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ovum HOLWAY

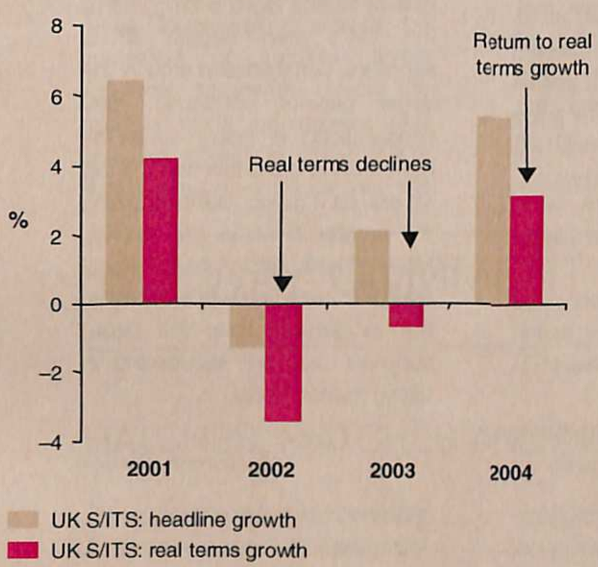
SYSTEMHOUSE

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

UK S/ITS GROWTH: WE'RE BACK IN THE BLACK

We are pleased to be able to confirm that 2004 was the best year for the UK software and IT services (S/ITS) market since 2001. In fact, it was the first year since 2001 to register a positive growth rate in real terms (that is, excluding the impact of inflation). This was not unexpected – Ovum's forecasts have for some time been predicting that 2004 would mark a shift back into positive territory.

Annual market growth



Source: Ovum

What did take us slightly by surprise, however, was that 2004 ended up being a marginally better year than forecast. Now that we have been through the process of analysing and estimating the growth of S/ITS players in the UK during the year, we are revising our estimate of headline growth to 5.4%. That's a full percentage point above the rate we had forecast back in *Holway@Ovum Market Trends 2004* in June 2004. So what happened to make 2004 rather better than anticipated?

Software and projects – better than expected

The enterprise software sector performed better than forecast, so we've lifted our 2004 growth estimate for the UK software market from just under 3% to just under 5%. The explanation here is that some of the pent-up demand among larger organisations for upgrades was released a little earlier than expected. Buoyant spending on security solutions helped too.

We've also seen a better than expected performance in project services, with a 2.1% growth rate in 2004 (compared to the flat performance we previously forecast). This is the first time the consulting and SI segment of the market has been in positive territory since 2000.

The effect of the NPfIT (National Programme for IT) at the NHS helps to explain some of the rise in project market growth, since some of the players involved reported NPfIT-boosted revenue growth earlier than we had been led to believe. But we have also seen CIOs loosen the consulting and SI purse strings slightly in verticals beyond health. Even so, most of the spend is on projects that make existing processes and infrastructure work better, rather than radical new implementations.

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INDICES
(changes in January 05)

Holway S/ITS	**+4.4%**	**5140**
FTSE IT (SCS)	**+0.8%**	**489**
techMARK 100	**+3.3%**	**1236**
Nasdaq Comp	**-5.2%**	**2062**

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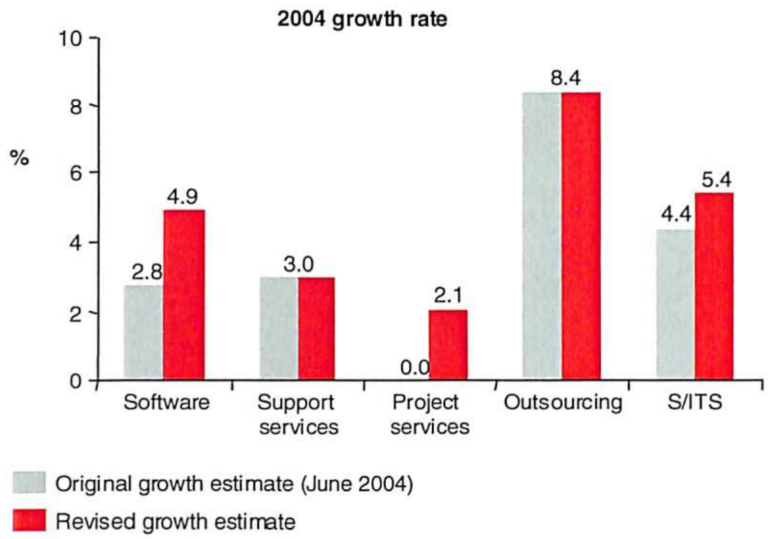

Source: Ovum

Meanwhile we've seen the first signs of increases in fee rates and much-improved demand for the services of the UK's leading IT staff agencies (ITSAs).

While software and project services have performed better than projected in 2004, the other two major sub-sectors in our analysis – outsourcing (at 8.4% growth) and support services (at 3.0%) – completed the year in line with our forecasts. All of which adds up to 5.4% growth for the S/ITS market for the year.

Performance is truly diverse

Any S/ITS company that grew by more than 5.4% during 2004 can claim, at the very broadest level, to have grown market share. Our analysis of the top 40 players in the industry indicates that the majority of them (28 in total) did achieve this. In fact, as a group, the top 40 grew their UK S/ITS revenues by 11% in 2004. This figure includes a positive impact of 4% from acquisitions. Inorganic growth can be seen most strikingly in the performance of Atos Origin, whose integration of SchlumbergerSema has more than tripled the size of the UK operation and catapulted the firm into our top ten. And Northgate's merger with RebusHR accounts for most of its 84% growth.

Even when we remove the inorganic factors, it is clear that there is huge diversity of performance among the UK's S/ITS operators. Among the fastest growing groups on an organic basis are:

• BPO-focused players, with Capita, Vertex and Liberata staying in double-digit territory
• ITSAs, which have benefited from renewed demand for staff in 2004, coupled with increases in fee rates
• Indian firms – Tata Consultancy Services continues its march up the UK rankings, and growth at Infosys and Wipro should mean we have three offshore-based firms in the S/ITS top 50 by the time we come to compile the next set of rankings (in mid-2005).

The two largest firms in the UK S/ITS industry – IBM and EDS – struggled to grow the top line in 2004. Both suffered from the impact of lost contracts (principally Cable & Wireless at IBM, and Inland Revenue at EDS). Meanwhile, several other top ten players have found growth easier to come by. These include CSC, Accenture, BT and Capgemini, all of which are benefiting (in revenue growth terms at least) from wins in the UK public sector.

Despite all this diversity, and the lack of recent top-line progress at the UK's two largest S/ITS suppliers, consolidation around the larger players continues. This consolidation is being driven by both M&A and the fact that the top 40 are, as a group, out-performing the smaller firms in the market. Many smaller, niche players are of course showing growth and profits, but in general it is the larger suppliers that are succeeding in taking market share.

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Fastest growing players in the UK S/ITS top 40

	Estimated 2004 UK S/ITS revenue growth
Atos Origin	261%
Northgate	84%
Spring Group	37%
Alexander Mann	29%
TCS	29%
Computer People	28%
Hays Personnel	26%
Capgemini	25%
Liberata	23%
Accenture	19%

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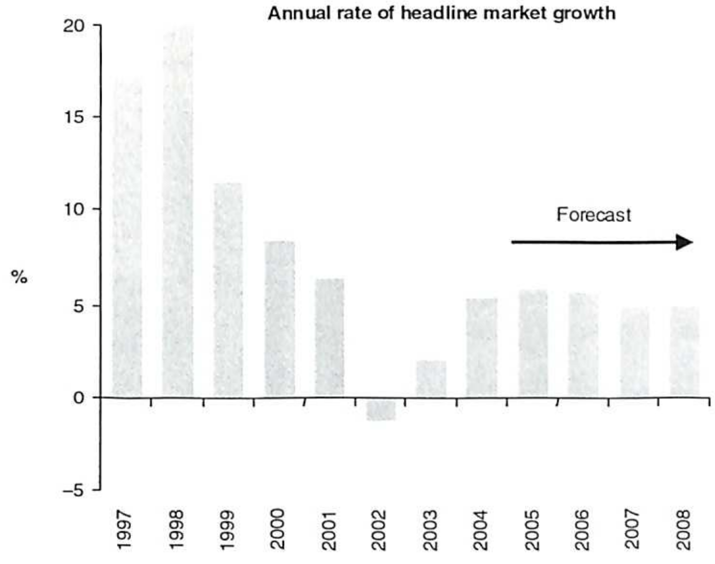
The times ahead...

After all the ups & downs of recent years, the truth is that we have now reached the 'plateau of maturity' in UK S/ITS. Everything we see and hear in the market today suggests that GDP-style growth in the 4-6% range is here to stay. So while our market analysis brings the positive news that the market has decisively shifted out of recession, we see no reason for a major pick-up beyond current levels.



