May 2005

Volume 16 Number 6
Available by Subscription Only

ISSN 0967-2583

ovum HOLWAY

SYSTEMHOUSE

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

BPO: A MATTER OF LIFE AND PENSIONS

We've long said that the heydays of S/ITS market growth are well and truly over. Indeed, the theme of our presentation at Ovum's recent Intellect event was 'Finding opportunity in maturity' – to some perhaps a bit like trying to pick out the sharpest needle from a pile of blunt ones.

But within the £26 billion UK software and IT services market, there are many pockets of double-digit revenue growth. One of the largest – or perhaps at £4 billion it's really more of a complete trouser leg – is business process outsourcing. By our reckoning, BPO grew by 14% in the UK in 2004. That's well above the S/ITS average for the year – of 5.4%.

BPO itself covers a broad church of subsegments. Some markets (such as cheque processing and payroll) are thoroughly mature. And some, notably local government outsourcing, have remained key growth areas for many years. But, in recent times, we'd argue that no subsegment has been more important to the growth and evolution of the UK BPO industry than life, pensions and investments (LP&I). We'd also add that no subsegment will play such a pivotal role in the development of the industry in the coming years.

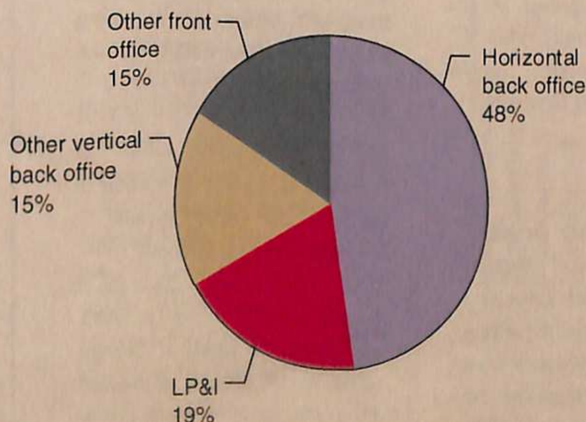
From pioneering to mainstream

Life, pensions and investments outsourcing isn't especially new. It really started to get going as a market around the turn of the millennium, with a number of deals signed from 2001 onwards. Since then it's remained a hot area, even by BPO standards. Our analysis shows that, since January 2004, LP&I has accounted for one in every five pounds of contract value that has been let in the BPO market in the UK.

But we've yet to reach mainstream adoption. Less than 10% of the £100 million+ policies in the UK have been outsourced so far, so we've barely scratched the surface in terms of market potential. Recent RFP and bid activity in the sector suggests that the next wave of LP&I firms are looking to outsource closed books of policies, and that 2005 could well be a record year for LP&I contract signings. We would also expect a lot more

[continued on page two]

LP&I accounts for a large chunk of BPO contracts



Analysis covers total contract value of UK BPO contracts signed since January 2004

Contents

IN THIS ISSUE

Accenture	6
Clinical Computing	11
DAT Group	5
Fujitsu	9
Gresham Computing	7
Harrier Group	14
Harvey Nash	12
IBM	8
Infosys	12
MSB International	10
Parity	13
Sanderson Group	14
Sirius Financial Solutions	5
Steria	8
Tata Consultancy Services	7
Unisys	11

OTHER ARTICLES

Holway comment	3
Recent IPOs	15
M&A	15
Results	16
Share prices	18
S/ITS index analysis	20

INDICES
(changes in April 05)

Holway S/ITS	**-5.4%**	**4994**
FTSE IT (SCS)	**-5.3%**	**466**
techMARK 100	**-4.6%**	**1082**
Nasdaq Comp	**-3.9%**	**1921**

[continued from front page]

business to come to market during 2006 and 2007.

