels'.

Comment: The training market is still extremely tough. Even Parity, now the market leader in the UK training market, is struggling to make it pay although it maintains this is just a timing issue. Parity claims that bookings for public training are now "showing an improving trend" and running ahead of the same period last year. What is more, the sales pipeline for large training contracts in both Government and commercial sectors is reportedly 'at its highest ever'. We'll have to wait to see whether these can be turned into revenues early in 2005.

In the meantime, Philip Swinstead's first task following his re-appointment as Chairman is to undertake a strategic review of the Group. His report, which is due in March alongside Parity's full year results, will make interesting reading. Is it perhaps time to follow rival Spring's example and spin-off the training business before it becomes an undue distraction to management and detracts too much from the profitable parts of the company?

(Tola Sargeant)

VERTEX KEEPS UP MOMENTUM IN INTERIMS

Interim results from United Utilities reveal that its BPO subsidiary, **Vertex**, maintained double-digit growth in the six months to end September 2004. Revenues were up 12.5% to £201.2m, with the still-expanding deal at Westminster City Council (as announced in July 2002) remaining an important driver of growth for the company. Operating margins sagged a little to 6.5%.

Comment: This is another strong showing from the Manchester-based BPO specialist. The slight dip in margins, which ended FY04 at 6.8%, can be partly attributed to bid costs from the mammoth, 18-month selection process at Thurrock Council. Happily for Vertex, the expense paid off and it has agreed with Thurrock the largest BPO contract ever seen in the UK local government sector. The £400m+, 15-year deal should be a nice boost for Vertex's top-line from FY2006 onwards.

We'd hope to see margins re-find their upward trajectory too. Vertex may have beaten Capita at Thurrock but it still trails in the UK BPO market leader's wake when it comes to profitability. With a customer set that now includes three of the very largest engagements in the UK BPO industry – Westminster, Thurrock and Powergen – Vertex should be pushing up towards Capita-like operating margins in the 10-11% region. Like Capita, one way it will do this is to grow 'within' existing contracts by adding to the range of services it offers. So while Vertex will continue to play to its customer management strengths when it comes to new business, we also expect to see it extend the range of back-office and vertical-specific processes it supports.

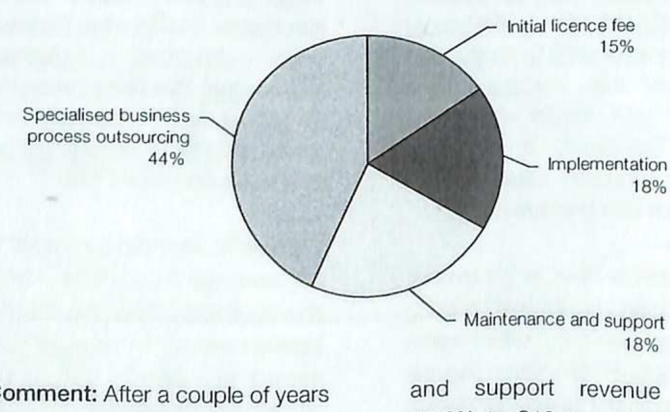
Finally, there's a note on the Vertex–Capgemini relationship in today's announcement, following much speculation and rumour since the French firm sold its 14.6% stake in the BPO outfit to United Utilities. Vertex is keen to point out that the sale does not alter the loose alliance between the two companies, which sees them bringing their (undoubtedly complementary) capabilities to work together on contracts including Westminster. So let's not read too much into the fact that Capgemini isn't on the team at Thurrock. What we can say, however, is that cash-strapped Capgemini's selling price of £47.5m looks like a bit of a bargain for UU. If Vertex should finally fly the UU nest through a trade sale or IPO, it's highly likely that 15% of it will be worth rather more than that. *(Phil Codling)*

14.2%
38p

TIG STARTS LOOKING UP

The Innovation Group (TiG), a supplier of insurance sector software and services, claims it has finally stabilised after slightly exceeding forecast revenue for the full year ended September 2004. TiG reported revenue of £58.0m for the year in its preliminary results, down only slightly on the previous year's £58.5m, but £1m more than forecast. Operating profit excluding amortisation and exceptionals more than doubled to £7.7m from £3.5m, with a loss before tax of £7.3m compared to last year's £24.0m. Loss per share was 1.98p compared to 7.67p in 2003.

The Innovation Group: Revenue Mix FY04
Total = £58m



Comment: After a couple of years of false starts TiG seems finally to be in a position to grow. This year's results were only brought down by declining maintenance and support revenue (down 40.8% to £13.4m) related to the company's legacy Huon product, now being phased out. Apart from that TiG's software and services

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operations grew licence and implementation fees by 82% and 60% respectively, giving the division total revenue of £32.9m in the year. TiG signed four significant contracts over £1m in the UK and US, the largest being an £8.6m win.

TiG's BPO operations are less dynamic, but the underlying business is still growing well - 15% to £24.5m over the year. In September TiG acquired South African warranty management company Maxicare for an undisclosed amount, giving it further traction in the country. Indeed, the South African business will see its model and product set increasingly exported to TiG's other countries: Germany, US, Canada, Australia and Japan; as part of a unified global strategy. One of the other future developments is to integrate the BPO services closer to the technology package to create cross-divisional sales.

These plans are strictly for the longer term however, and for now TiG will just be glad to be in a better financial position to provide growth in the coming year. *"Stability is very important for a company of our size. We are now generating cash and fifty-five percent of our revenue is now recurring – that has helped a lot in client confidence"*, CEO Hassan Sadiq told us. *(Samad Masood)*

PINKROCCADE UK REVENUES HOLD STEADY

Netherlands-headquartered IT services firm, **PinkRoccade**, which is set to be acquired by compatriot Getronics, saw revenues decline 4.8% to euro514m for the first nine months of 2004. EBITA (operating profit before amortisation of goodwill but including exceptionals) declined 54%, partly due to those exceptional items, which included redundancy payments in the Netherlands and the UK. In the third quarter in particular, operating performance was hit by slightly reduced revenues, lower margins relating to contracts signed in 2003 and start-up costs incurred for new contracts.

For 2004 as a whole, revenues are expected to be between 5% and 6% lower than in 2003. EBITAE margin (operating profit before amortisation of goodwill and exceptional items) is expected to be between 3% and 3.5%, compared with 5% last year.

Comment: Much of the decline in PinkRoccade's revenues is attributable to its dealings with the public sector in Europe. Central government is by far PinkRoccade's largest market, accounting for 32% of revenues. With a number of major contracts expiring - and those that have been renewed have been done so at a lower rate – the company saw revenues from this market decline 11% on the equivalent nine months in 2003. Local government was PinkRoccade's second largest market in 2003, but with revenues down 19% on last year due to 'falling demand' it's now only its fifth largest market.

In the UK, revenues were pretty much flat on the first three quarters of 2003. But by our reckoning, revenues for the full year could be up by as much as 5%. The £32m contract from Securicor will contribute to this. The UK business also returned to profit in June and, with the deal to outsource its maintenance business to 2e2 sealed in October, we reckon the UK management team deserves a pat on the back for its efforts in 2004 thus far.

The company, however, looks set for a period of uncertainty with Ordina back on the scene following the Getronics offer. Let's hope this doesn't turn out to be a drawn-out, messy affair.
(Kate Hanaghan)

SX3 RETURNS TO GROWTH IN FIRST HALF

Sx3 the software and managed services provider has tripled its operating profit to £4.8m on revenue that grew 7.8% to £56.3m for the six months to end of September. According to statements from its parent company, energy conglomerate Viridian Group, Sx3 contributed to 7% of the group's £66.7m operating profit, in a period that saw Viridian's revenue rise 11% to £412.1m.

Comment: Sx3 revenue seems to be bouncing back from the full year to March 2003 when it recorded its first revenue decline

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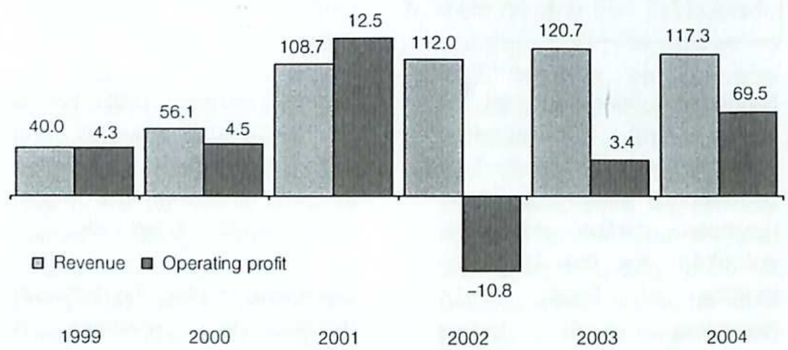
of 3% to £117.3m. Even better is the claim from management that Sx3's contribution to Viridian will be more equally balanced between the first and second half than compared to last year. If we were to equate this to operating profit it implies that Sx3 is on course to deliver between £9m and £10m in operating profit for the full year.

The decline over last year was attributed to a change in the business mix – a move away from hardware resale towards more software and services. Group MD Geoff Neville told us the managed services and application solutions business both grew at a similar rate, while the infrastructure services business stayed relatively stable in the first half. Managed services, which provides IT infrastructure management and BPO services to the government and utilities sectors is still the company's biggest segment, accounting for just under half of the revenue.

The managed services division typically takes over email and office applications management at Sx3's government and utilities sector clients, with an additional focus on providing customer call centre services, revenue collection and broader IT management. However, deals under £1m in value are usually passed over to the company's infrastructure division, says Neville. The public sector is still the company's largest market, providing for around 67% of revenue, while a further 16% of revenue is generated directly from the parent company Viridian – a contribution that Neville expects will decrease as Sx3 returns to growth, particularly in the education sector where Sx3 sees several key opportunities.