Source: Ovum

In fact, after 'peaking' at 6% in 2005, we believe UK S/ITS growth will actually moderate slightly in 2006 and beyond to around the 5% mark. This is a logical conclusion when you consider that growth rates in both the main vertical driver of the market (public sector) and the key service line driver (outsourcing) cannot be sustained at current levels indefinitely. Meanwhile, despite the positive signs on project and software spend in 2004, CIOs across the board tell us they still want 'more for less' from their IT suppliers and that budgets will continue to be squeezed year-on-year for the foreseeable future.

All in all, UK S/ITS remains a market where growth is by no means a given. Many players are going to continue to feel like they are 'running to stand still'. But then of course we never said market maturity would mean a smooth ride for all...*(Phil Codling)*

Ovum's *Market Trends Preview 2005* report contains our latest analysis of the UK S/ITS sector, including forecasts of key service areas to 2008. For more details on the report, please contact: Suzana Murshid, suzana.murshid@ovum.com

HOLWAY COMMENT

HATCHES, MATCHES AND DISPATCHES

Demographics are increasingly in the news as our population gets older and lives longer, people wait longer to start families and we have suffered a period of fewer babies being born.

The same demographics affect the UK S/ITS sector, and the consequences could be equally significant.

Hatches

The current health of the UK S/ITS sector is reflected in the confidence (or otherwise) that individuals have in going out and forming their own businesses. Of course, the vast majority of those businesses will never progress to be bigger than just one individual. Indeed, many will fail. But without the initial spark, none of our great businesses of today would ever have been created.

The chart on page 4 should therefore cause some concern.

In 2003 (the latest figures available), there were around 7,000 new trading entities registering for VAT in the category that covers most of our sector – about 25% less than the norm in the 1990s. But 7,500 de-registered. So, for a second consecutive year, the 'stock' of S/ITS entities declined. Interestingly, the chart illustrates how 1994 and 1995 (when so much optimism surrounded the new technologies in our sector) were THE boom years for our sector. It also shows that 1998 was the year when so many decided to 'go contracting',

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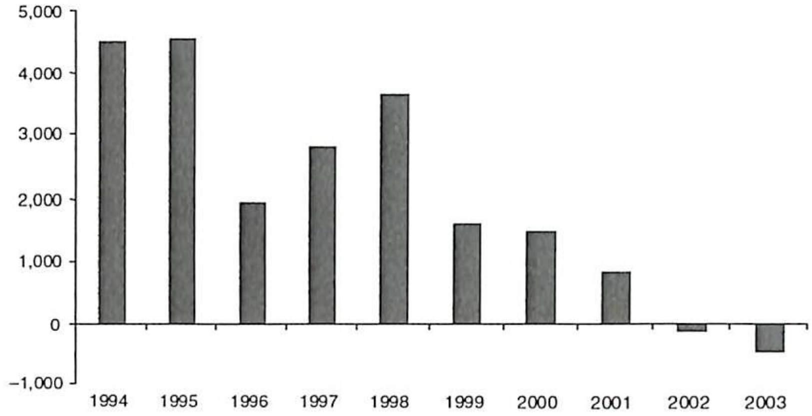
taking full advantage of the Y2K demand.

If other studies are to be believed, many of these people found it difficult to return to permanent jobs when the downturn hit, and they left for other professions. In 2002, more people left IT to become teachers than any other profession.

Ovum Holway aims to track all UK S/ITS companies with revenues in excess of £5 million. We have in excess of 1,000 such companies. But there are now 56,000 entities trading – up from 35,000 a decade ago.

VAT registrations less de-registrations in the Software Consultancy and Supply Category (SIC Code 722)



Source: Office for National Statistics

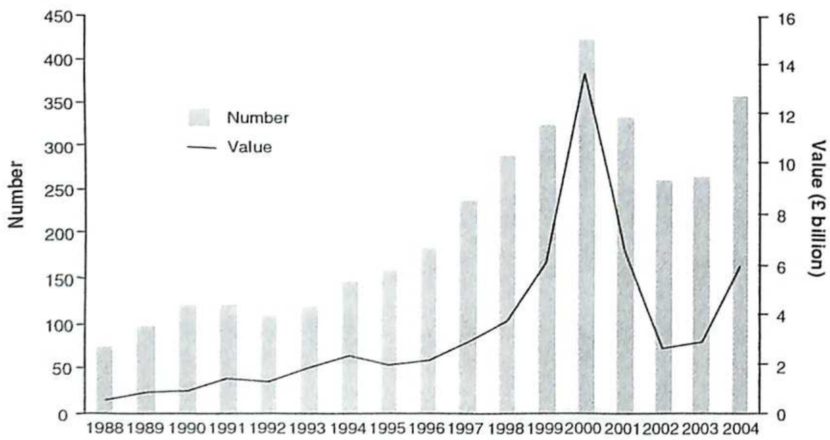
Matches

The number of M&A deals involving UK S/ITS companies in 2004 came close to the record set in 2000. Regent Associates recorded 358 acquisitions, which was 36% up on 2003. The total consideration paid, at £5.9 billion was double that of 2003 but down on the £13.7 billion recorded in 2000. This not only reflected the steep decline in values since 2000 but also the increase in the number of medium-sized companies deciding to 'sell out'.

We started 2004 with less than 20 UK-owned companies with UK S/ITS revenues of more than £100 million. We ended it with two less, as both ITNET and Synstar got 'matched'. It was even worse in the £50-£100 million category where we waved goodbye to companies like Staffware, London Bridge, Torex, Merant and Diagonal. Indeed, this mid tier of UK S/ITS companies is now a dying breed. Given the 'buy mandates' out at the moment, everyone has their eyes on the few that remain, so we have little doubt that the M&A brokers will have another good year in 2005. But our stock of UK-owned players will end up further depleted.

This would be easier to stomach if there was an abundance of new companies growing to join their ranks. Of course, there are some, but not enough to maintain anything like the status quo.

Acquisitions involving UK software and IT services companies



Source: Regent Associates

Dispatches

At least here there is some good news. According to Experian, the UK IT industry recorded fewer insolvencies or company failures in 2005 than for many years.

The peak year for failures was 2002. Indeed most readers will fully empathise with that. Many of you have told us that 2002 was the closest you have ever come to failure. 'Restructuring' after the excesses of the Y2K/dotcom bubble was expensive – not least on cash-flow. But those who did get through that worst of all years are now both wiser and leaner. Although top-line revenue growth didn't happen in 2003, profits and cash recovery did. This continued in 2004 and 2005.

Consequences?

I am very heartened when people say that the 'Holway slogan' they have found of most value in recent years is Hope is not a strategy. (Note: I just borrowed this from the title of a best-selling American management book!).

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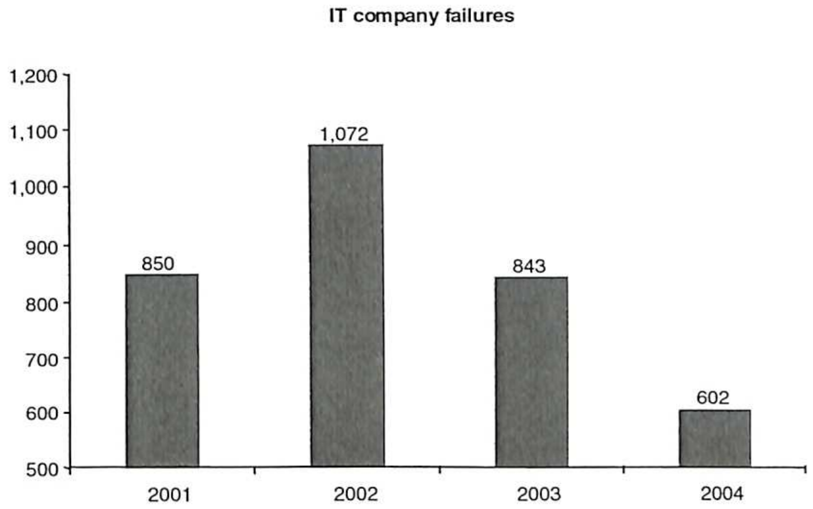
I'm heartened because I really do believe that our industry is healthier by not deluding itself that a 'recovery is just around the corner' – that after all was what caused the record insolvencies in 2002 in the first place! Most companies now have their heads down making their operations more efficient whilst concentrating more on the bottom line than the top. Consolidation is seen as one of the very few ways to secure both top- and bottom-line growth. Hence my firmly held prediction that 'matching' will increase in popularity.

The problem is that I can't see that situation changing – at least any time in the medium-term future. And that, let's face it, isn't very exciting.

Excitement in the past has come from all those brave souls willing to risk all by hatching new businesses – just like the founders of Ovum and Holway did 20 years back.



Source: Experian

I well remember my first appearance at the UK Technology Partnering & Investment Forum in 1999; sharing the excitement as VCs queued up to invest in those new companies recently formed to take advantage of the Y2K/dotcom boom we were experiencing.