While not all LP&I deals to date have gone 100% swimmingly from the vendor's point of view, it's clear that the LP&I industry has begun to accept the concept of outsourcing closed books of business. The cost savings are a huge incentive, but so too is the chance to remove a significant lump of capital from an insurer's balance sheet. We can also expect more open book deals to gradually come to market. Meanwhile, those outsourcers taking up a position in LP&I may well find other opportunities opening up in related activities. The essential deliverable required here is large-scale customer transaction and account management, and that's applicable in many areas of retail financial services from current accounts to mortgages, not to mention telecoms, utilities and even government.

A big draw

Such activity levels and prospects attract a lot of interest from the supply side. We've recently updated our rankings of BPO players in the UK. Of the top ten players, four already have a burgeoning LP&I business – Capita, Liberata, EDS and Unisys.

Siemens' National Savings and Investments contract also makes it a significant contender in this market. Meanwhile, Vertex is set to take a position through the acquisition of Marlborough Stirling. IBM and Accenture have also shown interest. As if that weren't enough, the larger Indian players with back-office capabilities are beginning to show up in LP&I bids too.

Risky business

All this competition means pricing and negotiation is tight. Risk profiles are being pushed to the limit – and, in some cases, beyond it.

Top 10 UK BPO players ranked by revenue

Rank	Company	HQ
1	Capita	UK
2	EDS	US
3	Vertex	UK
4	Unisys	US
5	Atos Origin	F
6	Xchanging	UK
7	Liberata	UK
8	Accenture	US
9	HBS	UK
10	Siemens Business Services	D

Anyone taking on this LP&I business assumes a number of risks. Customers are obliging outsourcers to guarantee cost savings. The outsourcer therefore takes on the risk that, if it cannot reduce costs adequately (as well as meeting prescribed KPIs), it might fail to make a decent – or indeed any – positive margin. The risks associated with cost reduction are complex, and even with the number of deals already let, vendor models in this area are still evolving.

Technology and people involve risk. Vendors need to satisfy themselves that they can migrate policies and systems within predictable timescales and with predictable effects. These are classic outsourcing risks, and vendors are well versed in calculating them, although this hasn't prevented difficulties on some contracts.

But in LP&I we find two additional areas of risk. Firstly, vendor revenues are inevitably tied to volumes. So when taking on a book of business, there is the risk that customer attrition will be steeper than anticipated. And with open book business, rates of customer acquisition and retention can be hard to predict.

VAT strikes back

Secondly, in a highly regulated area such as the life and pensions industry, the potential for – and possible risks associated with – regulatory change has to be considered. Such things can be very hard to assess accurately, and this has been highlighted by the recent developments around VAT. In a landmark test-case, the European Court of Justice has ruled that back-office services offered by Accenture to a Dutch insurer should no longer be exempt from VAT. This turn of events has huge implications for LP&I outsourcers. It now looks likely that 10–15% will be added to the cost of services in the UK. Henceforth, this clearly needs to be baked into contracts.

But the main concern is over those contracts already let. For while vendors have attempted to include the risk of the addition of VAT into their contract terms, soaking up an extra 10–15% cost could be highly damaging to profitability.

It is to be hoped that HM Treasury will find a way of cushioning the blow for the industry. Nonetheless, these VAT issues underscore the intrinsically risky nature of the LP&I business.

As in so many areas of outsourcing, it really is a case of *caveat vendor* – seller beware!
(Phil Codling/Samad Masood)

Further analysis of the UK BPO market can be found in Ovum's update on the subject, as released this month. For more details, please contact your Ovum account manager.

Holway Comment

Richard Holway

The mid-sized S/ITS company – where to now?

'How much is my company worth?' is a question we have been asked for most of the last 20 years. In the past, something close to the answer could be given by quoting the latest average P/Es for the sector. We've been collecting a snapshot of these for 20 years now. With the exception of the dot.com/Y2K era, P/Es have ranged between the mid teens to the early twenties. This is roughly where 'average' valuations sit right now.

Tech share indices have been virtually unchanged for almost two years now. But earnings really have grown quite well. This has usually been as a result of cost cutting rather than revenue growth. But this is frustrating for many. As fast as they boost earnings, relative valuations have fallen, so that this performance has not been fully reflected in the share price.