(Samad Masood)

Service and Systems Solutions (Sx3)
6 year revenue and PBT record (£m)
Relative to 1999



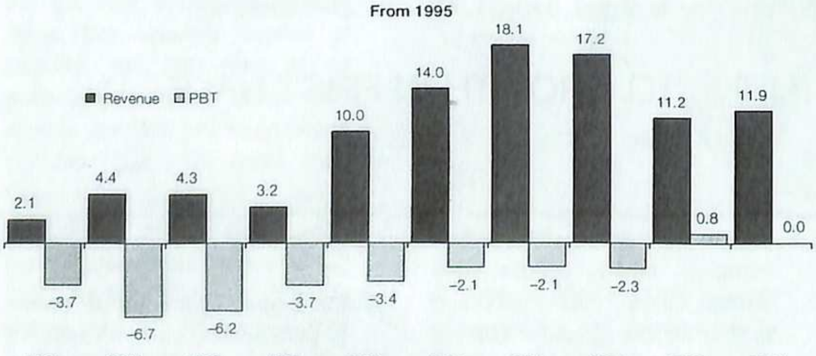
Year ending 31 March

11.3%
22p
GBGROUP

URU FAILS TO HOLD GB GROUP UP

Revenue has dropped at CRM and data authentication company **GB Group**, with operating losses increasing, despite strong growth in the company's new URU product. Revenue fell 5.5% to £5.2m (£5.5m) over the first six months to the end of September 2004. The operating loss increased 8.6% to £366,000, with the loss per share reduced to 0.2p from 0.3p in last year's first half due to a £58,000 tax credit. Losses before tax were £231,000.

GB Group Plc
10 year revenue & PBT record (£m)
From 1995



Year ending 31 March

Comment: It seems that GB has not been able to keep an even keel despite the growth in URU – the company's authentication application being developed and marketed with BT. URU added £150,000 to this period's revenue with customers for the product increasing to 25 from 6 since the end of July this year.

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Unfortunately this growth has come at a cost. Operating losses from the URU business almost tripled to £346k due to what GB describes as "*investment in marketing and developing the service*". This is acceptable at the early stage of any product, but GB will have to rapidly rein in these costs over the coming year, particularly as it accounts for 95% of the total operating loss.

One boon is that profitability is expected to be stronger in the second half of the year due to the company's contract lifecycles. Yet it is unclear whether this will be enough to pull the company upwards by its year-end.

Currently the board claims it is *"difficult to comment at this stage on prospects for the year as a whole."* Nevertheless, chairman John Walker-Howarth has stated that he is encouraged by progress, a message that has obviously filtered down to investors. Shares have almost reached 25.0p after a steady drop from that level back in April to a low of 13.5p in early October.

There is a definite trend towards profitability over the past 10 years for GB. But URU, its core growth product, has held the company back. At least the underlying business is stabilising. Full year profitability relies on the second half bringing in profits and URU costs falling.

(Samad Masood)

EDS RELEASES Q304 RESULTS AFTER BATTLE WITH AUDITORS

After some delay, **EDS** has released its results for the third quarter to end September 2004. They reveal a 1% decline in total revenues to $4.95bn (and a decline of 4% on an organic basis excluding the impact of currency fluctuations, acquisitions and divestitures). The fall reflected a continuing decline in GM revenue (down 12% to $467m) and the termination of the UK Inland Revenue contract.

At the operating level, EDS recorded an operating loss of $202m compared to a profit of $27m in the comparable three months in 2003. And at the net income level the financial statement reveals a loss of $153m or 20 cents per share (compared to a loss of $16m or 3 cents per share in the same quarter in 2003). However, once these figures are adjusted to reflect the write-down of assets related to the Navy Marine Corps Intranet (NMCI) contract (a $375m or 46 cents per share asset impairment charge), as well as 'restructuring charges, discontinued operations, divestiture gains and the reversal of a portion of a second quarter charge', according to EDS the 'proforma' net income for Q3 was $57m or 11 cents per share (compared to a proforma loss per share of 2 cents in Q303).

Across its business lines (at constant currency and excluding exceptionals), EMEA revenues fell 10% to $1.25bn primarily as a result of the loss of the Inland Revenue contract, and operating profit fell 5% to $177m equating to an operating margin of just over 14%. Elsewhere, revenues in the Americas (excluding US Government) fell 4% to $2.15bn while operating profit increased by 17% to $313m. US Government revenues were down 8% to $728m while the operating profit was just $6m. In Asia, revenues were up 19% to $293m while operating profit jumped 75% to $29m. Finally management consultancy arm, AT Kearney, posted revenues down 2% to $188m and an operating profit of $3m.

Contract signings for the quarter were up 4% to $3.3bn compared to Q303. So far in the year, contract signings are up 21% to $11bn and EDS is targeting an increase of 25% in contract signings for the full year (excluding the now sold UGS-PLM Solutions).

Looking ahead to the full year, EDS reiterated its full year 2004 guidance of $20–21bn in revenue and free cash flow of $200–300m. It has also increased its 2004 pro-forma earnings guidance to 23 cents – 31 cents per share "reflecting lower Q4 depreciation expense from the NMCI contract as a result of asset impairment".

Comment: EDS has had to spend a significant amount of time dealing with the auditors. EDS's release states, *"The auditor identified two significant weaknesses in the company's internal controls"*. One of the biggest problems was deficiency in the process for estimating revenues and costs over the remaining term of the NMCI contract. As well has having a significant impact on the bottom line as evidenced by the $153m net loss for the quarter, this will undoubtedly have been an unwanted management distraction. The problems have come at a time when EDS should have been focusing on improving margins and reorganising the business to protect future growth.

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Shareholders will fear the identification of further deficiencies in the future.

Nonetheless, some of the forward-looking statements suggest that recent work to 'align (sic) global resources and work force for growth', as well as investment in EDS's technology platform and service offerings, is beginning to pay off. We were particularly heartened by the increase in contract signings. Shareholders will now hope that EDS avoids signing up for any more overly ambitious outsourcing deals (à la US Navy Marines contract). In this latest quarter the proforma operating margin improved sequentially (from 1.7% to 3.1%) but nonetheless remains poor. While EDS must remain innovative if it is to compete in the increasingly competitive world of IT outsourcing, it is essential that it ensures internal controls are watertight so that potential contract problems are swiftly identified and a repeat of recent problems is avoided.

(Georgina O'Toole)

BT KEEPS GROWING THE S/ITS BITS

BT has announced results for the quarter to end September 2004. The corporate numbers are the usual flat affair, with 1% revenue growth to £4.60bn. Profitability remains strong of course, as one would expect from a former monopoly telco, and BT has been able to increase its interim dividend by 22% to 3.9p.

But what of the S/ITS bits? Well over recent quarters we've become accustomed to good news from the artists formerly known as BT Syntegra (now BT Consulting & Systems Integration – or C&SI) and the Solutions unit within BT's Global Services division. And Q2 sees more highly encouraging signs. In fact, Solutions put in 18% year-on-year revenue growth in the quarter to hit £763m and C&SI rose by 19% to £192m. This means the two units combined have now grown by 17% to just over £1.8bn in the first half of FY05. C&SI has also started to make much-needed progress on margins, with operating profits up 100% to £6m in Q2.

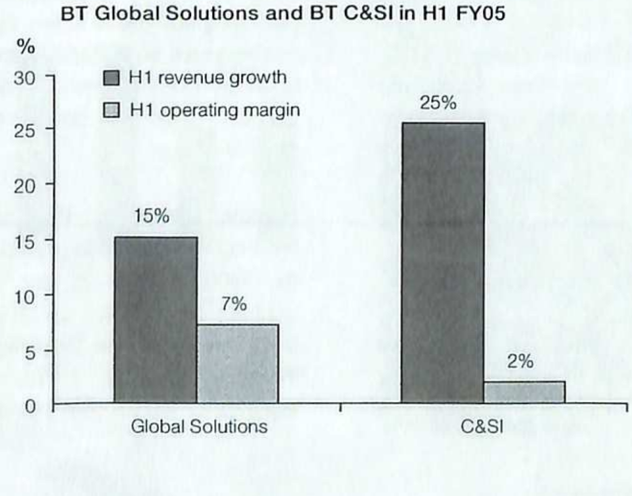
While not all of this is strictly S/ITS – a lot of Solutions business is very network focused – these numbers clearly mean that BT is still outperforming most of its rivals in the UK S/ITS space. And it's also this strong performance that is helping keep management attention at the very highest levels in BT on assisting growth in consulting, SI and IT-related outsourcing. NPfIT has been a huge help of course – and BT, like other prime NPfIT providers, is well aware of the risks it runs on its three massive UK health contracts.

The question of acquisitions is often raised in relation to BT. Do we expect this cash-rich giant to leap in and acquire a major international IT services provider to add to its international networking acquisition (i.e. Infonet, as announced in November)? Frankly, we'd be surprised if the company emerged as a suitor for a business of the scale and complexity of, say, Capgemini. But we'd also expect BT to bolster its S/ITS growth engine with smaller acquisitions that help to sustain its impressive momentum.

Another reason we don't think BT will attempt the integration of a large S/ITS business is that its own structure still needs some work. For all the company's efforts to promote its 'one BT' external face and culture, there remain a lot of internal walls between the different areas of BT Retail and BT Global Services that sell and deliver S/ITS business. We've long advocated that BT should adopt the customer segment-driven organisational approach favoured by most major IT services players, with customer-facing teams and delivery resources closely aligned. Perhaps the departure of BT Retail CEO Pierre Danon – who is moving off to become COO of Capgemini – will be a catalyst for further change.

(Phil Codling)

BT Global Solutions and BT C&SI in H1 FY05



M·C·A

UK CONSULTING AND SI CONTINUES ITS RECOVERY, SAYS MCA

The Management Consultancies Association (MCA), the body representing UK management consultancies and IT consultancies (including outsourcers with IT consulting operations), last week released its Q3 market-growth figures.

As with previous quarters this year, MCA notes a clean sweep of growth across management consulting (up 3.3% year on year), IT consulting (up 6.2%) and outsourcing-related consulting (up 27.7%). In total, MCA member companies saw revenues up 11.2% in Q3. The figures for outsourcing-related consulting exclude outsourcing services as such, but include consulting contracts won off the back of outsourcing deals.