I don't want these 'boom and bust' days to return. But, just like we need babies to ensure the continuation of the species, I wouldn't mind a new breed of 'start-ups' to inject some excitement into our sector again.
(Richard Holway)

BOOMING ACCENTURE GETS GROWING PAINS

Accenture's results for its first quarter to 30 November 2004 were impressive, marred only by problems associated with fast growth. Revenues grew 14% in dollar terms to $3.73 billion, with outsourcing up 15% (10% in local currencies) to $1.35 billion and consulting up a very impressive 14% (8% in local currencies) to $2.39 billion.

Headline operating (EBIT) profit fell 9.7% to $458 million, a margin of 12.3% (versus 15.5% in Q1 last year). But this reflected exceptional gains in Q1 the previous year. Excluding exceptionals, EBIT rose 10.6% to $465 million, a 12% margin (slightly below last year's 12.9% margin). Pre-tax margins were 2.7 percentage points down at 13%, but net margins were stable at 5.3%. Diluted EPS was down a cent at 32 cents (but up five cents excluding exceptional gains in Q1 2004).

Europe grew 24% in dollar terms (a still-creditable 12% in local currencies) to $1.92 billion, well ahead of the Americas' 3% growth to $1.54 billion.

The UK was a key contributor to booming sales in financial services, where revenues rose 25% (17% in local currency) to $807 million, 'driven mainly by strength of the company's business in the United Kingdom'. The UK got another name-check in government sales, being the prime driver of Accenture's 10% growth (5% in local currencies) to $524 million.

For Q2 ending in February, Accenture is forecasting healthy dollar revenue growth between 9% and 14%. For FY 2005, it is forecasting growth of 9% to 12% in local currencies. It is forecasting full-year free cash flow of $1.45 billion to $1.65 billion.

Comment: Overall, this is a fine result, despite a slight decline in profitability and a slowdown in outsourcing growth rates. What was really impressive was the growth of consulting revenues – up 14% (8% in local currencies) to reach $2.39 billion, some 64% of revenues. Consulting was a key barometer of the downturn.

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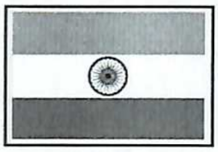
For Accenture, at least, the good times are back.

But not for everyone. These figures underline what we've said for ages: those companies that intelligently combine outsourcing with consulting are stealing market share. For more proof, look at the performance of the UK business, one of the geographies where the consulting/outsourcing fusion is most advanced.

What's interesting is that Accenture's problems are those associated with boom times. Free cash flow in Q1 was a negative $116 million, driven in part by increases in performance-related payouts to Accenture staff and growth-related issues such as increases in client financing. And gross margin was down to 33% (versus 34.1% in Q1 2004), with Accenture blaming higher labour costs.

This is a company scrambling to cope with success. One caveat: Accenture's outsourcing revenue growth rates is slowing over the long term. This quarter's year-on-year growth of 15% is good, but lower than previous quarters. Is Accenture's fearsome growth machine finally slowing? But Accenture can't steal market share forever, or it will overstretch itself. And the slowdown in growth reflects in part the ever-large base from which new revenues must start. Note how consulting is now taking up the slack. But this is one to watch. *(Douglas Hayward)*



INDIAN TOP THREE CONTINUE SPECTACULAR GROWTH

The top three Indian offshore services companies have reported third-quarter results for the period ending 31 December. All of them continued to show impressive growth despite the rising value of the rupee, and all managed to maintain (if not increase) their already juicy margins.

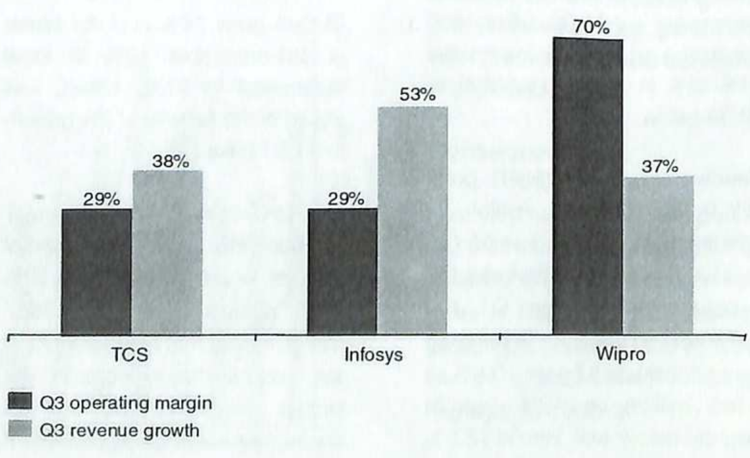
Infosys led the pack with 53% revenue growth to $423 million (in US GAAP) for the quarter ended 31 December 2004. Operating profit for the third quarter jumped 60.5% to $122 million, with profit before tax up 57% to $133 million. The company also raised its full year forecasts on the back of a 57% jump in third quarter net profit. Diluted earnings per share came in at 0.40 cents, up 54% on the previous year's quarter.

Infosys says it now expects earnings per share to rise 47%, up from 43% previously, for the year to end of March 2005. However, the company has cut its revenue growth forecast to 46% for the year, from between 47% to 48% earlier, citing the rising rupee.

The results reveal yet another blazing quarter for Infosys, the second largest of the three providers. Most impressive is the 75% growth in European revenue over the first nine months of the year, reaching $250 million. This is certainly an indication that Europe is beginning to embrace the offshore model, yet the region is still dwarfed by North American revenues of $746 million. Infosys also managed to improve its operating margin slightly to 28% for the quarter, and expects increased earnings growth for the full year.

But it was **Wipro** that really shone through in terms of profitability. Profitability for the third largest player improved significantly in the quarter – up almost 70% to 4.8 billion rupees (£57.9 million) at the operating level, and up 66% to 4.9 billion rupees (£60.8 million) before tax. This was on revenues that grew the slowest of all three providers – up 37% to 15.7 billion rupees (£191.6 million) excluding Indian and Asia-Pacific revenues. Diluted earnings per share grew 58% to 6.04 rupees (7.4 UK pence) in the quarter.

Wipro only just exceeded consensus estimates of 33.4% revenue growth, but blew away



Source: Ovum

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the 54.5% net income growth estimates by reporting 60.4% growth in net income to 4.3 billion rupees (£52.1 million). More impressive is that the company ran at a 30% operating margin through the third quarter – ahead of the 28% margins at TCS and Infosys. And this is despite the company telling Reuters that it has had to replace 90% of its 14,340 BPO staff over the past year in the face of huge turnover.

As is the market trend, Wipro's European growth, at 54.3%, was stronger than in the US at 37.7% over the first nine months of the year. The growth pales against Infosys' successes in the region, but Wipro seems to have built a larger presence, claiming it made 11.8 billion rupees (£144.8 million) in the region over the quarter.

The largest Indian player, **Tata Consultancy Services**, grew revenues by 38% to 25.8 billion rupees (£311 million) in its third quarter. The company reported operating income up 49% to 7.4 billion rupees (£89 million), with profit before tax growing 56% to 8.4 billion rupees (£102 million) as reported in US GAAP. The company, which floated on the stock exchange in Mumbai in August, also reported earnings per share of 14.77 rupees (17.8 pence).

Profitability continues to surge impressively at TCS, but the company disappointed slightly on revenue growth, which consensus estimates predicted would be 40%. This is even more of an issue in context of the revenue growth at rivals Infosys and Wipro.

Yet TCS still leads the pack in terms of size, and across the company the business is operating well. Expansion into new offshore locations is paying dividends with five new clients added in China, four in Hungary, and two in the Uruguay development centres during the quarter.

Most offshore companies' strategies focus on growing revenues from existing clients, and indicative of this is the fact that 94% of TCS's third quarter revenues was from existing clients – thankfully new client revenue grew to 5.8% from 3.9% in the previous quarter, perhaps indicating that the company is starting to expand its revenue streams.

Overall, these three companies have published another set of results to make many S/ITS players jealous. Moreover, profitability is still going strong despite claims from pundits that the offshore model will slowly become less profitable as the larger companies spread their wings globally. These three players continue to keep ahead of the rest of the Indian offshore market and we expect more spectacular full-year results from them after March.

(Samad Masood)

2.1%
25p

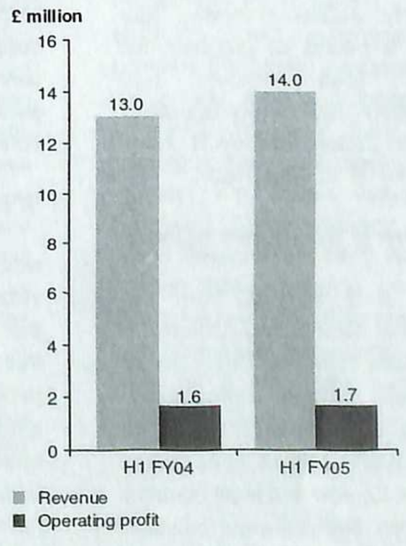
PLANIT PUTS IN A SOLID H1

Planit Holdings, supplier of software to kitchen, bathroom and bedroom designers, announced its results for the six months to end October 2004. Revenues were up 8% to £14.0 million, with operating profit (before goodwill amortisation) up 5% to £1.7 million. PBT was up 2.6% at £0.76 million, and EPS increased a shade to 1.2p from the 1.1p registered in H1 2004.