I'd like to give hope that this situation would change for the better. But most analysts expect tech indices like Nasdaq to remain flat for the rest of the year. Indeed, if you accept the point I have put forward in the past – that IT growth will be modest and that IT will behave more like other cyclicals (like automobiles, construction etc) – then the current valuation decline might continue. After all, cyclicals have P/Es of around 10 and produce yields of upwards of 5% compared to S/ITS average P/Es of around 18 and yields of <1%.

So what can you do?

Growth matters

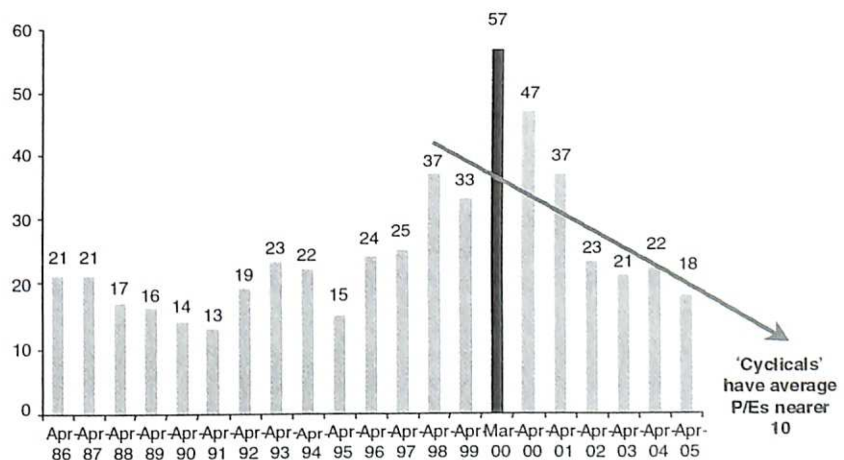
More than ever before, averages hide more than they reveal. Make your £1 million of profit from reselling hardware or supporting PCs and your company will be worth around half of the value ascribed to a company earning the same £1 million profits from BPO. Just being aligned to a growth sector boosts valuations. Back in 1999 we saw every company aligning themselves with the Internet. We remember ICL trying to persuade us that 80% of its revenues were related to e-business! The same phenomenon applies today. It's not just recategorising all revenues as 'outsourcing'; we also see it in the liberal use of 'mobile enterprise'. In consumer products, e- has been replaced by i- as everyone wants to be associated with the success of Apple's iPod and iTunes.

Size matters too

The chart on page 4, from Regent Associates, shows that there is now a real premium for size. Small companies, say with revenues of less than £3 million, would attract valuation metrics of a third or less compared with companies with revenues exceeding £50 million.

Indeed, if you look at the UK companies acquired in 2004/2005, the £50 million to £150 million

P/Es of quoted UK S/ITS companies



Source: Ovum/Thompson Datastream

[continued on page four]

[continued from page three]

revenue band is where all the action has been – ITNet, Synstar, Staffware, Diagonal, SX3, London Bridge Software, Merant, Marlborough Sterling etc.