We would add our usual caveats that, firstly, MCA figures reflect the fortunes of MCA members rather than the market as a whole, and secondly that the MCA's figures are affected by changes in the composition of the association membership. MCA says, however, that the impact of membership changes was 'marginal' in year-on-year terms.

Comment: The most obvious comment – and the one we've made consistently this year – is that outsourcing-related consulting is still the fastest-growing service line for MCA members in aggregate terms. This reflects the fact that outsourcing is currently the engine of growth in consulting and system integration markets – for outsourcers and non-outsourcers alike. The former use outsourcing to sell their consulting services; the latter can carve out a niche as 'trusted advisers' giving clients independent advice on how to select and manage their outsourcers.

But we can't help noticing that while growth of IT consulting and outsourcing-related consulting continues, it appears to be tailing off somewhat. Year-on-year growth in IT consulting was 9.1%, 7.4% and 6.2% in Q1, Q2 and Q3 respectively this year. For outsourcing-related consulting, the figures are 77.3%, 47.8% and 27.7%. These aren't seasonal variations, so what's happening?

Leaving aside any effects of MCA membership changes, we'd note that outsourcing-related revenues started from a lower base and were initially very dramatic, so the tail-off is more understandable. It may also be that suppliers are increasingly classifying outsourcing-derived consulting revenues within outsourcing, as the two service lines get bundled together (and get harder to tell apart) within so-called transformational outsourcing contracts.

That leaves the smaller tail-off in IT consulting growth. We reckon that IT consulting (including systems integration) is pulling out of the recent slump. Again leaving aside any effect from MCA membership changes, it may be that the higher growth in IT consulting that MCA noted earlier this year was something of a blip, as long-delayed projects were finally approved and started. The year-on-year growth may well continue to tail off in Q4, perhaps even going below 6%.

But we'd not expect it to go below 5% going into next year. Overall, we are forecasting an overall consulting/system integration market that's either flat or gently growing this year (with MCA members probably outperforming the market somewhat), followed by modest growth over the next two years, partly off the back of the huge NHS contract work.
(Douglas Hayward)

0.0%
22p
gladstone mrm

GLADSTONE GROWS PROFITS IN FLAT MARKET

Gladstone, the AIM-listed provider of software and services to the leisure industry has reported significantly improved profits despite a continuing decline in revenue. The company's turnover fell by 3.6% to £7.6m for the year to the end of August 2004, but operating profit grew almost 30% to £900k before amortisation, with profit before tax more than doubling to £498k from £183k.

At the bottom line earnings per share grew to 1.19p from 0.45p. The success of Gladstone's management team in maintaining profitability after a long run of losses is reflected in its share price – now at 22p, the highest it has been since August 2001. This is despite volatility that has seen the Gladstone's share price fall and rise by up to 10% either way during trading on the morning of its announcement.

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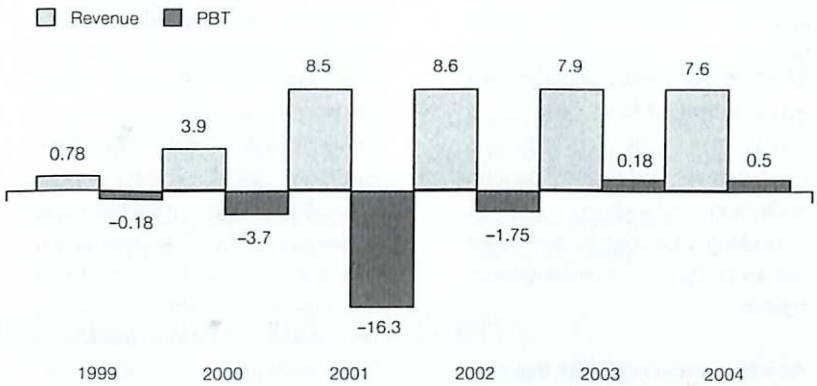
Comment: Chief executive Ben Merrett has certainly done a good job of improving operating profits and margins in what looks like a moribund market for the company. One significant change has been the increase of software revenue that is recurring from sales of the company's membership management software products - up to 42% from 37% last year. Additionally Gladstone has entered into in-depth software development relationships with its largest clients, such as Holmes Place. Income from these relationships covers most operating costs including product development meaning that revenue from support, maintenance and new sales goes straight to the bottom line, according to Merrett.

As for the declining revenue, Merrett claims that this has been due to the fall in low-margin hardware re-selling as clients can typically source hardware cheaper than through Gladstone as part of a software deal. Although the company could not provide a break down of revenue for this year, in the first six months of the year hardware sales had fallen to 20% from 26% of revenue in the year previous.

Gladstone plc
6 year revenue and PBT record (£m)



Year ending 31 August (1999 and 2000 year end 30 June)

But can Gladstone still grow revenue when it already owns 40% of its addressable market in the UK? About 80% of the company's revenue is from the public sector, and although there is opportunity to expand further into the private sector Merrett admits that this area of the market is still very competitive. Some growth is expected to trickle down from the Government's new focus on health and fitness, but real growth over the coming years is only going to come as a result of the company's acquisitive expansion strategy. Having opened offices in Ireland and Australia over the past year, now Gladstone is looking to buy rivals in these markets, as well as in Germany, where it already has a few client sites.

More interesting though is the possibility of expanding outside of the leisure market, perhaps into the education sector. Merrett claims that there are several synergies in the education and leisure sectors that Gladstone's software development team could utilise - yet an acquisition would be needed if the company is to make serious strides in this sector.

(Samad Masood)

CSC

CSC REPORTS A RESPECTABLE GROWTH 10% GROWTH IN EUROPE

Computer Sciences (CSC) put in a respectable Q2 for the three months ending 1 October. Revenue rose 9.6% (about 6% in constant currency) to $3.93bn. European revenue grew 21.5% in dollar terms, taking CSC just over the $1bn mark, a rise in constant currencies of 10%.

CSC is profitable, though not outrageously so. EBIT margin was up very slightly at 5.8% (versus 5.7% in Q2 last year), and pre-tax margin was up to 4.8% (versus 4.3%). Net margin was 3.5% (versus 3%). EPS rose 19.3% to 68 cents.

CSC said demand for consulting and SI (systems integration) services remains "soft" in Europe, with price pressure continuing. But that was offset by healthy growth in outsourcing revenues. The company forecast worldwide growth of 8% to 10% in Q3 to 31 December.

Comment: 10% growth in Europe is not bad. We suspect that the Northern Europe Region (which includes the UK, Ireland, and Netherlands) is faster-growing and more profitable than the rest.

One reason is that this region is where CSC has scale as a consulting/outsourcing hybrid, the

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best business model to have if you want to drive revenue growth in today's IT services market. The region's new chief, Guy Hains, sees a *"small but significant"* rise in demand from established clients, but he's not yet calling a sustained recovery. He also sees opportunities for taking market share from a *"weakened"* EDS.

CSC presents itself as avoiding unprofitable deals and expensive acquisitions, and it's certainly more profitable at operating level than Capgemini and EDS, both of which suffer from having signed some now-soured outsourcing deals in the past. But its overall margins are still not industry-leading, so there's still some work to be done.

We have one concern, if that's not too strong a word for it. Given that clients seem increasingly to want a fusion of outsourcing and consulting from the IT services giants, we feel that CSC is sometimes perceived as more of an old-style infrastructure outsourcer than as a consulting/outsourcing hybrid. It's not got a separate, high-profile consulting arm like IBM or EDS to raise its consulting profile.

But it does do transformational work with clients, and we feel it could make more noise about this important side of its business.
(Douglas Hayward)

UK RIDES TO THE RESCUE FOR CAPGEMINI

Capgemini reported Q3 figures that showed signs that the long-awaited revenue and profit revival is coming. The UK was the star performer, with revenues up 53% year-on-year to 378m (up an astounding 47% in organic terms), as the Inland Revenue Aspire outsourcing mega-deal starts to kick in.

Worldwide, revenue grew 21% (13% organically) to reach euro1.6bn and Europe grew 32% (16% organically), Consulting revenues fell 11% year-on-year in organic terms, while systems integration was down just 1% organically. Outsourcing was rocking, however – up 43% organically.

In consulting, worldwide utilisation rates are still relatively poor (62%), stabilising in most of Europe but still weak in America. Consulting book-to-bill was a healthy 1.13, higher than the systems integration business (1.1). The latter saw utilisation rates rise, however, to just over 75% – not bad.

Capgemini says its H2 operating profit margin would be about 2% – at the lower end of the 2% to 3% guidance, as a result of the company 'cleaning' up some troublesome outsourcing deals, including one with a charity in the UK.

Capgemini also announced the disposal of its stake in BPO specialist Vertex to United Utilities for £47.5m in cash. The disposal is part of Capgemini's strategy to raise cash and narrow its management focus by selling off peripheral assets.

Comment: Inland Revenue is playing a heroic part in rescuing Capgemini. The company says the Aspire deal is already profitable, and indeed it's subsidising the high ramp-up costs of another Capgemini mega-deal just coming on stream, TXU.

Capgemini is betting big on a series of outsourcing mega-deals (including Aspire) to deliver it double-digit growth in H2 and to restore it to profit in 2005. It's touch and go, but with the UK delivering steady growth over the next three or so quarters, it looks like the company stands a chance. Of course, should anything go badly wrong with one of these mega-deals, things will suddenly turn nasty again.

The Vertex disposal raised some eyebrows, including ours. On the face of it, that looks worrying. BPO is the fastest-growing part of the outsourcing market and an area in which Capgemini should be increasing, not decreasing its presence. The Vertex sell off looked like the latter, not the former.

I initially questioned whether Capgemini has a master plan here. Actually, I accept that it does indeed have a plan, and that the Vertex stake was not an important part of that plan. The Vertex sell-off does not indicate any retreat from BPO, but this fact has not – until recently – been particularly well communicated. I expect to see a handful of big BPO contracts from Capgemini over the next few months.