Comment: This is a good set of results from Planit. The April 2003 acquisition of Radan, which bought the company a leading player in manufacturing software for sheet metal, looks to have worked well on this side of the Atlantic. The US, however, has seen less success for Radan, and Planit has had to invest in restructuring its US sales and support operation. Going forward, the company is clear that acquisitions will remain part of its growth strategy and says it continues 'to talk to companies we believe will complement the Planit Group'.

Planit now has a solid base of organic growth too. The company will want to reverse the decline in margins (from 16% to 14%) in the UK and European operation, which accounts for just over 60% of total business. But all in all, this is one profitable and focused player that looks well placed to retain its leading position in its chosen niche.

(Phil Codling)



Source: Ovum

METHODS CONSULTING GROWS PROFITS AND REVENUES IN H1

Methods Consulting, the fast-growing associate-based consultancy, released impressive figures for its first-half FY 2005 to 31 October 2004. Turnover for H1 was up 20% year-on-year to £18.7 million, and pre-tax profit rose 74% to £1.75 million.

Profit margins showed impressive year-on-year growth. Gross margins grew from 14.1% to 17%, operating (EBIT) margin hiked from 6.4% to 9.2%, and pre-tax margin was up 2.9 percentage points at 9.4%. Net margin was a very respectable 6.5%, versus 4.3%.

Methods, formerly Methods Application, is especially strong in the public sector, where it is in the S-Cat services catalogue, with customers including the NHS and Customs & Excise.

Comment: These are very impressive results. Methods is sometimes seen as an upmarket body shop, and there's some truth in this. But it's much more complicated than that, and competitors should not write this outfit off as a glorified ITSA.

Methods uses the 'associate model' in which a core of 30 or so salaried permanent staff work alongside a pool of 300 or more self-employed associates. The model allows Methods to be – in its own words – 'agile, low cost and highly profitable'. But despite having an ITSA-like staffing model, Methods increasingly acts like a 'proper' consultancy. Some 25% of gross margins now come from fixed-price work and what it calls 'high-value SI service' work, in which it takes responsibility for delivering business results, not just billing for time and materials. As Methods grows this side of the business, it will increasingly poach work from the larger SIs.

The associate model is great, especially in hard times and at the beginning of a strong growth curve. The real question is how far this model can scale. If the core gets over-stretched by fast growth, the company risks diluting its culture, which is its strength. But if it over-expands the permanent workforce, it loses some of the cost and flexibility benefits of the associate model.

But that's a longer-term problem, and we don't want to nit-pick. Methods says it scales, so let's see. These are fine results, and show that Methods is now much more than an upmarket body shop. *(Douglas Hayward)*

NCC MARCHES FORWARD IN H1

22.1%
235p

The first six months of its life as a publicly traded company has been a period of progress for **NCC**. Total turnover has increased 23% while operating profits (before goodwill) have grown 21% to £2.8 million.

Escrow is the money spinner

NCC is a spin-off from the National Computing Centre. It specialises in the provision of software escrow agreements, where it derives c50% of its income and 73% of its operating profits. Escrow is a legal contract between the software provider, the licencee and an independent third party. In other words, NCC holds the software source code to protect the client should the supplier go bust. Other NCC services include testing solutions (including ethical hacking) and consultancy.

'It'll never happen to me'

NCC faces a similar issue to insurers who must try to overcome that commonly held human belief that disasters happen to other people. On top of this, escrow is still one of those areas that average business folk tend not to understand. Indeed, NCC clients have been known to terminate contracts simply because they don't know what escrow is.

To stand a chance of winning in this environment, NCC needs a slick, not to mention persistent, sales effort. The fact that most companies don't have a 'director of escrow' means NCC has to approach the client at many different contact points in order to sell as many agreements - covering as many applications - as possible. This really is a numbers game: NCC needs to bring in more (capable) sales people in order to keep on increasing the number of escrow agreements with each client. The average is currently 1.7 per customer – up from 1.6 last July. A recruitment drive is currently underway.

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Other divisions

Escrow is the most profitable part of the business, but there are some interesting developments going on elsewhere within the company:

- Testing (24% of turnover) – NCC has ambitions to become the biggest provider of penetration testing (ethical hacking) in the market. We were half expecting to see an acquisition here and certainly wouldn't rule it out going forward.
- IT Consultancy (30% of turnover) – at one point NCC had a utilisation rate of 90%! It's looking to reduce that to a more sustainable 78–79%. The company has retained all its big clients over the last year and is developing relationships with 'key' law firms who are attracted to its independence.

Outlook

A price rise of 8% on escrow agreements (implemented in November 2004) will filter through into the second half and lift margins. More generally, prospects are looking good with order book levels in the Testing and Consultancy businesses at record levels. The company's Board is confident the second half of the year will show a 'strong' performance – and we share their optimism.

(Kate Hanaghan)

1.3%
198p

VEGA

VEGA OUTPERFORMS ALL EXPECTATIONS

Vega Group, the technology and consulting company focused on the government, defence and space sectors, has released results for the six months to 31 October 2004 revealing turnover, profits and cash generation all ahead of expectations. Turnover increased by 16% to £24.5 million and 12% on an organic basis (with Anite Systems contributing £0.9 million of additional turnover). Operating profit before goodwill amortisation increased by 47% to £1.7 million and by 32% on an organic basis (with a £0.2 million contribution from Anite Systems). This resulted in a significant increase in operating margins. Pre-tax profits increased by 68% to £1.3 million while diluted EPS increased from 2.40p to 3.75p.

Across the divisions performance was as follows:

- Government & Defence: Turnover was up 25% to £14.7 million reflecting an increasing demand from existing customers as well as a number of new wins. Demand was particularly buoyant in the defence consulting business for command & control systems and for national security & intelligence offerings. Though order intake was down, this reflected an increased level of time & materials contracts compared to some of the major wins announced last year. Operating margins decreased from 11.2% to 9.5% as Vega continued to invest for growth.

- Space: Turnover was up 6% to £9.8 million though without the contribution of Anite Systems, this equated to a slight organic decline. Vega puts this down to the weaker euro. Nonetheless, the Anite Systems acquisition has reaped rewards with the division getting the first joint win under its belt with European Space Agency and new orders are up slightly on the same period last year. The Space division's operating margin improved from 2.3% to 5.4% as the new business in France started to show a return.

Chairman Andy Roberts commented, *"The Board remains confident of a good performance for the remainder of the year and of the future prospects of the Group".*

Comment: This is a strong performance from Vega outstripping all expectations. The company is proving that it can win business in its own right (as prime contractor) but is also an attractive partner for the larger S/ITS suppliers looking for specialist expertise. For example, in the UK Government sector, Vega has secured work with Accenture on the National Programme for IT (NPfIT) in the NHS. We expect the company to continue this strong performance particularly if it can generate additional revenues from the numerous framework deals won of late, e.g. those with the European Space Agency, the Inland Revenue and NHS Wales. Though these contracts do not guarantee revenues, they confirm that customers increasingly see Vega as a long-term partner.

(Georgina O'Toole)

S/ITS M&A: FIT AND HEALTHY

While the majority of us struggle with January diets and detox, UK M&A activity is showing a decidedly encouraging level of health and fitness. Across the European technology sector as a whole, acquisitions are at an all time high (2,405 transactions recorded) – 69% up on 2003 and beating even the levels recorded during 2000. But this time around, the context is very different.

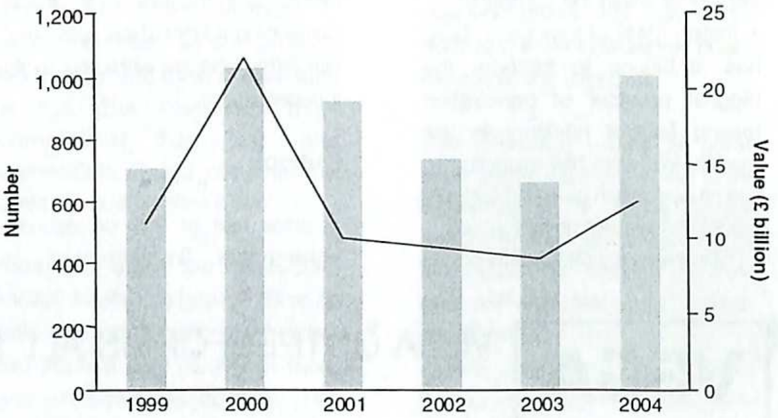
The total value of S/ITS deals involving European companies in 2004 was $22.45 billion – that's a substantial increase on 2003's $15.43 billion total. In addition, research by M&A advisors, Regent Associates for the whole of 2004 shows that the number of deals involving UK S/ITS companies as either buyer or seller was up 36% to 358. The UK was the most active market, representing 27% of all buyers and 29% of all sellers. The US was responsible for 17% of the European S/ITS companies acquired.