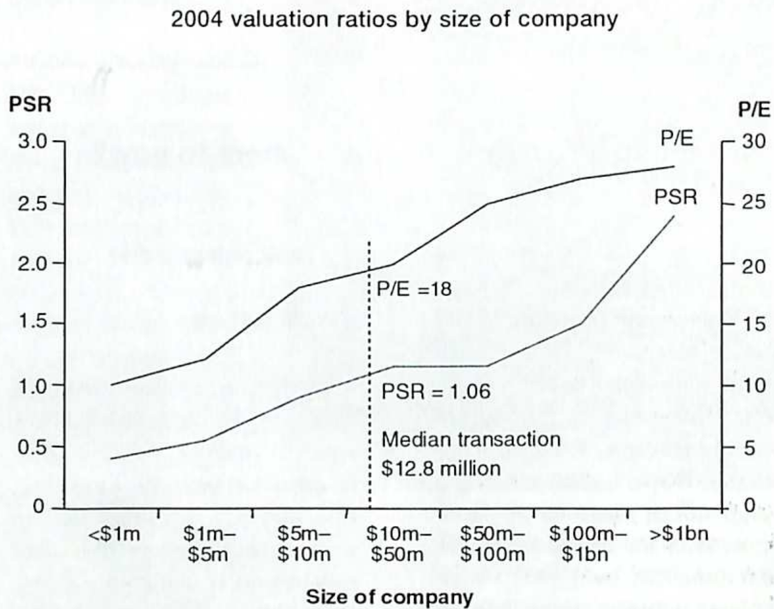
If you are an overseas company looking for a foothold in the UK market, you need instant gratification. Sure you could get to £50 million revenues in the UK by acquiring 20 companies with £2.5 million revenues each. Indeed, the UK has a huge number of such companies to choose from – many of them run by 50-something year-old owners who would bite your hand off for an offer which could free them for retirement on the golf course. The costs, risks and management time involved in such a multi-acquisition route are high. So it's little wonder that the larger companies command a considerable premium just for being of a particular size.

The problem is that the number of such £50 million to £150 million revenue target companies is already small and getting smaller! Of the 150 UK quoted S/ITS companies, less than 20 now fall into that revenue range. Rumours abound concerning the fate of a number of these and we wouldn't be surprised to see that number below a dozen in a year's time.

This is, of course, one of the reasons why we have seen the (re)birth of the 'consolidator'. Companies like Computer Software Group and Maxima see it almost as their mission statement to acquire with an objective that they in turn will become prey once they have reached the critical size.

We say 'rebirth' because it is all strangely reminiscent of the ambitions of companies like Headland, Ferrari, Systems Reliability – even Misys – back in

2004 valuation ratios by size of company



Source: Regent Associates

the late 1980s. But they all proved that 'size for size sake', without a more fundamental business objective, rarely works.

Is remaining small an option?

The maxim used to be 'get niche or get out'. We notice that one of the leading trade journals is now saying 'get niche AND get big, or get out'.

The UK is full of small, niche S/ITS companies with revenues of a couple of million or less. Many seem quite capable of making margins of up to 50% (before owners' drawings) and provide an excellent lifestyle. But the chances of anyone buying your company for much more than a couple of years of drawings/profits, is now pretty slim. That's why many will still prefer to keep working as the best way of amassing the retirement pot.

There are certainly very few small business owners who have the ability, ambition or the guts to take the risks on becoming very much bigger.

Our S/ITS world seems to be on a relentless path:

- The biggest companies will get bigger and bigger. But not necessarily that much more profitable or even that much more valuable.
- Mid-sized companies are an endangered species. Finding a UK S/ITS company with revenues between £50 million and £150 million in 2010 will be as difficult as finding hen's teeth.
- Growing a company by organic means from £5 million to £50 million revenues will be increasingly difficult. On the other hand, those that manage it will be richly rewarded.
- Many will decide the risks are not worth it and either sell or accept the lifestyle (and profits) of the smaller company.

Whatever, we fear that the demise of the mid-sized company will make the UK S/ITS scene a less colourful place.

(Richard Holway)

SIRIUS MAKES SERIOUS PROGRESS

Sirius Financial Solutions, the AIM-listed supplier of software and services to the insurance and financial services industry, announced its results for the year to end December 2004. Revenues reached £21.7m, 5.7% up on 2003 (that's organic growth of 5.4% if we strip out the effect of acquisitions). Operating profits (before goodwill amortisation) of £1.37m were a big improvement on the £357k registered in 2003. PBT was £385k, compared to the previous loss before tax of £581k. EPS was 1.4p (2003: loss per share of 3.9p). The final dividend is doubled to 1.0p.