Last quarter we said that Capgemini boss Paul Hermelin is drinking in the last chance saloon, and we wondered at his brazen nerve in forecasting high growth and a return to operating profit in H2. Well, he's not yet drinking champagne, but at least he's sipping some Buck's Fizz.
(Douglas Hayward)

3.7%
7p
FFastFill

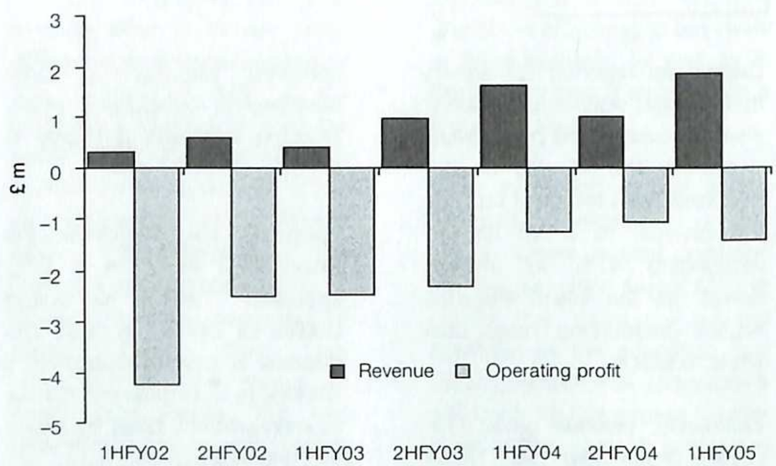
FFASTFILL – GROWING BUT STILL IN INVESTMENT MODE

FFastFill plc, provider of application services for the derivatives trading community, today announced interim results for the six months ended 30 September. Revenue was up 14.1% to £1.87m, from £1.64m, but operating losses before exceptional items increased slightly to £1.4m (2003: £1.2m).

Keith Todd, Executive Chairman (who readers will know well from his time as Chief Exec of ICL) said: *"It has been a period of good progress... We have a strong sales pipeline, and I am confident of further improvement in the performance in the second half of the year."*

Comment: This is a company in transition from software provider to ASP. Despite the losses, the company has cash in hand – around £3m – from a £4m placing earlier in the year. But the growth (and the increased losses) came from its acquisition of Future Dynamics in July, which contributed £470k to the top line in the period. Organically, it shrank. Yet it has indeed made progress. It now has 30 customers, the most important is Reuters as the two are partnering to provide the Chicago Mercantile Exchange's FX offering on the Reuters 3000 trading platform. This is in a test phase prior to the January go-live date. The initial list of launch customers includes ABN-AMRO, Bank of America, HSBC, Barclays Capital, RBS and SEB. FFastFill also added customers, middle-office functionality and skilled staff through the acquisition of Future Dynamics. But the company will now have to show significant revenue growth to satisfy investors and the bank manager.
(Philip Carnelley)

FFastFill 6-monthly revenue and profit (loss)



EXPERIAN CONFIRMS GOOD FIRST HALF

The owner of information services provider **Experian**, GUS plc, released its results for the six months to end September 2004. The information services provider grew by 15% at constant exchange rates to £638m, with the International division, which includes the UK, putting in 16% growth to £290m. Just under half of this growth at Experian International came from acquisitions – predominantly DMS Atos, which was acquired from Atos Origin in September 2003. Operating profit at Experian International grew by 21% to £62m, taking margins to a very healthy 21% (compared to 20% in H1 of FY2004).

In its 'home' UK territory, Experian reports good growth in consumer information, retail banking, application processing and business-to-business marketing. These are among the key areas that we can expect the company to focus on in 2005, now that it has disposed of non-core businesses (including its UK call centre and print/mail operations).

Meanwhile in Europe, we will see Experian pushing for growth in France through its debit card processing and other outsourcing activities, and no doubt continuing to pick up acquisitions (as it did in Ireland, Norway, Sweden and France during H1).
(Kate Hanaghan)

5.4%
158p

RM LOOKS TO BALANCE INVESTMENT AND PROFITABILITY

In its preliminary results for the full year ended September 2004, provider of ICT products and services to the education sector, **RM**, grew total turnover by 22% to £263.3m. Excluding a £5.5m contribution from acquisitions, organic growth was 19.6%. The company made three acquisitions over the year: Peakschoolhaus - OFSTED training and inspection services; Sentinel – developer and distributor of network management tools; and TTS Group - distribution of specialist curriculum resources.

Operating profit before amortisation of goodwill was up almost 39% to £10.5m from £7.6m in the previous year. After amortisation of £4.5m relating in part to acquisitions over the year (RM amortises goodwill over five years), operating profit grew 16.5% to £5.98m. At the bottom line profit before tax was up 13.4% to £7.0m (affected by an abnormally low tax charge in the previous year), while diluted earnings per share fell 17% to 4.3p.

Comment: CEO Tim Pearson comments, *"2004 was a successful year for RM"*. The company achieved growth in all areas of the business. At the highest level, RM's business can be broken down into 'Individual School ICT' (including life-long learning), 'Education Projects' (which covers RM's PFI projects with local education authorities) and 'Education Services' (education-related services to non-education sector clients); 'Individual Schools ICT' and 'Education Projects' both experienced organic growth of £20m over the year, while 'Education Services' benefited predominantly from acquisitions. The good news for revenue visibility is that RM now has five multi-year high value projects underway with LEAs, as well as long-term contracts with the QCA and the Classroom 2000 initiative.

However, looking at the results in more detail reveals a number of non-recurring benefits in 2004, which RM will need to replace if it is to grow in FY05. As a result, Pearson comments, *"For financial year 2005 as a whole, we do not anticipate the same growth rate as in 2004 as a result of the absence of last year's non-recurring factors. However, organic growth, combined with the full-year contribution from our recent acquisitions, is likely to result in a further increase in turnover"*.

Looking at the business by activity, it becomes clear where these non-recurring items occurred:

- Infrastructure software and services revenues grew by 20%. They benefited from the acquisition of Sentinel, as well as the decision by many schools to upgrade to the next version of Community Connect, the network infrastructure system. Another advantage was the high number of schools implementing broadband.
- Education software and services revenues grew by 31%. They benefited from the Peakschoolhaus acquisition, as well as the acquisition of Forvus back in July 2003. There was also an increase in demand for its education services, in particular examinations and assessment.
- Hardware revenues were up 21% predominantly as a result of one-off Classroom 2000 shipments, the H1 $ rate benefit, and increased volume of interactive whiteboard shipments.

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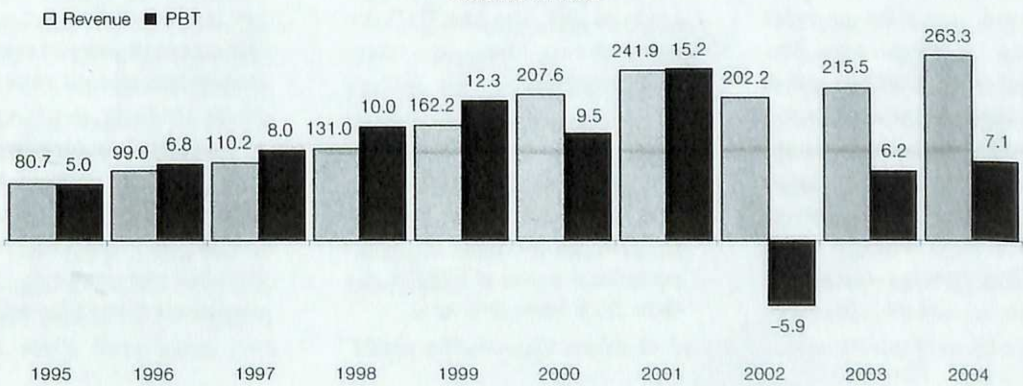
RM plc
10 year revenue and PBT record (£m)
Relative to 1995



Year ending 30 September

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So how will RM ensure that it grows going forward? The key for the company is balancing a focus on profitability with a continued investment in existing business activities. RM boasts the 7th largest R&D spend of UK-quoted S/ITS companies. It is determined to continue to invest in this way and we'd agree that it's the right thing to do.

With 50% of RM's business coming from IT component supply, and with commodity product prices falling, the company must develop its educational software and services activities further.

Growing the educational software and services business won't be impossible but it won't be a walk in the park either. The educational ICT market is going through a period of substantial change. Over the last few years, RM has had to fight against tight budgets in the UK education sector. In January 2006, it will have another element to contend with... the entry of the BBC into the market. Nonetheless, to date, RM has maintained its market-leading position. According to our research, RM is the No.1 S/ITS supplier to the UK education market and streets ahead of other players focused on classroom teaching & learning software.

Over the next couple of years RM will continue to operate in a flat market, but there will be opportunities for it to grow market share as long as it focuses its attention on the right areas. Potentially one of the biggest opportunities is the UK Government's 'Building Schools for the Future' (BSF) programme.

ICT is at the heart of the agenda in secondary schools and RM must position itself to take advantage of this. It has the scale, the education sector experience and the technical know-how, but it will also need to carefully position itself as a partner to the facilities management companies. If RM gets it right, the programme could provide just the boost to long-term visibility of revenue that the company so desires. However, BSF will not bring any quick wins; RM is in this for the long haul. It is currently spending £1.5m on bidding for the first project. The procurement process is likely to take a year. There will then be at least another year of construction before any IT implementation work is required.

(Georgina O'Toole)

SIEMENS BUSINESS SERVICES: A GOOD FY 2004, ON THE SURFACE

Siemens Business Services (SBS) has reported its fourth-quarter results (July–Sept) as well as preliminary full-year results (ending 30 September).

Q4 revenues were euro1.2bn, a decrease of 5% compared to Q4 2003. SBS incurred losses of euro28m, an improvement compared to losses of euro41m the same time last year.

For the full year, SBS revenues decreased by 9% to euro4.7bn, but group profits (earnings before finance interest, certain pension costs and income taxes) increased significantly to euro40m (an margin of just 0.8%) compared to euro13m in 2003 (a margin of just 0.2%). This included a euro93m gain from the sale of 75% of the Kordoba subsidiary back in August. However the gain was largely offset by severance costs.

Comment: SBS has had a tough year, and recent wins have not yet filtered through to the P&L. It explains the revenue decline by pointing to difficult market conditions, especially in Germany. However, it is faring much worse than the overall market, so the company should be looking to the inside as well. The new CEO von Hammerstein has a tough challenge ahead.