But how times have changed. Back in 2000, when many buyers were wearing their 'dotcom goggles', the value of deals involving European S/ITS companies was a staggering $57.6 billion (although only 22 more deals were made). After three years of decreases (in values and numbers), 2004 at long last saw buyers having confidence to invest for the future and sellers believing they were now being offered a fair price.

Gone is the 'super deal'

After three years of kicking around the low twenties, the number of European S/ITS acquisitions worth between $100 million and $1 billion has taken a healthy jump upwards – to 41. That's still some way off

European S/ITS acquisitions in 2004 back to 2000 levels



Source: Regent Associates

the 57 recorded in 2000. But a more significant difference is noticeable in the number of very large deals – i.e. those worth more than $1 billion. In 2000, there were ten S/ITS companies sold for more than the magic $1 billion threshold. Last year, there was just one.

Another sign that the corner had been turned was evidenced by that reliable barometer of the sector – the ITSA (or recruitment and resourcing) sector. Here deals were up an impressive 173% on 2003.

Software companies were, as usual, in demand – particularly those with a distinct vertical focus where deals increased by 154%.

2005 – a recipe for a healthy M&A diet

There is no reason why we shouldn't continue to see lots of M&A activity throughout this year. Indeed, looking at some of the basic indicators, we could well be in for an increase in activity. The IT industry has now reached a level of maturity, and growth for many players will have to come through consolidation. Peter Rowell from Regent said: *"There is plenty of cash around at present. The top ten US technology companies currently have available cash of $150 billion whilst the European VC industry is reportedly sitting on some euro39 billion."* Mind you, there are a fair few VC-backed private companies looking for a sale too. VC buying from VC – unknown just a few years back – is now becoming popular.

Realistic price expectations from both buyer and seller indicate that 2005 could well be an even busier year for S/ITS M&A.

(Kate Hanaghan and Richard Holway)

We are indebted to **Regent Associates**, M&A advisors to European technology organisations, for providing us exclusively with data on M&A activity.
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Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Computer Software Group	Alveston Holdings	Bristol-based software developer to UK membership and charity organisations.	100%	£4.8m. The payment comprises £1.65m in cash with the rest in shares.	This brings CSG's acquisition tally to more than five companies in almost two years. The March 2004 acquisition of JBS, with its ERP suite helped to bulk up the financial systems business, giving more balance. Alveston should do the same - as well as opening up cross-selling opportunities - for the company's Not For Profit solutions division. It should be noted, however, that the Alveston acquisition is more than twice the size of JBS, while also giving Alveston's managers Geoffrey Iles and Colin Black 10.99% of the enlarged company.
EDS	Towers Perrin	US-based HR, reinsurance and consulting firm.	Most of Towers Perrin's HR admin business	$420m	EDS is creating a new company to tackle the human resources outsourcing market. The company brings together the Administration Solutions business of Towers Perrin with EDS' existing payroll and HR outsourcing business. Combined revenues will total $600m, with half coming from EDS and half from Towers Perrin. EDS will own 85% of the new business, with Towers Perrin laying claim to the rest. This move underlines the seriousness of EDS' intent in the emerging HR BPO market.
LB Icon	Wheel Communications	Specialises in web-based projects for corporate clients including Marks & Spencer, Unilever and BT.	100%	n/a	LB Icon is positioning itself as the chief independent European consolidator of the sector once known as new media. Although it's a cliché that brings back memories of dot com hype, it's nevertheless true to say that the larger IT services players still sometimes struggle to master this area. This new-media market won't remain a distinct niche forever. But if LB Icon can get back to sustained profitability, and if it continues to acquire profitable or near-profitable outfits to create pan-European scale, it should survive.
LogicaCMG	Edinfor SA	The IT business of Energias de Portugal (EDP).	60%	£57m in cash	From a strategic perspective, it broadens the geographical reach of LogicaCMG's energy & utilities business, which already accounts for c15% of total revenues but which has been predominantly focused on the UK, Benelux and 'Rest of World' (mainly Australia) to date. From a financial perspective, LogicaCMG looks to have negotiated a good deal. Even leaving aside the bonus of the major outsourcing deal associated with the acquisition, the valuation looks reasonable based on a price-to-sales ratio of 0.77.
S&T Systems Integration & Technology Distribution AG	Computacenter	Corporate reseller	100% of Computacenter's Austrian subsidiary	n/a	ST&T is a local hardware distributor and services company. Computacenter GmbH employs 220 people in Vienna, Linz, Salzburg, Graz, Klagenfurt and Innsbruck, and had a net asset value of euros 2.7m as of 31 December 2003. Austria accounted for 2%, or £50m, of Computacenter's revenue in 2003.
Sage	Simultan	Vendor of accounting and payroll solutions for small to medium-sized businesses (SMEs) in the Swiss market	100%	£10.7m in cash	This looks like a good fit and is a classic Sage acquisition. A PSR of almost 1.0 doesn't seem excessive and there looks to be plenty of upside in extending the base of support contracts and in upsell to current Sage customers.
Syan	Generation 9 Computer Services	Specialises in technical design, installation and support of networks	100%	n/a	This latest deal follows Syan's acquisition of NetSoft Systems, which now operates as its IT support and infrastructure unit serving SMEs, last September. As we predicted in our *Market Trends Preview 2005*, consolidation in the support services market will not be confined to the larger players. At the tail-end of last year we got a taste of this when Digica acquired Fox IT's managed services business. Smaller players with specialist skills will increasingly become sought-after targets. Expect to see more acquisitions this year by players such as Phoenix IT, 2e2 and perhaps even Syan again.
Torex Retail	Flexiline Forecourt Services Limited	Provides installation and servicing of equipment in petrol filling stations	100%	£2.1m: half in cash and half by the issue of 1.3m new Torex Retail shares.	For the year to 31 October 2004, Flexiline had sales of £2.5m and will become part of Torex Retail's Petroleum and Convenience division. While it faces stiff competition from the internal service departments of pump companies, Torex Retail is confident the acquisition will help it win new business from the major oil companies. Services will include the development and refurbishment of forecourts and the installation of outdoor payment terminals.

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Adamind	Media adaptation software for mobiles and PDAs	SP	AIM	N/a	N/a	18-Feb-05

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Jan 05	Change since IPO
India Outsourcing Services	Indian BPO shell	CS	AIM	10p	£1.5m	06-Dec-04	22p	120%
Sanderson Group	Enterprise application software	SP	AIM	50p	£120.0m	14-Dec-04	67p	34%
DAT Group	Mobile phone device management software	SP	AIM	130p	£25.0m	15-Dec-04	236p	82%

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				
	Interim - Oct 03	Final - Apr 04	Interim - Oct 04	Comparison
REV	£199,128,000	£188,763,000	£188,763,000	-5.2%
PBT	-£112,480,000	-£28,763,000	-£28,763,000	Loss both
EPS	-34.20p	-8.60p	-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				
	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£10,457,000	£22,643,000	£12,624,000	+20.7%
PBT	-£407,000	-£117,000	£196,000	Loss to profit
EPS	-0.52p	-0.15p	0.46p	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				
	Final - Sep 03		Final - Sep 04	Comparison
REV	£90,304,000		£75,760,000	-16.1%
PBT	£9,317,000		-£2,059,000	-122.1%
EPS	11.30p		-8.70p	-177.0%
Clarity Commerce plc				
	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£4,853,000	£13,325,000	£8,236,000	+69.7%
PBT	£194,000	£511,000	£306,000	+57.7%
EPS	1.12p	2.49p	1.41p	+25.9%
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				
	Interim - Sep 03	Final - Mar 04	Interim - Sep 03	Comparison
REV	£22,304,000	£53,523,000	£32,620,000	+46.3%
PBT	£3,160,000	£8,775,000	£3,617,000	+14.5%
EPS	10.00p	35.30p	13.40p	+34.0%
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 03		Final - Sep 04	Comparison
REV	£1,287,248,741		£1,386,910,700	+7.7%
PBT	-£244,385,906		-£2,449,390	Loss both
EPS	-17.68p		-1.56p	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				
	Final - Jun 03		Final - Jun 04	Comparison
REV	£512,881		£925,611	+80.5%
PBT	-£12,932,259		-£6,636,211	Loss both
EPS	-6.40p		-1.50p	-76.6%
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 03		Final - Sep 04	Comparison
REV	£8,686,000		£8,319,000	-4.2%
PBT	£284,000		£1,032,000	+263.4%
EPS	3.97p		2.61p	-34.3%
Empire Interactive plc				
	Interim Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£18,826,000	£30,438,000	£12,127,000	-35.6%
PBT	£2,101,000	£611,000	-£883,000	Profit to loss
EPS	3.10p	1.57p	-1.30p	Profit to loss
Epic Group plc				
	Final - May 03		Final - May 04	
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				
	Interim - Sep 03	Final - Mar 04	Interim Sep 04	Comparison
REV	£2,581,000	£5,388,000	£1,921,000	-25.6%
PBT	-£663,000	-£382,000	-£809,000	Loss both
EPS	-2.10p	-1.00p	-2.80p	Loss both