Comment: After the challenges and disappointments of 2003, 2004 turned out a whole lot better for Sirius. The topline growth achieved is not exactly stellar, but having seen a decline of 10% in 2003, it's good to see the company return to positive territory. During the year, Sirius wisely shifted its business model towards term licencing (as opposed to the previous model of perpetual licencing), and it's clear that this is already helping the company achieve less lumpy, more predictable sales.

Crucially, the effective management of costs has meant a healthy rise in margins as revenues have picked up. As for most S/ITS businesses, people are Sirius' most expensive asset, and the company has clearly worked hard to keep staff costs down. To do this, it's restricted the use of sub-contracted labour by managing existing personnel more effectively. It's also set up a development capability in Delhi, India, which now comprises 12 developers (with plans to up this to 30 in the coming months).

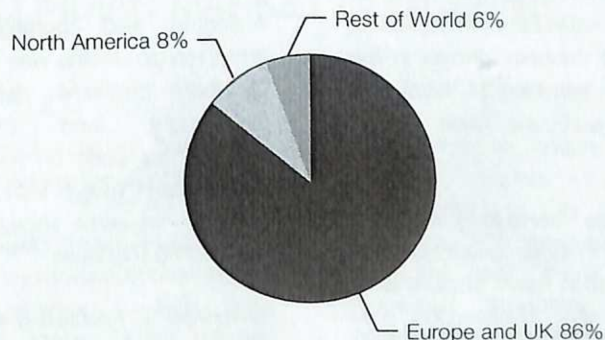
Both of Sirius' principle business units performed steadily. Intermediary Systems, which sells and supports the Sirius for Broking application in the insurance sector, grew revenues from £11.2m to £11.8m. Insurance Systems handles the Sirius for Insurance and Swift applications – here revenues grew from £6.2m to £7.0m.

On a geographic basis, the UK/Europe continues to account for the vast majority of Sirius' business, although North America/Caribbean showed growth of 45% to £1.8m. The acquisition of New Zealand-based Sirius Datasure should ensure further growth in the 'Rest of the World' revenue figure (which stood at £1.3m for 2004).

So the outlook is promising for Sirius. With its new-found stability, vertical focus and niche applications, the company may well attract attention from the buyers currently sniffing around the financial services market.

(Phil Codling)

Sirius revenue split by geography, 2004



MAIDEN RESULTS FOR DAT

DAT Group plc, developer of mobile device management software, announced its maiden results following its admission to AIM last December. Turnover for the year to 31 December 2004 was £2.4m (2003: £3m for the nine months to 31 December). The company reported an increased loss for the year of £2m (2003: loss of £1.1m for the nine months to 31 December). Loss per share was 14.7p (2003: loss of 8.8p for the nine months to 31 December). Cash balances at 31 December 2004 were £5.5 million, and there will be no dividend.

Simultaneously, DAT announced the acquisition of Synchronica Software GmbH of Berlin, a developer of device management and synchronisation products. The acquisition used up a little of the

[continued on page six]

[continued from page five]

£6m raised at last December's flotation – the purchase price amounts to euro600k (about £411k) of which two thirds has been paid in cash, the other third being deferred and payable over the next 12 months, subject to development goals being met by another German company, Ergon, which currently maintains and develops software for Synchronica.

Comment: Chairman John Gunn said that *"during 2004 the Company completed the transition... from an IT consulting business to a developer and licenser of software products"*. The increased loss-making was attributed to *"the investment required to develop, market and support the new products"* and following the floation the company has the cash to withstand a bit more loss-making.

Mobile device management is undoubtedly a hot topic, particularly as more and more companies move to provide access to travelling employees, but infrastructure software is a competitive market and scale and brand presence can be important to potential clients. The extension of the DAT Mobility Platform (DMP) with Syncronica functionality will increase its attractiveness to operators, but this is a competitive market. In early trading the stock was off 9%, to 430p. In March the stock briefly exceeded 500p. However, given that the company floated less than four months ago at 130p per share (market cap has risen from £25m to about £80m), we expect most investors will be fairly happy with the performance to date.