There is, however, some good news for SBS, particularly in the UK. Though we believe revenues for SBS UK declined by a few percentage points in FY2004, the order book looks promising.

Having regained its appetite for mega deals it has recently won two major outsourcing contracts (extension of its NS&I contract, and the new BBC outsourcing contract-cum-acquisition). That has helped push new orders for SBS as a whole up by 20% year-on-year, to euro6.3bn, boding well for next year provided the company delivers on those deals.

The management team at SBS UK has taken time out over the last couple of years (during which time it has steered clear of the mega contracts and focused on 3-5 year hardware maintenance & support deals) to learn lessons from previous major outsourcing contract problems. Lets hope that time was well spent.

(Georgina O'Toole/Katherine Grimme)

DELL GROWS SERVICES IN EUROPE – ONE TO WATCH

Dell last month reported an excellent Q3 to end of October 2004, with sales up 18%, operating profit up 20% (a margin of 8.8%) and net profit up 25%. Dell reported services revenues up 32% in Europe during Q3, nearly double the worldwide growth rates for the company as a whole.

Some of that growth was driven by helping clients with Unix-to-Linux migrations, and in NT and Exchange migrations. We estimate Dell's European services revenues at about $200m in Q3.

Dell executives report that the driver of growth has shifted slightly away from public sector, and back towards its traditional powerhouse – business – as CIOs see their budgets become more stable and predictable on the back of greater corporate stability.

Indeed, predictability is a key theme for Dell right now. Its European president, Paul Bell, agrees with our long-argued thesis that IT spend is becoming more aligned to 'normal' business-cycle and economic activity, and less driven by technology dynamics. He argues that old-style revenue 'drivers' like operating system upgrades (remember the rush to adopt Windows 95?) have lost their punch. *"As an industry, we used to be driven by the 'Big Bang' effect from events like new operating system releases. Not any more"*, he said.

Comment: Dell a services player? Why not? For the full year, Dell expects services revenues of about $3.5bn – about three times the size of the equivalent business at Microsoft.

It's not all telephone support. Dell also does managed services and even some low-end consulting, as well as deployment services and training. The managed services revenues are rocking – up 47% in the quarter, and Dell says the consulting revenues are growing even faster, though from a much lower base. It won't split out revenues by service line or geography.

Think this doesn't affect you? Well, it does if you play in support services, particularly desktop managed services. Dell's business model is to aggressively commoditise (or 'standardise' as it likes to say) services just as much as products, and as Dell expands its share of business hardware markets, it will also expand its share of support services too. Watch out.

The decline of technology growth 'drivers' like new operating system releases is important. If Dell is right, and it almost certainly is, then don't bother waiting for Microsoft's Longhorn release of Windows to kick-start your business. Look for growth drivers in big business issues (like Basel II, IAS, and so on) or in niche technology like voice–data convergence, but not in big infrastructure stuff.

(Douglas Hayward)

3.9%
66p

POST-IPO ATTENTIV GROWS STRONGLY

AttentiV Systems Group, the provider of software and services to the UK financial services sector – previously Lynx Financial Systems – has grown revenue 25% to £32.1m (2003: £25.7m) in its full year results to the end of September 2004 – its first since listing on AIM in March. Operating profit trebled to £3.2m (2003: £1m), with profit before tax at £3.3m (2003: £1.3m). Earnings per share was at 4.6p compared to last year's 5.6p, which was boosted by a tax credit of £1.8m.

Growing regulation in the UK financial services sector has given the company an optimistic outlook for the coming year as organisations *"abandon in house developed solutions, because of the accelerating cost burden of compliance"*, Chairman Peter Bertram said in the results statement.

Comment: AttentiV seems to be managing things pretty well, having raised its operating margin to almost 10% from around 4% last year. Excluding non-recurring charges – such as re-branding costs, pre-flotation management and the cancellation of a distribution contract – operating margins grew to 11% from 8% in 2003.

However, not all is glimmering on the horizon. Revenue growth has come entirely from AttentiV's

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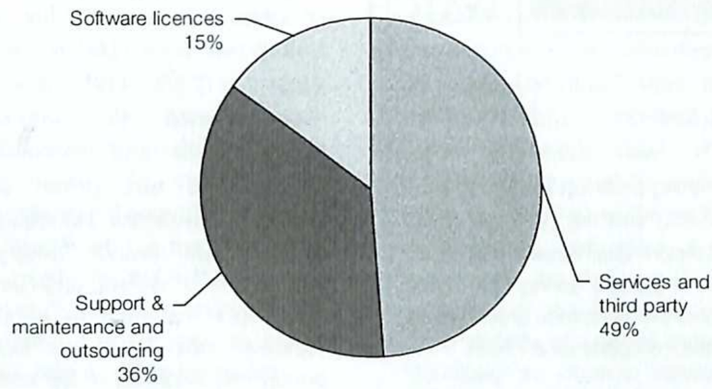
Summit retail banking product, which grew 57% to £22m in revenue.

Conversely revenue from the company's credit finance product, Portfolio, fell almost 10% to £4.6m due to increased competition in the consumer and motor finance sector. Indeed, worse is to come for this product, as AttentiV is to reduce its delivery capacity for Portfolio with the hope that Summit's retail banking business can cover the shortfall going forward. *(Samad Masood)*

AttentiV: Revenue mix FY04
Total = £32.1m



HP REPORTS A BETTER Q4, WITH OVERALL SALES AND PROFITS UP

HP looks like it's recovered well from its unfortunate Q3 hiccup in August 2004. Its results for the fourth quarter and year to 31 October showed sales, profits and margins all improving. Q4 revenues rose by 7.7% to 21.4bn, while full-year revenues were up 9.4% to just under $80bn. (warning: these figures don't exclude the effects of any currency exchange-rate movements).

Profit growth was more impressive; EBIT rose 20% in Q4 to $1.3bn, a margin of 6%, while full-year EBIT rose 46% to $4.2bn, a margin of 5.3%. Pre-tax margins were 6% in Q4 (almost double the disastrous Q3 that saw a management cull) and 5.5% over the year, up slightly on last year.

Software revenues rose 25% in Q4 (to $277m) and 19% for the year (to $922m). but software operating (EBITDA) margins are still negative at –15.7% for the year, and –1.8% for Q4. But both margins represented a major improvement.

Services revenues were up 12.8% in Q4 (to $3.6bn) and by 12% for the year (to $13.8bn). Services operating (EBITDA) margins were 10% in Q4 and 9.2% for the full year, both of which were down by about two percentage points.

HP forecasts revenue of $41.8bn to $42.3bn for H1 next year, representing growth of 5.5 to 6.7%, in line with Wall Street estimates.

Comment: This is a big improvement on Q3. It's good to see software emerging from the woods – operating margins improved throughout the year. And it's good to see services growing in double digits every quarter since Q2 (thanks in part to acquisitions), with operating margins second only to the fabled printing and imaging group. HP Services reported good growth in its managed services business (up 35% in Q4), while consulting and integration grew 4% in Q4.

I think that HP will need stronger consulting capability in future. Not because it should position itself as a high-end consultancy, but merely to protect and promote its core system-integration business.

Why? Customers increasingly want IT services suppliers to approach them pro-actively with ideas for using technology change to improve their business – they don't just want a reactive servant that takes orders. Consulting-led engagements that pro-actively create demand among clients are the best way to avoid the deadly treadmill of RFPs, and thereby build revenue streams and long-term relationships.

And despite HP's recent progress, margins in its services and software business are weak compared to pure-play companies like Accenture (in services) or Microsoft and SAP (in software). Yes, HP undoubtedly has good products and services to offer, but it has yet to show that by combining its hardware, software and services businesses, the result is greater than the sum of the parts.

Maybe 2005 is the year when all the cylinders start firing together. *(Douglas Hayward)*

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Azure Solutions	Anite Calculus	Anite Group's telecoms billing systems	100%	£750k	The real star of the telecoms business, and the bit that's being retained, is the wireless testing division, a supplier of specialist systems and software for mobile phone network simulation and handset testing. Though Calculus was making money; the business didn't fit neatly with Anite's business model and was an unnecessary distraction. We are pleased to see Anite's found a new home for this business so that it can reinvest the cash from disposal into its core vertical activities in public sector, telecoms and travel.
BT	Infonet	Provider of value-added global communications services, including IP VPNs	100%	$965m	Overall, we're positive about this move - we've advocated consolidation of this kind for some time. Neither BT Global Services nor Infonet has adequate scale as a genuinely global networking player. Both organisations have been loss making, but together they should have sufficient scale to generate a profit when the synergies kick in. We're pleased to see that BT is boosting an area of its core networking competence, rather than taking the more risky option of (say) the international IT services market.
Capita	Brownsword Ltd	Provider of claims investigation services to the UK motor, household and travel insurance sectors	100%	£5m in cash	One of Brownsword's main attractions for Capita is its exclusive UK licence to use Nemesysco's Advanced Validation Solutions in the UK insurance sector. AVS is an emerging software-based toolset which aims to prevent insurance claims fraud. It includes such techniques as Voice Risk Analysis, which promises to identify fraudsters by the sound of their voices.
Charteris	Cedalion	Edinburgh-based technical consultancy	100%	£3m (£2.7m in cash and the remainder in new ordinary shares).	Charteris has stated that its strategy is to accelerate growth through selective acquisitions. In acquiring Cedalion at a PSR of 1.2 it appears to have negotiated a good deal for a complementary and profitable business. In addition, with Cedalion's revenues just a fifth of Charteris', the acquisition should also be perfectly manageable.
Clarity Commerce	Baron LRMS	Small UK-based provider of membership management and specialist bookings control software to leisure, spa and golf resorts	100%	£600k in cash	This acquisition is an important step for Clarity and fits with its strategy to build a portfolio of software solutions for the entertainment, leisure and hospitality sector. In Baron, Clarity is acquiring a complementary software product and, equally importantly, access to a blue-chip portfolio of clients.
iTrain	Applied Interactive	Bespoke training services to the automotive, pharma and financial services markets	100%	£1.2m in cash and shares	Although a UK company, iTrain's major marketplace is Germany, and Applied Interactive will help boost its UK activities. Applied Interactive will continue to trade under its existing name.
Sage	Federal Liaison Services	Dallas-based software and information technology for the electronic payment and reporting of tax obligations within payroll software solutions	100%	£9.7m	Sage has over 200,000 payroll software customers in North America, to which it offers an outsourced payroll service. The acquisition of FLS will enhance the tax depositing and filing part of this process. It is obviously good business for Sage to be able to offer 'sticky' solutions to increase its value to customers and to improve retention over and above the transactional software sales business. This move is just another little step on that road.