GB Group plc				
	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£5,537,000	£11,916,000	£5,232,000	-5.5%
PBT	-£242,000	-£10,000	-£231,000	Loss both
EPS	-0.30p	0.00p	-0.20p	Loss both
Gladstone Plc				
	Final - Aug 03		Final - Aug 04	Comparison
REV	£7,935,138		£7,649,463	-3.6%
PBT	£183,583		£498,926	+171.8%
EPS	0.45p		1.19p	+164.4%
Glotel plc				
	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£41,796,000	£90,499,000	£58,141,000	+39.1%
PBT	£135,000	£754,000	£1,170,000	+766.7%
EPS	0.10p	1.20p	2.10p	+2000.0%
Group NBT 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
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	-1.10p	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				
	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£4,754,000	£8,559,000	£4,496,000	-5.4%
PBT	-£102,000	-£293,000	-£195,000	Loss both
EPS	-0.52p	-1.50p	-0.83p	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%
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%
IDOX plc				
	Final - Oct 03		Final - Oct 04	Comparison
REV	£4,472,305		£9,555,000	+113.6%
PBT	-£595,060		£89,000	Loss to Profit
EPS	-0.42p		0.23p	Loss to Profit
Innovation Group plc (The)				
	Final - Sep 03		Final - Sep 04	Comparison
REV	£58,514,000		£58,051,000	-.8%
PBT	-£24,088,000		-£7,349,000	Loss both
EPS	-7.67p		-1.98p	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				
	Interim - Sep 03	Final - Mar 04	Interim - Sep 03	Comparison
REV	£878,000	£1,605,000	£535,000	-39.1%
PBT	-£269,000	-£661,000	-£558,000	Loss both
EPS	-0.80p	-2.90p	-1.10p	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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

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%

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

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%

Knowledge Technology Solutions Plc

	Final - Jun 03	Final - Jun 04	Comparison
REV	£150,708	£770,185	+379.2%
PBT	-£705,651	-£904,161	Loss both
EPS	-0.73p	-0.71p	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

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

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

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

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

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

Planit Holdings plc

	Final - Apr 03	Final - Apr 04	Comparison
REV	£20,417,000	£26,926,000	+31.9%
PBT	-£571,000	£1,547,000	Loss to profit
EPS	-0.60p	1.00p	Loss to profit

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%

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

Prologic plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£3,225,000	£7,542,000	£3,628,000	+12.5%
PBT	N/a	£676,000	-£16,000	#VALUE!
EPS	N/a	N/a	N/a	Profit to Loss

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%

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

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

Total Systems plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£2,000,586	£3,843,856	£1,696,642	-15.2%
PBT	£381,061	£715,938	£136,878	-64.1%
EPS	2.50p	4.94p	1.03p	-58.8%

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 to profit
EPS	-1.70p	0.60p	-2.30p	Loss to profit

QA plc

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

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

Mediasurface plc

	Final - Sep 03	Final - Sep 04	Comparison
REV	£5,150,933	£5,403,482	+4.7%
PBT	-£2,229,267	-£737,394	Loss both
EPS	-2.40p	-0.60p	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

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

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

Raft International plc

	Final - Oct 03	Final - Oct 04	Comparison
REV	£8,562,000	£7,261,000	-15.2%
PBT	-£999,000	-£991,000	Loss both
EPS	-1.47p	-1.45p	Loss both

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

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

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%

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

Misys plc

	Interim - Nov 04	Final - May 04	Final - Nov 05	Comparison
REV	£471,100,000	£899,900,000	£437,000,000	-7.2%
PBT	£14,400,000	£23,100,000	£12,700,000	-11.8%
EPS	4.10p	4.30p	1.40p	-65.9%

RM plc

	Final - Sep 03	Final - Sep 04	Comparison
REV	£215,494,000	£263,264,000	+22.2%
PBT	£6,219,000	£7,054,000	+13.4%
EPS	5.20p	4.30p	-17.3%

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%

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

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	0.03529418

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

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

Sage Group plc

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

Universe Group plc

	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

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%

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

Vega Group plc

	Interim - Oct 03	Final - Apr 04	Interim - Oct 04	Comparison
REV	£21,093,000	£44,127,000	£24,519,000	+16.2%
PBT	£763,000	£1,918,000	£1,280,000	Loss to profit
EPS	2.40p	5.74p	3.73p	Loss to profit

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

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

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

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

Sirius Financial Systems plc

	Final - Dec 02	Final - Dec 03	Comparison
REV	£22,683,192	£20,523,966	-9.5%
PBT	£1,893,520	-£581,160	Profit to Loss
EPS	5.90p	-3.90p	Profit to Loss

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

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

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

Warthog plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£4,955,746	£5,674,899	£1,762,001	-64.4%
PBT	-£2,624,064	-£9,242,673	-£2,617,496	Loss both
EPS	-5.37p	-12.87p	-0.25p	Loss both

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

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

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%

Northgate Information Solutions plc

	Interim - Oct 03	Final - Apr 04	Interim - Oct - 04	Comparison
REV	£50,564,000	£93,611,000	£96,816,000	+91.5%
PBT	£402,000	-£10,086,000	£3,881,000	+865.4%
EPS	0.10p	-2.86p	0.24p	+140.0%

Spring Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£145,749,000	£360,197,000	£229,194,000	+67.3%
PBT	-£4,538,000	-£18,946,000	£1,548,000	Loss to profit
EPS	-2.67p	-12.92p	1.03p	Loss to profit

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

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

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

Xansa plc

	Interim - Oct 03	Final - Apr 04	Interim - Oct 04	Comparison
REV	£225,700,000	£419,500,000	£189,500,000	-16.0%
PBT	-£12,400,000	-£29,000,000	£4,900,000	Loss to profit
EPS	-4.75p	-11.92p	1.15p	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

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

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

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

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

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

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

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	+60.3%

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

Phoenix IT

	Interim - Sep 03	Final - Mar 03	Interim - Sep 04	Comparison
REV	£29,100,000	£58,300,000	£41,500,000	+42.6%
PBT	£5,310,000	£9,314,000	£6,423,000	+21.0%
EPS	N/a	N/a	N/a	N/a