(Philip Carnelley)

ACCENTURE REPORTS A STRONG Q2, MARRED ONLY BY NHS PROBLEMS

Accenture posted another quarter of impressive revenue growth in April, with net revenues for its second quarter to 29 February up 10% in local currencies (15% in dollar terms) to $3.8bn. European revenues led the way with 17% local currency growth (27% in dollar terms) to $2bn, well ahead of 2% local currency growth in the Americas (reaching $1.54bn). The UK in particular grew fast – by 22%.

Worldwide, consulting revenues rose 8% in local currencies (14% in dollars) to reach $2.3bn, 60% of revenues. Outsourcing rose 13% in local currencies (18% in dollars) to reach $1.51bn, or 40% of revenues. Financial services was the best-performing vertical, growing 25% in local currencies (33% in dollars) to reach $859m. Accenture is clearly out-performing the market.

Cash flow was very healthy – operating cash flow was $787m (a whopping 21% of revenues) and free cash flow was $726m (19% of revenues). Total cash balance was $3.06bn at quarter end. But margins took a hit, in part because of problems in the UK. Gross margin fell from 33% to 30.8%, and operating (EBIT) margin excluding exceptional items fell from 12.6% to 11.4%. Pre-tax and net margins were both up healthily at 12.9% and 5.5% respectively, however.

Accenture said operating and gross margin decline was caused by three problems: delays in deployment (and therefore payment for work) on two NHS outsourcing mega-deals, cost over-runs on some engagements and staffing shortages.

Accenture is forecasting revenue growth of between 8% and 14% for Q3, and diluted EPS growth of 30% to 35%. It expects a 13% operating margin for the year. It's even considering plans to begin paying dividends.

Comment: Mega-deals are key to rapid organic revenue growth, but – as EDS can testify – they can get pretty hairy. Accenture says it's booked a $24m loss on the NHS contracts in Q2, and a total of $38m in the first half. Full-year losses on the contracts will be $110m to $150m, and the contracts will remain loss-making in financial 2006, returning to profit only in financial 2007. Scary stuff!

This is a real warning to other companies involved in this (or a similar) programme – especially those without many other mega-deals to fall back on. Richard Granger, the NHS IT chief, is still playing hardball and is clearly only prepared to pay when he feels that the service is truly delivered. Is Accenture the last to be in this position? I doubt it.

Aside from this, Accenture is doing extremely well, thanks in great measure to its smart blend of outsourcing and consulting. The growth in consulting is impressive, as is the general growth in Europe, especially the UK and Spain – Accenture is outperforming the industry by a long way. Its problems – NHS aside – are mostly linked to its expansion, especially staffing shortages and the need to pay more staff bonuses. It's worth noting that costs of service are still rising faster than revenues, partly a reflection of those staffing issues. The fundamental model is working, but the machine is still overheating somewhat. And there's the wild card – the NHS. *(Douglas Hayward)*

-32%
194p
gresham

GRESHAM BUILDS FOR THE FUTURE

Gresham Computing, the provider of solutions for banking, integration and storage, has announced results for 2004. It posted a 21% increase in turnover to £12.4m; operating losses reduced by 36% to -£1.4m, while pre-tax losses reduced by 40% to -£1.2m. Diluted loss per share was -1.81p (2004: -4.05p). Despite the losses the company has net current assets of £6.4m including over £3m in cash.

UK turnover (by destination) was up 44% to £7m, and accounts for 57% of sales. North America (13% of sales) was down 3% - but in constant currencies that would be growth. Turnover in the rest of the world grew 1% to £3.8m.

Comment: After a tough 2003, Gresham has made progress but is not out of the woods yet.

Its most important project, the Cable & Wireless Real Time Nostro service (CWRTN) has made *"significant progress"* and has started to earn revenue. Nostro accounts are accounts held by one bank with another in a foreign country. CWRTN is a real-time finance information service based on Gresham technology and delivered by C&W. It now has 11 data providers, and three paying subscribers. *"Several"* other banks are in trials. Also, TietoEnator has agreed to support the service in northern Europe for some of its banking customers.