Recent IPOs

Name	Activity	S/ITS or Dotcom	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Nov 04	Premium/ Discount
Cornwell Management Consultants	IT & management consultancy	SITS	CS	AIM	121p	£20.1m	26-Nov-04	123.5p	2%
INCAT International	SITS to automotive, aerospace & industrial manufacturers	SITS	SP	AIM	128p	£31.1m	30-Nov-04	135.5p	6%
Maxima	ERP systems for SME manufacturers	SITS	SP	AIM	115p	£13.3m	24-Nov-04	109.5p	-4%
Phoenix IT	Managed Services	SITS	CS	MAIN	235p	£132.2m	16-Nov-04	270.0p	15%

Forthcoming IPOs

Name	Activity	S/ITS or Dotcom Index	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Sanderson	Enterprise application software	SITS	SP	AIM	N/A	£23-24m	14-Dec-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

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£10,031,000	£19,648,000	£8,017,000	-20.1%
PBT	£1,030,000	£2,018,000	£1,558,000	+51.3%
EPS	3.59p	7.49p	2.87p	-20.1%

Alphameric plc

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

Alterian plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£1,825,000	£5,668,000	£2,511,000	+37.6%
PBT	-£2,449,000	-£3,232,000	-£1,808,000	Loss both
EPS	-5.40p	-7.10p	-3.60p	Loss both

Anite Group plc

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

Argonaut Games plc

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

Asite plc

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

Atlantic Global plc

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

AttentiV Systems Group

	Final - Sep 03	Final - Sep 04	Comparison
REV	£25,655,000	£32,071,000	+25.0%
PBT	£1,130,000	£3,322,000	+194.0%
EPS	5.90p	4.60p	-22.0%

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

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£16,837,000	£38,113,000	£24,368,000	+44.7%
PBT	£1,363,000	£6,109,000	-£163,000	Profit to loss
EPS	5.19p	22.42p	-1.94p	Profit to loss

Axon Group plc

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

Brady plc

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

Bond International Software plc

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

Business Systems Group Holdings plc

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

Capita Group plc

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

Charteris plc

	Final - Jul 03		Final - Jul 04	Comparison
REV	£12,174,000		£13,822,000	+13.5%
PBT	-£625,000		£541,000	Loss to Profit
EPS	-1.26p	-1.26p	0.81p	Loss to profit

Chelford Group plc

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

Civica plc

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

Clarity Commerce plc

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

Clinical Computing plc

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

CMS Webview plc

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

CODASciSys plc

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

Comino Group plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£11,323,000	£24,507,000	£12,229,000	+8.0%
PBT	£603,000	£1,713,000	£560,000	-7.1%
EPS	2.60p	6.90p	2.20p	-15.4%

Compel Group plc

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

Computacenter plc

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

Computer Software Group plc

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

Corpora plc

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

DCS Group plc

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

Dealogic Holdings plc

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

Delcam plc

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

Detica Group plc

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

Diagonal plc

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

Dicom Group plc

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

Dimension Data plc

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

DRS Data & Research Services plc

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

Earthport Plc

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

Easyscreen plc

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

Eidos plc

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

Electronic Data Processing plc

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

Empire Interactive plc

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

Epic Group plc

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

Eurolink Managed Services plc

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

Ffastfill Plc

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

Financial Objects plc

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

Flightstore Group plc

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

Flomerics Group plc

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

Focus Solutions Group plc

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

GB Group plc

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

Gladstone Plc

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

Glotel plc

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

Gresham Computing plc

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

Harrier Group plc

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

Harvey Nash Group plc

	Interim - Jul 03	Final - Jan 04	Interim - Jul 04	Comparison
REV	£64,317,000	£130,911,000	£78,907,000	+22.7%
PBT	-£4,448,000	-£4,536,000	£292,000	Loss to profit
EPS	N/a	-8.75p	0.18p	Loss to profit

Highams Systems Services Group plc

	Final - Mar 03	Final - Mar 04	Comparison
REV	£11,096,000	£8,559,000	-22.9%
PBT	-£213,000	-£302,000	Loss both
EPS	-1.00p	-1.45p	Loss both

Horizon Technology Group plc

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

I-Document Systems Plc

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

ICM Computer Group plc

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

Innovation Group plc (The)

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

InTechnology plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£80,058,000	£221,868,000	£132,420,000	+65.4%
PBT	-£3,547,000	-£4,080,000	-£2,167,000	Loss both
EPS	-0.98p	-0.35p	-1.61p	Loss both

Intelligent Environments Group plc

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

Interactive Digital Solutions plc

	Interim - Mar 03	Final - Sep 03	Interim - Mar 04	Comparison
REV	£165,741	£191,153	£76,243	-54.0%
PBT	-£545,498	-£1,143,000	-£556,463	Loss both
EPS	-0.33p	-0.65p	-0.31p	Loss both

Intercede Group plc

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

Internet Business Group Plc

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

iTrain plc

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

INVU plc

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

IQ-Ludorum plc

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

iSOFT Group plc

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

I S Solutions plc

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

ITNET plc

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

K3 Business Technology Group plc

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

Kewill Systems plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£10,530,000	£22,147,000	£13,198,000	+25.3%
PBT	£499,000	£1,529,000	£741,000	+48.5%
EPS	0.60p	2.70p	1.00p	+66.7%

Knowledge Technology Solutions Plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£160,708	£770,185	+379.2%
PBT	-£705,651	-£904,161	Loss both
EPS	-0.73p	-0.71p	Loss both

LogicaCMG plc

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

Lorien plc

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

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.

Macro 4 plc

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

Planit Holdings plc

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

Tadpole Technology plc

	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

Manpower SoftWare plc

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

Prologic plc

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

Telecity plc

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

Marlborough Stirling plc

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

PSD Group plc

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

Tikit Group plc

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

Microgen plc

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

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

Torex Retail

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

Minorplanet Systems Plc

	Final - Aug 03	Final - Aug 04	Comparison
REV	£88,600,000	£33,800,000	-61.9%
PBT	-£52,300,000	-£17,400,000	Loss both
EPS	-54.57p	-22.23p	Loss both

Quantica plc

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

Total Systems plc

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

Misys plc

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

Raft International plc

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

Touchstone Group plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£6,953,000	£14,901,000	£7,749,000	+11.4%
PBT	£159,000	£555,000	-£196,000	Profit to loss
EPS	3.50p	1.50p	-2.41p	Profit to loss

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

Retail Decisions plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£14,723,000	£30,227,000	£15,430,000	+4.8%
PBT	£1,103,000	£2,947,000	£2,502,000	+126.8%
EPS	0.69p	0.50p	0.76p	+10.1%

Trace Group plc

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

Morse plc

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

RM plc

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

Triad Group plc

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

MSB International plc

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

Royalblue Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£27,857,000	£56,489,000	£28,459,000	2%
PBT	£3,847,000	£9,425,000	£4,090,000	0.06316603
EPS	8.50p	23.40p	8.80p	0.035294118

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

NCC Group plc

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

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%

Ultima Networks plc

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

Ncipher Plc

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

SDL plc

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

Ultrasis Group plc

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

NetBenefit plc

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

ServicePower Technologies plc

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

Universe Group plc

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

Netcall plc

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

Sirius Financial Systems plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£10,404,000	£20,523,966	£10,398,000	-0.1%
PBT	£38,000	-£581,160	£8,000	-78.9%
EPS	0.10p	-3.90p	-0.20p	Profit to Loss

Vega Group plc

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

Netstore plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£14,197,000	£20,681,000	+45.7%
PBT	-£5,265,000	-£687,000	Loss both
EPS	-5.33p	-0.14p	Loss both

Sirvis IT plc

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

Vianet Group plc

	Final - Sep 03	Final - Sep 04	Comparison
REV	£33,714	£291,507	+764.6%
PBT	-£2,056,476	-£1,806,949	Loss both
EPS	-3.10p	-1.50p	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

Sopheon plc

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

VI Group plc

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

NSB Retail Systems plc

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

Spring Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£145,749,000	£360,197,000	£229,194,000	+57.3%
PBT	-£4,538,000	-£18,946,000	£1,548,000	Loss to profit
EPS	-2.67p	-12.92p	1.03p	Loss to profit