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

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Jan-05	Capitalisation 31-Jan-05	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jan-05	Share price move since 31-Dec-04	Share price % move in 2004	Capitalisation move since 31-Dec-04
AIT Group	CS	£0.38	£19.66m	5.2	1.00	246	20.97%	20.97%	£3.41m
Alphameric	SP	£0.86	£102.17m	-	1.62	394	7.50%	7.50%	£7.43m
Alterian	SP	£1.07	£41.96m	-	7.40	535	4.39%	4.39%	£1.80m
Anite Group	CS	£0.58	£204.55m	-	1.08	339	2.20%	2.20%	£4.41m
Argonaut Games	SP	£0.03	£3.04m	-	0.57	33	0.00%	0.00%	£0.00m
Atlantic Global	SP	£0.37	£8.36m	29.9	4.27	1237	-3.95%	-3.95%	-£0.34m
AttentiV Systems	SP	£0.54	£32.41m	11.1	1.26	787	-17.69%	-17.69%	-£6.97m
Autonomy Corporation	SP	£1.73	£185.80m	65.0	5.53	53	2.53%	2.53%	£4.58m
Aveva Group	SP	£6.81	£149.00m	44.4	3.91	3405	3.34%	3.34%	£6.44m
Axon Group	CS	£1.80	£93.49m	29.0	1.86	1026	21.28%	21.28%	£16.41m
Bond International	SP	£1.02	£25.59m	25.5	3.64	1562	23.78%	23.78%	£4.92m
Brady	SP	£1.10	£30.55m	-	12.80	1352	20.99%	20.99%	£5.30m
Business Systems	CS	£0.17	£14.31m	14.7	0.63	143	13.33%	13.33%	£1.68m
Capita Group	CS	£3.59	£2,379.09m	35.4	2.20	96910	-1.98%	-1.98%	-£48.11m
Charteris	CS	£0.45	£19.14m	54.9	1.57	494	15.58%	15.58%	£2.58m
Chelford Group	CS	£2.30	£15.23m	32.9	1.54	40000	79.69%	79.69%	£6.75m
Civica	CS	£2.28	£102.96m	-	1.14	1300	-0.44%	-0.44%	-£0.45m
Clarity Commerce	SP	£0.67	£10.60m	23.4	1.68	532	-1.48%	-1.48%	-£0.16m
Clinical Computing	SP	£0.30	£9.30m	-	5.01	238	-9.23%	-9.23%	-£0.95m
CMS Webview	CS	£0.02	£1.40m	-	0.86	125	7.69%	7.69%	£0.10m
CODASciSys	CS	£3.63	£92.07m	28.8	1.35	2810	7.41%	7.41%	£6.35m
Comino	SP	£2.25	£31.28m	33.6	1.28	1731	2.51%	2.51%	£0.76m
Compel Group	CS	£0.92	£30.89m	-	0.49	732	0.00%	0.00%	£0.55m
Computacenter	R	£3.15	£599.18m	12.3	0.31	470	8.25%	8.25%	£49.37m
Computer Software Group	SP	£0.63	£27.70m	18.3	7.03	532	1.63%	1.63%	£0.66m
Corpora	SP	£0.22	£8.31m	-	16.66	579	41.94%	41.94%	£2.72m
DCS Group	CS	£0.14	£3.38m	-	0.06	225	28.57%	28.57%	£0.75m
Dealogic	SP	£1.78	£124.19m	-	4.04	772	31.48%	31.48%	£29.74m
Delcam	SP	£1.90	£11.49m	8.4	0.56	731	-3.06%	-3.06%	-£0.36m
Detica	CS	£7.53	£168.20m	18.8	3.14	1881	-2.59%	-2.59%	-£4.47m
Dicom Group	R	£8.89	£185.33m	46.1	1.19	2725	8.61%	8.61%	£14.70m
Dimension Data	R	£0.42	£560.44m	-	0.44	74	9.87%	9.87%	£50.34m
DRS Data & Research	SP	£0.38	£12.96m	7.4	0.96	341	-8.54%	-8.54%	-£1.21m
Earthport	SP	£0.01	£6.82m	-	7.36	9	-26.56%	-26.56%	-£2.47m
Easyscreen	SP	£0.15	£13.84m	-	6.27	85	-3.33%	-3.33%	-£0.48m
Eidos	SP	£0.71	£101.16m	-	0.60	3561	-10.94%	-10.94%	-£12.69m
Electronic Data Processing	SP	£0.79	£19.16m	30.1	2.20	2404	5.37%	5.37%	£0.98m
Empire Interactive	SP	£0.09	£6.02m	-	0.24	148	-11.25%	-11.25%	-£0.76m
Epic Group	CS	£0.90	£21.07m	22.5	2.89	857	-2.70%	-2.70%	-£0.59m
Eurolink Managed Services	CS	£0.38	£132.68m	31.8	18.03	375	2.74%	2.74%	£3.54m
Flastfill	SP	£0.07	£13.14m	-	4.96	56	5.88%	5.88%	£0.73m
Financial Objects	SP	£0.53	£14.75m	-	1.41	230	2.91%	2.91%	£0.42m
Flightstore Group	SP	£0.02	£2.01m	-	7.33	182	6.67%	6.67%	£0.13m
Flomerics Group	SP	£0.66	£9.67m	21.9	0.95	2538	-0.75%	-0.75%	-£0.07m
Focus Solutions Group	SP	£0.36	£9.87m	-	1.83	182	-10.13%	-10.13%	-£1.11m
GB Group	SP	£0.28	£22.18m	277.5	1.86	179	9.90%	9.90%	£2.00m
Gladstone	SP	£0.27	£11.78m	22.1	1.37	669	17.58%	17.58%	£1.77m
Glotel	A	£1.02	£38.99m	30.0	0.43	530	0.00%	0.00%	£0.00m
Gresham Computing	CS	£2.93	£145.26m	-	14.24	3145	5.98%	5.98%	£8.19m
Group NBT	CS	£1.38	£26.56m	38.2	3.46	688	32.85%	32.85%	£6.57m
Harrier Group	CS	£0.17	£5.06m	13.2	0.56	134	-9.21%	-9.21%	-£0.51m
Harvey Nash Group	A	£0.92	£57.35m	-	0.44	523	1.10%	1.10%	£0.63m
Highams Systems Services	A	£0.06	£1.99m	-	0.18	174	13.64%	13.64%	£0.24m
Horizon Technology	CS	£0.82	£60.30m	-	0.30	301	5.48%	5.48%	£7.97m
I S Solutions	CS	£0.14	£3.41m	-	0.57	512	-5.17%	-5.17%	-£0.19m
ICM Computer Group	CS	£4.15	£86.36m	29.0	1.11	2306	1.22%	1.22%	£1.08m
I-Document Systems	SP	£0.12	£23.11m	53.8	5.17	16	11.24%	11.24%	£2.91m
In Technology	CS	£0.56	£78.26m	-	0.50	2220	-26.97%	-26.97%	-£27.30m
Innovation Group	SP	£0.36	£159.13m	-	2.72	158	4.32%	4.32%	£6.58m
Intelligent Environments	SP	£0.05	£7.52m	-	2.82	55	-18.00%	-18.00%	-£1.65m
Interactive Digital Solutions	SP	£0.01	£2.94m	-	12.1	590	-9.23%	-9.23%	-£0.30m
Intercede Group	SP	£0.20	£9.82m	-	5.4	325.0	5.41%	5.41%	£0.50m
Invu	SP	£0.19	£16.82m	-	8.42	2026	-16.30%	-16.30%	-£1.30m
IQ-Ludorum	SP	£0.01	£1.06m	-	0.42	18	-13.11%	-13.11%	-£0.16m
iSOFT Group	SP	£3.69	£853.92m	121.5	5.72	3350	6.81%	6.81%	£53.89m
ITNET	CS	£3.23	£236.91m	-	1.26	921	-1.53%	-1.53%	-£3.67m
iTrain	SP	£0.08	£6.30m	-	7.36	94	-1.54%	-1.54%	-£0.10m

Note: We calculate PSR as market capitalisation divided by sales in the most recently announced financial year.
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 31-Jan-05	Capitalisation 31-Jan-05	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jan-05	Share price move since 31-Dec-04	Share price % move in 2004	Capitalisation move since 31-Dec-04
K3 Business Technology	SP	£0.96	£12.72m	9.6	1.82	730	-9.05%	-9.05%	-£1.27m
Kewill	SP	£0.62	£48.54m	18.7	2.19	1220	7.86%	7.86%	£1.76m
Knowledge Technology Solutions	SP	£0.08	£11.12m	-	69.50	1500	36.36%	36.36%	£2.97m
LogicaCMG	CS	£1.77	£1,325.37m	-	0.78	2417	-8.43%	-8.43%	-£121.01m
Lorien	A	£0.50	£9.31m	-	0.10	500	-4.76%	-4.76%	-£0.47m
Macro 4	SP	£2.33	£43.36m	122.6	1.39	940	27.67%	27.67%	£9.40m
Manpower SoftWare	SP	£0.33	£14.56m	32.8	2.83	338	3.97%	3.97%	£0.56m
Marlborough Stirling	SP	£0.32	£72.04m	31.8	0.63	227	-10.56%	-10.56%	-£8.45m
Mediasurface	CS	£0.12	£8.99m	-	1.50	864	56.67%	56.67%	£3.25m
Microgen	CS	£0.62	£62.47m	-	2.37	263	8.85%	8.85%	£5.08m
Minorplanet Systems	SP	£0.07	£9.86m	-	0.11	135	55.88%	55.88%	£3.53m
Misys	SP	£2.16	£1,204.18m	126.8	1.19	2681	2.99%	2.99%	£34.92m
Mondas	SP	£0.21	£5.49m		1.38	280	13.51%	13.51%	£0.65m
Morse	R	£1.16	£151.39m	23.6	0.39	462	20.31%	20.31%	£25.56m
MSB International	A	£0.64	£13.02m	47.0	0.20	334	-23.49%	-23.49%	-£4.00m
NCC Group	CS	£2.35	£76.62m	-	5.00	1407	22.08%	22.08%	£13.86m
Ncipher	SP	£2.32	£62.29m	-	4.80	926	9.72%	9.72%	£5.52m
Netcall	SP	£0.20	£13.15m	-	5.45	404	5.26%	5.26%	£0.68m
Netstore	CS	£0.39	£37.50m	-	2.64	257	1.99%	1.99%	£0.73m
Northgate Information Solutions	CS	£0.66	£327.74m	-	2.40	252	1.55%	1.55%	£7.03m
NSB Retail Systems	SP	£0.29	£102.81m	-	1.60	2543	10.38%	10.38%	£9.67m
OneclickHR	SP	£0.04	£6.14m	-	1.28	103	17.86%	17.86%	£0.93m
Parity	A	£0.07	£11.13m	28.9	0.06	1208	-26.58%	-26.58%	-£4.03m
Patsystems	SP	£0.13	£18.50m	-	1.73	117	2.04%	2.04%	£0.37m
PC Medics Group	CS	£0.01	£1.88m	-	1.62	255	7.69%	7.69%	£0.13m
Phoenix IT	CS	£2.60	£160.45m	-	2.75	963	-5.11%	-5.11%	-£9.19m
Pilat Media Global	SP	£0.39	£19.44m	8.3	2.06	1925	4.05%	4.05%	£0.76m
Pixology	SP	£1.62	£32.30m	-	12.77	1157	-15.67%	-15.67%	-£6.00m
Planit Holdings	SP	£0.25	£22.45m	24.5	1.10	1021	2.08%	2.08%	£0.46m
Prologic	CS	£0.71	£7.10m	-	0.94	855	-8.39%	-8.39%	-£0.65m
PSD Group	A	£3.00	£74.99m	60.0	1.99	1364	15.38%	15.38%	£10.00m
QA	CS	£0.03	£9.31m	-	0.32	15	4.00%	4.00%	£0.36m
Quantica	A	£0.54	£21.75m	17.8	0.83	431	15.05%	15.05%	£2.85m
Raft International	SP	£0.11	£7.20m	-	0.99	173	27.94%	27.94%	£1.57m
Red Squared	CS	£0.09	£2.41m	-	1.05	467	-5.56%	-5.56%	-£0.14m
Retail Decisions	SP	£0.36	£105.37m	42.2	3.46	490	27.19%	27.19%	£22.53m
RM	SP	£1.84	£164.60m	41.7	0.76	5243	5.76%	5.76%	£8.97m
Royalblue Group	SP	£4.38	£142.97m	17.7	2.53	2574	-1.69%	-1.69%	-£2.45m
Sage Group	SP	£1.98	£2,538.70m	19.9	4.53	75962	-2.35%	-2.35%	-£61.06m
SDL	CS	£1.37	£76.60m	-	1.19	913	2.24%	2.24%	£1.68m
ServicePower	SP	£0.34	£25.05m	-	5.59	340	0.00%	0.00%	£0.00m
Sirius Financial	SP	£0.87	£15.02m	-	0.73	577	3.59%	3.59%	£0.52m
SiRViS IT plc	CS	£0.07	£8.13m	11.7	2.5	62.0	16.33%	16.33%	£1.14m
Sopheon	SP	£0.26	£28.40m	-	4.22	367	7.37%	7.37%	£1.95m
Spring Group	A	£1.02	£160.37m	-	0.46	1133	10.87%	10.87%	£15.72m
StatPro Group	SP	£0.35	£11.40m	38.3	1.35	431	2.99%	2.99%	£0.33m
Stilo International	SP	£0.04	£3.61m	-	1.58	80	-11.11%	-11.11%	-£0.45m
Superscape VR	SP	£0.48	£34.58m	-	31.4	239.9	-20.17%	-20.17%	-£8.74m
SurfControl (was JSB)	SP	£6.00	£176.63m	37.7	3.69	3000	9.09%	9.09%	£11.78m
Systems Union	SP	£1.10	£118.10m	22.4	1.70	846	-4.76%	-4.76%	-£5.60m
Tadpole Technology	SP	£0.07	£25.77m	-	4.84	166	-31.25%	-31.25%	-£11.71m
Telecity	CS	£0.20	£54.42m	-	2.31	26	6.67%	6.67%	£3.40m
Tikit Group	CS	£1.51	£18.64m	28.9	1.95	1309	-6.23%	-6.23%	-£1.24m
Torex Retail	SP	£0.93	£301.78m	-	30.48	2313	22.11%	22.11%	£54.65m
Total Systems	SP	£0.48	£5.00m	13.6	1.30	896.2	-11.21%	-11.21%	-£0.63m
Touchstone Group	SP	£0.92	£10.13m	-	0.71	871	-1.61%	-1.61%	-£0.17m
Trace Group	SP	£0.81	£12.23m	17.2	0.79	644	0.00%	0.00%	£0.00m
Triad Group	CS	£0.60	£15.28m	39.5	0.42	444	4.35%	4.35%	£0.64m
Tribal Group	CS	£1.33	£99.70m	-	0.54	806	-7.64%	-7.64%	-£8.04m
Ultima Networks	R	£0.02	£3.83m	11.7	1.89	46	0.00%	0.00%	£0.00m
Ultrasis Group	SP	£0.00	£3.14m	-	3.57	7	4.48%	4.48%	£0.13m
Universe Group	SP	£0.20	£11.94m	-	0.28	867	-3.70%	-3.70%	-£0.42m
Vega Group	CS	£1.98	£40.19m	27.9	1.13	1619	1.28%	1.28%	£0.51m
VI group	SP	£0.13	£4.84m	-	0.55	260	-8.77%	-8.77%	-£0.47m
Vianet	CS	£0.05	£3.28m	-	99.64	41	-15.22%	-15.22%	-£0.59m
Wealth Management Software	SP	£0.14	£6.67m	-	0.91	106	14.58%	14.58%	£0.85m
Workplace Systems	SP	£0.16	£27.99m	-	2.62	0	-8.82%	-8.82%	-£2.71m
Xansa	CS	£0.91	£310.25m	8.3	0.74	2340	-1.88%	-1.88%	-£7.23m
XKO Group	SP	£0.86	£23.56m	-	0.55	570	17.93%	17.93%	£3.58m
XN Checkout Holdings	SP	£2.23	£53.07m	-	3.85	2276	48.17%	48.17%	£17.25m
Xpertise Group	CS	£0.01	£2.61m	-	0.57	25	-16.67%	-16.67%	-£0.52m

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INDEX KICKS OFF THE NEW YEAR IN POSITIVE TERRITORY

The Ovum Software and IT Services Index survived the first month of the year with a gain of 4.37% over the last month of 2004. This performance was mirrored (to varying degrees) by the related indices: FTSE 100 +0.38%, techMARK 100 +3.38% and the FTSE IT SCS +0.81%.

31-Jan-05	
S/ITS Index	5140.47
FTSE IT (SCS) Index	489.72
techMARK 100	1236.84
FTSE 100	4832.80
FTSE AIM	1072.40
FTSE SmallCap	2870.35

SCSI Index =1000 on 15th April 1989

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (04/01/05 to 31/01/05)	+4.37%	+0.38%	+3.38%	+0.81%	+6.62%	+4.07%
From 15th Apr 89	+414.05%	+135.33%				
From 1st Jan 90	+458.69%	+104.61%				
From 1st Jan 91	+626.19%	+123.70%				
From 1st Jan 92	+391.98%	+93.85%				
From 1st Jan 93	+222.57%	+69.78%				+106.89%
From 1st Jan 94	+207.89%	+41.38%				+53.60%
From 1st Jan 95	+242.89%	+57.65%				+64.36%
From 1st Jan 96	+127.61%	+31.00%	+56.71%		+12.48%	+47.84%
From 1st Jan 97	+91.99%	+17.34%	+35.22%		+9.87%	+31.48%
From 1st Jan 98	+69.37%	-5.89%	+29.65%	-51.03%	+8.10%	+24.08%
From 1st Jan 99	+30.42%	-17.85%	-15.05%	-66.13%	+33.78%	+38.60%
From 1st Jan 00	-55.19%	-30.26%	-67.27%	-86.83%	-44.51%	-7.34%
From 1st Jan 01	-38.60%	-22.33%	-51.79%	-74.87%	-25.41%	-9.83%
From 1st Jan 02	+7.14%	-7.37%	-16.02%	-42.00%	+19.45%	+11.29%
From 1st Jan 03	+89.49%	+22.65%	+90.64%	+43.94%	+77.87%	+57.66%
From 1st Jan 04	+9.92%	+7.95%	+21.86%	-2.76%	+28.37%	+15.97%
From 1st Jan 05	+4.37%	+0.38%	+3.38%	+0.81%	+6.62%	+4.07%

End Jan 05	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 Since 1/1/05	Move in Jan 05
System Houses	18.3%	-53.9%	-38.0%	11.7%	122.6%	16.0%	5.8%	5.8%
IT Staff Agencies	-67.9%	-72.1%	-55.5%	-19.8%	20.7%	-20.9%	0.1%	0.1%
Resellers	98.5%	-4.4%	26.5%	40.8%	90.3%	-0.7%	9.4%	9.4%
Software Products	75.9%	-57.7%	-69.3%	-1.0%	63.9%	1.0%	3.8%	3.8%
Holway S/ITS Index	30.4%	-55.2%	-38.6%	7.1%	89.5%	9.9%	4.4%	4.4%

Of the categories we follow, it is the resellers that must go to the top of the class for their share price performance in January. They registered an average improvement of more than 9% (software companies 3.76%, staffing agencies 0.13%, services companies 5.75%). Morse gained 20% when it updated the market on its performance for the six months to 31 December 2004. The company is promising an increase in both revenues and profits for the period. It looks as though the initial integration of Diagonal is now complete, but it's still early days. Morse must ultimately become an organisation where services are driving enough profitability to compensate for the diminishing returns and increasing commoditisation of the resale market.

The best performance, however, was by Chelford Group with its 80% increase to 230p. The company is expected to turn in a "significant improvement" in revenues and PBT for the year to 31 December 2004.

At the other end of the spectrum, the biggest loser of the month was Tadpole Technology (-31% to 7p). The streaming software supplier has had to put in place emergency funding following a revision of its working capital forecasts. It was also hit by delayed and disappointing sales. Parity was another notable loser. It saw 27% shaved off its share price (to 7p) during January. The solutions, training and staffing company released a trading statement warning that it expects to report a loss after discontinued operations but before goodwill amortisation and tax of c£6.5 million in 2004. This compares to a small operating profit of £546,000 in the year to 31 December 2003. Further cost cutting is all very well but some more fundamental changes will be needed to get the Group firing on all cylinders. Readers will remember that back in 2000 the Group's shares were trading at 800p. Although let's not forget, Parity is far from being the only member of the 99% club! (*Kate Hanaghan*)

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