Warthog plc

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

OneclickHR plc

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

StatPro Group plc

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

Wealth Management Software plc

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

Parity Group plc

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

Stilo International Plc

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

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

Patsystems plc

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

Superscape plc

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

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

Pilat Media Global plc

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

SurfControl plc

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

XKO Group plc

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

PC Medics Group Plc

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

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

XN Checkout Holdingsplc

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

Pixology plc

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

Systems Union Group plc

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

Xpertise Group plc

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

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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Nov-04	Capitalisation 30-Nov-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Nov-04	Share price move since 29-Oct-04	Share price % move in 2004	Capitalisation move since 29-Oct-04
AIT Group	CS	£0.35	£18.22m	4.8	0.93	228	2.96%	-42.56%	£0.52m
Alphameric	SP	£0.74	£85.89m	-	1.37	337	-2.97%	-15.52%	-£2.71m
Alterian	SP	£0.94	£36.29m	-	6.40	468	-2.60%	36.50%	-£1.31m
Anite Group	CS	£0.53	£187.79m	-	1.00	311	-1.84%	5.45%	-£3.51m
Argonaut Games	SP	£0.03	£3.04m	-	0.57	33	-16.67%	-50.00%	£0.00m
Atlantic Global	SP	£0.41	£9.25m	33.2	4.7	1372.9	-4.71%	-51.79%	-£0.47m
AttentiV Systems	SP	£0.66	£39.98m	13.8	1.56	971	3.94%	20.00%	£1.48m
Autonomy Corporation	SP	£1.52	£163.56m	57.9	4.87	46	-15.60%	-36.74%	-£32.54m
Aveva Group	SP	£6.38	£137.91m	41.6	3.62	3188	9.91%	32.81%	£10.91m
Axon Group	CS	£1.44	£74.99m	23.2	1.49	823	7.06%	-11.11%	£4.89m
Bond International	SP	£0.73	£182.82m	18.2	26.01	1115	-3.33%	52.63%	£163.92m
Brady	SP	£0.90	£249.70m	-	104.65	1105	5.29%	10.49%	£228.00m
Business Systems	CS	£0.16	£13.68m	14.0	0.60	137	16.07%	22.64%	£1.88m
Capita Group	CS	£3.57	£2,369.13m	35.2	2.19	96504	1.49%	46.91%	£41.13m
Charteris	CS	£0.31	£13.33m	38.3	1.09	344	19.23%	16.98%	£2.43m
Chelford Group	CS	£1.29	£85.41m	18.4	8.63	22435	-11.34%	72.00%	£75.77m
Civica	CS	£2.04	£92.32m	-	1.02	1165	-9.93%	16.57%	-£10.18m
Clarity Commerce	SP	£0.67	£10.60m	23.4	1.67	532	3.10%	-5.67%	£0.30m
Clinical Computing	SP	£0.30	£9.46m	-	5.09	242	3.45%	-22.08%	£0.31m
CMS Webview	CS	£0.02	£1.60m	-	0.98	143	-59.18%	-83.74%	-£2.30m
CODASciSys	CS	£3.23	£81.91m	25.6	1.20	2500	2.71%	9.32%	£2.11m
Comino	SP	£2.06	£28.63m	30.7	1.17	1585	-3.74%	2.23%	-£1.07m
Compel Group	CS	£0.93	£30.67m	-	0.48	740	-1.07%	19.35%	-£0.43m
Computacenter	R	£2.71	£512.44m	10.5	0.27	404	-12.79%	-42.34%	-£74.66m
Computer Software Group	SP	£0.58	£25.28m	16.8	6.42	489	-1.29%	35.29%	-£0.42m
Corpora	SP	£0.19	£6.85m	-	13.73	500	-15.56%	-36.67%	-£1.40m
DCS Group	CS	£0.08	£1.94m	-	0.04	129	-6.06%	-42.59%	-£0.13m
Dealogic	SP	£1.40	£97.95m	-	3.18	609	-8.20%	-33.65%	-£8.75m
Delcam	SP	£2.18	£13.18m	9.6	0.64	838	0.69%	31.33%	-£0.02m
Detica	CS	£7.05	£157.58m	17.6	2.95	1763	0.36%	14.63%	£0.58m
Dicom Group	R	£8.02	£167.08m	41.5	1.07	2457	2.43%	16.41%	£3.08m
Dimension Data	R	£0.34	£449.65m	-	0.35	60	11.67%	-10.67%	£46.95m
DRS Data & Research	SP	£0.35	£12.01m	6.8	0.89	316	-28.35%	-44.84%	-£3.59m
Earthport	SP	£0.01	£7.98m	-	15.6	10.6	20.83%	-50.00%	£1.41m
Easyscreen	SP	£0.18	£15.83m	-	7.18	107	-3.95%	-13.10%	£2.03m
Eidos	SP	£0.80	£113.85m	-	0.67	3998	-9.60%	-42.86%	-£11.85m
Electronic Data Processing	SP	£0.72	£17.56m	15.3	2.02	2205	0.70%	17.07%	-£0.04m
Empire Interactive	SP	£0.11	£7.29m	-	0.29	179	0.00%	-10.42%	-£0.01m
Epic Group	CS	£0.92	£21.54m	23.0	2.95	876	5.14%	-4.17%	-£1.36m
Eurolink Managed Services	CS	£0.38	£132.67m	31.8	18.03	375	4.17%	33.93%	£128.93m
Ffastfill	SP	£0.07	£13.63m	-	5.1	58.3	3.70%	25.00%	£0.43m
Financial Objects	SP	£0.57	£15.85m	-	1.52	248	31.03%	135.05%	£3.75m
Flightstore Group	SP	£0.01	£1.38m	-	5.04	125	-57.69%	-87.50%	-£1.76m
Flomerics Group	SP	£0.66	£9.59m	21.8	0.94	2519	18.02%	8.26%	£1.46m
Focus Solutions Group	SP	£0.40	£10.97m	-	2.04	203	-2.47%	12.86%	-£0.63m
GB Group	SP	£0.22	£17.75m	-	1.49	144	11.25%	-27.05%	£1.85m
Gladstone	SP	£0.22	£9.45m	17.8	1.10	538	0.00%	72.00%	£0.02m
Glotel	A	£1.13	£43.00m	86.5	0.48	584	10.29%	13.64%	£4.00m
Gresham Computing	CS	£3.43	£170.08m	-	16.67	3683	1.93%	2.70%	£3.88m
Group NBT	CS	£1.00	£19.21m	27.6	2.50	498	28.39%	158.44%	£4.31m
Harrier Group	CS	£0.17	£4.90m	12.8	0.54	130	0.00%	-22.09%	-£0.01m
Harvey Nash Group	A	£0.80	£49.46m	-	0.38	457	6.67%	5.96%	£3.76m
Highams Systems Services	A	£0.06	£1.91m	-	0.17	167	4.35%	-51.02%	£0.12m
Horizon Technology	CS	£0.77	£81.09m	34.1	0.40	283	19.38%	17.56%	£33.49m
I S Solutions	CS	£0.15	£3.59m	-	0.60	540	1.40%	66.67%	£0.06m
ICM Computer Group	CS	£3.55	£73.83m	24.8	0.95	1972	9.23%	49.47%	£6.23m
I-Document Systems	SP	£0.10	£18.60m	-	4.16	13	-10.87%	-4.65%	-£2.30m
In Technology	CS	£0.76	£105.56m	-	0.67	3040	-6.75%	25.62%	-£7.64m
Innovation Group	SP	£0.38	£167.91m	-	2.87	167	14.18%	39.09%	£22.21m
Intelligent Environments	SP	£0.06	£8.80m	-	3.30	64	0.00%	-31.43%	£0.23m
Interactive Digital Solutions	SP	£0.02	£3.61m	-	14.9	725.0	-21.20%	-35.27%	-£1.11m
Intercede Group	SP	£0.17	£8.68m	-	4.8	287.5	-0.29%	-1.43%	£2.82m
Internet Business Group	SP	£0.04	£2.52m	-	1.8	96.9	1.97%	76.14%	£0.05m
Invu	SP	£0.16	£14.16m	-	7.09	1711	20.37%	20.37%	£1.46m
IQ-Ludorum	SP	£0.02	£1.31m	-	0.52	22	-8.33%	-8.33%	-£0.09m
iSOFT Group	SP	£3.85	£892.56m	57.8	5.98	3500	3.49%	3.84%	£43.46m
ITNET	CS	£2.71	£198.98m	-	1.06	774	19.91%	-9.97%	£33.08m
iTrain	SP	£0.09	£7.08m	-	8.3	105.9	-5.26%	-89.41%	£1.05m
K3 Business Technology	SP	£1.14	£15.11m	11.4	2.16	867	0.44%	89.17%	£3.61m
Kewill	SP	£0.65	£53.10m	19.7	2.40	1285	-8.77%	11.11%	-£2.90m
Knowledge Technology Solutions	SP	£0.05	£7.41m	-	46.3	1000.0	-4.76%	-50.00%	-£0.18m
LogicaCMG	CS	£1.85	£1,384.47m	-	0.81	2527	4.53%	-28.00%	£60.47m
Lorien	A	£0.54	£9.96m	-	0.11	535	-10.83%	-37.79%	-£1.24m

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Nov-04	Capitalisation 30-Nov-04	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 30-Nov-04	Share price move since 29-Oct-04	Share price % move in 2004	Capitalisation move since 29-Oct-04
Macro 4	SP	£1.85	£43.02m	97.4	1.38	746	-0.27%	16.72%	£4.32m
Manpower SoftWare	SP	£0.32	£14.33m	32.3	2.78	332	-4.44%	37.23%	-£0.57m
Marlborough Stirling	SP	£0.42	£94.08m	41.5	0.82	296	-6.74%	-5.68%	-£6.82m
Mediasurface	CS	£0.08	£5.92m	-	0.99	570	-24.39%	-44.64%	-£1.92m
Microgen	CS	£0.55	£55.87m	-	2.12	235	-3.51%	0.92%	-£2.03m
Minorplanet Systems	SP	£0.03	£4.83m	-	0.05	66	-38.68%	-90.30%	-£2.98m
Misys	SP	£2.12	£1,186.01m	48.2	1.17	2641	-1.39%	0.24%	£58.01m
Mondas	SP	£0.24	£6.14m	-	1.54	313	-2.08%	-38.16%	-£0.13m
Morse	R	£1.00	£131.07m	20.4	0.34	400	-14.16%	-29.82%	-£42.33m
MSB International	A	£0.82	£16.81m	60.7	0.25	432	3.14%	-8.38%	£0.51m
NCC Group	CS	£1.90	£61.94m	-	4.04	1138	-4.52%	11.76%	-£2.96m
Ncipher	SP	£2.19	£58.79m	-	4.53	874	11.76%	43.75%	£6.19m
Netcall	SP	£0.15	£9.51m	-	3.9	292.9	-13.43%	-44.23%	-£1.49m
Netstore	CS	£0.33	£32.45m	-	2.29	220	9.09%	-14.84%	£3.75m
Northgate Information Solutions	CS	£0.68	£336.87m	-	2.47	262	11.48%	17.75%	£34.97m
NSB Retail Systems	SP	£0.28	£99.29m	-	1.54	2457	6.60%	66.18%	£6.19m
OneclickHR	SP	£0.04	£63.22m	-	13.18	106	-10.53%	-48.48%	£56.34m
Parity	A	£0.10	£15.35m	39.9	0.09	1667	11.11%	-6.98%	-£10.65m
Patsystems	SP	£0.15	£21.45m	-	2.01	136	-6.45%	-17.14%	-£1.45m
PC Medics Group	CS	£0.01	£1.74m	-	1.5	236.4	-13.33%	62.50%	-£0.27m
Pilat Media Global	SP	£0.40	£20.19m	8.6	2.14	2000	-3.61%	21.21%	-£0.81m
Pixology	SP	£1.39	£27.80m	-	10.99	996	10.32%	-4.14%	£2.60m
Planit Holdings	SP	£0.26	£23.36m	25.5	1.14	1063	-3.77%	-10.53%	-£0.94m
Prologic	CS	£0.78	£7.75m	-	1.03	934	-1.90%	-6.63%	-£0.15m
PSD Group	A	£2.60	£64.98m	52.0	1.73	1182	2.56%	-11.86%	£1.28m
QA	CS	£0.03	£8.23m	-	0.28	13	15.00%	-32.35%	£1.43m
Quantica	A	£0.53	£21.34m	17.5	0.82	423	1.94%	8.25%	£0.44m
Raft International	SP	£0.08	£5.29m	-	0.62	127	-11.11%	-46.67%	-£0.67m
Red Squared	CS	£0.13	£3.54m	-	1.54	687	-24.24%	-34.21%	£0.22m
Retail Decisions	SP	£0.25	£71.94m	28.8	2.36	334	25.32%	94.12%	£14.54m
RM	SP	£1.58	£141.27m	35.8	0.66	4500	5.35%	18.87%	£7.17m
Royalblue Group	SP	£4.50	£147.05m	18.2	2.60	2647	5.88%	-11.42%	£8.05m
Sage Group	SP	£1.93	£2,473.13m	21.9	4.41	74231	5.18%	9.82%	£123.13m
SDL	CS	£1.21	£66.42m	-	1.03	803	3.43%	42.60%	£2.22m
ServicePower	SP	£0.33	£23.94m	-	5.34	325	4.84%	-17.72%	£0.94m
Sirius Financial	SP	£0.85	£14.36m	-	0.70	563	4.97%	13.42%	£0.66m
SiRViS IT plc	CS	£0.07	£7.41m	10.7	2.3	56.5	0.00%	-13.33%	£0.00m
Sopheon	SP	£0.22	£24.78m	-	3.68	320	8.54%	39.06%	£1.48m
Spring Group	A	£0.97	£151.72m	-	0.44	1072	-5.39%	-16.45%	£121.82m
StatPro Group	SP	£0.35	£11.36m	38.3	1.35	431	7.81%	11.29%	£0.76m
Stilo International	SP	£0.05	£4.28m	-	1.9	95.0	26.67%	-22.13%	£0.90m
Superscape VR	SP	£0.53	£38.58m	-	35.1	267.7	-7.83%	89.29%	-£32.82m
SurfControl (was JSB)	SP	£5.53	£171.86m	36.2	3.59	2765	-1.25%	-26.32%	£0.06m
Systems Union	SP	£1.10	£117.65m	22.4	1.70	846	4.27%	7.84%	£5.55m
Tadpole Technology	SP	£0.11	£39.35m	-	7.40	253	-16.00%	-16.00%	£2.25m
Telecity	CS	£0.14	£37.41m	-	1.59	18	10.00%	-3.51%	£3.41m
Tikit Group	CS	£1.68	£20.73m	32.2	2.17	1457	17.54%	48.23%	£2.93m
Torex Retail	SP	£0.77	£251.21m	-	25.37	1925	14.93%	92.50%	£138.91m
Total Systems	SP	£0.54	£5.68m	10.9	1.5	1018.9	-4.42%	-6.09%	-£0.23m
Touchstone Group	SP	£0.98	£10.84m	-	0.8	933.3	-2.97%	-2.97%	£0.44m
Trace Group	SP	£0.81	£12.22m	17.2	0.8	644.0	-0.62%	24.81%	-£0.08m
Triad Group	CS	£0.61	£15.53m	-	0.4	451.9	-2.40%	3.39%	£6.06m
Tribal Group	CS	£1.48	£107.14m	-	0.6	893.9	-19.84%	-55.44%	-£20.36m
Ultima Networks	R	£0.02	£3.83m	11.7	1.9	45.7	-1.32%	-6.25%	£0.05m
Ultrasis Group	SP	£0.00	£3.27m	-	3.7	7.4	-27.00%	-27.00%	-£0.90m
Universe Group	SP	£0.20	£11.90m	-	0.3	866.7	8.33%	-23.53%	£0.90m
Vega Group	CS	£1.73	£35.20m	30.1	1.0	1418.0	11.61%	-1.14%	£3.60m
VI group	SP	£0.14	£5.21m	-	0.6	280.0	-3.45%	5.66%	-£0.19m
Vianet	CS	£0.06	£7.88m	-	239.5	51.4	-12.50%	-18.33%	-£1.13m
Warthog	SP	£0.01	£1.67m	-	0.3	13.4	-54.00%	-92.58%	-£2.35m
Wealth Management Software	SP	£0.13	£6.42m	-	0.9	101.9	-17.19%	-26.39%	-£1.24m
Workplace Systems	SP	£0.16	£29.34m	-	2.8	0.0	14.04%	38.30%	£3.64m
Xansa	CS	£0.93	£315.77m	20.1	0.8	2371.8	3.06%	8.82%	£9.57m
XKO Group	SP	£0.70	£19.28m	-	0.4	466.7	-5.41%	-17.16%	-£1.22m
XN Checkout Holdings	SP	£1.12	£26.53m	-	1.9	1137.8	4.69%	13.78%	£1.23m
Xpertise Group	CS	£0.01	£3.66m	-	0.8	35.0	16.67%	-30.00%	£0.73m

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

ITSAs BOUNCE BACK, A BIT

The SYSTEMHOUSE index has remained relatively flat this month, falling by 0.78%, compared to the FTSE IT index which grew by 2.8%. Looking deeper into the index we can see that ITSAs (IT staff agencies) have reversed the fortunes of last month, becoming this month's best performing segment with average share prices up 2.65%. This has come after two consecutive months of shares falling by 3% on average. Peak performers were Glotel (+10.29%), Parity (+11.11%), and Harvey Nash (+6.67%). This is quite a turnaround considering that both Harvey Nash and Glotel were last month's worst performers with share prices down 12% and 3% respectively.

Only two ITSAs did not grow their share price in the month – Lorien fell by 10.83% while Spring Group lost 5.39%. Nevertheless this small surge in the segment could well be an early indication of a newly growing ITSA market, pushed by increased IT investment from the UK public sector.

30-Nov-04	S/ITS Index	4833.18
	FTSE IT (SCS) Index	477.07
	techMARK 100	1182.20
	FTSE 100	4703.20
	FTSE AIM	992.50
SCSI Index =1000 on 15th April 1989	FTSE SmallCap	2684.53

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/11/04 to 30/11/04)	-0.78%	+1.71%	+4.02%	+2.80%	+2.97%	+3.21%
From 15th Apr 89	+383.32%	+129.02%				
From 1st Jan 90	+425.29%	+99.12%				
From 1st Jan 91	+582.78%	+117.70%				
From 1st Jan 92	+362.57%	+88.65%				
From 1st Jan 93	+203.29%	+65.23%				+93.50%
From 1st Jan 94	+189.48%	+37.58%				+43.66%
From 1st Jan 95	+222.39%	+53.42%				+53.72%
From 1st Jan 96	+114.00%	+27.48%	+49.79%		+4.10%	+38.27%
From 1st Jan 97	+80.51%	+14.20%	+29.25%		+1.68%	+22.97%
From 1st Jan 98	+59.25%	-8.42%	+23.92%	-52.29%	+0.05%	+16.05%
From 1st Jan 99	+22.62%	-20.05%	-18.81%	-67.01%	+23.81%	+29.63%
From 1st Jan 00	-57.87%	-32.13%	-68.72%	-87.17%	-48.65%	-13.34%
From 1st Jan 01	-42.27%	-24.42%	-53.92%	-75.52%	-30.97%	-15.67%
From 1st Jan 02	+0.73%	-9.86%	-19.73%	-43.50%	+10.55%	+4.09%
From 1st Jan 03	+78.16%	+19.36%	+82.22%	+40.22%	+64.62%	+47.45%
From 1st Jan 04	+3.35%	+5.05%	+16.47%	-5.27%	+18.81%	+8.46%

End Nov 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 Nov 04
System Houses	9.1%	-57.5%	-42.8%	3.0%	105.3%	7.0%	0.9%
IT Staff Agencies	-67.1%	-71.4%	-54.4%	-17.8%	23.6%	-18.9%	2.7%
Resellers	74.8%	-15.8%	11.4%	24.0%	67.6%	-12.5%	-2.8%
Software Products	66.2%	-60.0%	-71.0%	-6.4%	54.9%	-4.5%	-1.9%
Holway S/ITS Index	22.6%	-57.9%	-42.3%	0.7%	78.2%	3.3%	-0.8%

Apart from services companies, whose average share price grew only 0.91%, all other segments fell over the month. Resellers lost 2.84% while software companies were down 1.91%. The biggest fallers seem to mainly be smaller companies struggling with their strategies and finances in tougher markets. CMS Webview, which announced a strategic review of the business this month, leads the pack, falling by 59.18%. It is closely followed by Flightstore Group which fell 57.69%, still reeling from its major restructuring last year. The remaining top five fallers include Warthog (–54.00%), Minorplanet Systems (–38.68%) and DRS Data & Research (–28.35%).

But this does not mean that large companies have had a monopoly on growth this month – far from it. In fact the best performers have been smaller and mid-sized companies such as Financial Objects (+31.03%), Group NBT (+28.39%), Stilo International (+26.67%) and Retail Decisions (+25.32%). *(Samad Masood)*