The company saw revenue growth in its integration and storage businesses - Enterprise *"solutions"* (including the provision of contract staff) were up 46%, to £6.7m, though sales of software rose just 1% to £5.7m.

CEO Andrew Walton-Green said that *"2004 was a year of solid progress across all three divisions in the group... Overall, the Board believes that the business is now well placed ... to deliver continued growth in 2005 and beyond."* The Gresham share price has had a roller-coaster ride in recent months - we believe because of rising and falling expectations around the CWRTN project. It seems the City was hoping for more progress. In today's trading the shares fell 12% to 240p, way down from the peak just over a year ago, of around 450p - though more than double the lows of two years ago.

(Phil Carnelley)

TCS ADDS TO INDIAN MARKET CONCERNS

Tata Consultancy Services (TCS) has broken the £1bn ($2bn) revenue barrier during its first full year as a public company. But lower than expected sales and earnings in the fourth quarter have tinged the celebrations.

TCS's consolidated revenue (under Indian GAAP) was reported as 98.2bn rupees (£1.17bn), with profit before interest, depreciation, taxes and exceptionals coming in at 29bn rupees (£347m). Profit before tax came in at 26.3bn rupees (£313m), and earnings per share including exceptionals were 42.02 rupees (50p).

Although no comparisons could be made with the previous year, fourth quarter revenue and net income - at 25bn rupees and 4.7bn rupees respectively - came in 7% and 29% lower than market expectations.

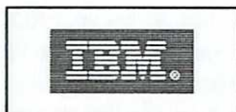
Comment: These results have sent a shockwave through India's stock markets, which were already reeling from Infosys' results last week, which cautioned about flat revenue growth in the current first quarter and overall growth slowing over the coming year.

We should keep this all in perspective though. TCS still grew its profits by 30% in the fourth quarter, and Infosys expects revenue growth to slow to 30% over 2005 from what has been a circa 50% rate up till now. Most of these companies' rivals in the UK, Europe and US would be ecstatic with such forecasts.

Unlike Infosys, which claimed general market conditions contributed to its lowered forecasts, TCS executives have repeated that there is no downturn expected in the offshore services market. Instead, TCS claims that foreign exchange fluctuations and the need for additional employee incentive provisions dragged down its results.

Nevertheless, it is clear that the Indian leaders, so far unstoppable in their growth, are beginning to show some cracks. Wipro will also report its results later this week, and we wait to see if this other phenomenal grower also has some bad news to talk about.

(Samad Masood)



IBM'S POOR Q1 RESULTS FUEL EMEA RESTRUCTURING RUMOURS

IBM sent a shudder through the market by announcing a disappointing set of results, with total revenue growth of 3% to $22.9bn in the three months to 31 March 2005 – but that was just 1% growth at constant currency. Gross profit margin was 36.0%, up 0.4 points. Investors sent IBM shares down nearly 4% in the late trading session Thursday, and were poised for further selling on Friday.

Best results were in EMEA (up 2% at constant currency to $7.7bn) and the Americas (up 1% at constant currency to $9.3bn) while Asia-Pacific disappointed (down 2% to $5.2bn). Nevertheless, IBM did badly in key European geographies, including France and Germany, and CFO Mark Loughridge said the company is *"re-examining our operations and organisational structure in Europe"*.

Global Services saw growth at 6% to $11.7bn, but just 3% in local currency, and the company was clearly disappointed with its revenue growth in services. Gross profit margin in services was 24.3% – up 0.6 points – but pre-tax margin was down at 7.6%, versus 8.4% in Q1 2004. Software revenues grew just 2% (flat at constant currency) at $3.6bn, with a gross profit margin of 86.4% – up 0.5 points. Pre-tax margin for software was essentially flat at 22.3%. Hardware revenues were flat (down 2% in constant currency) to $6.7bn, with a gross profit margin of 27.5% – up 1 point.

IBM saw revenue growth across all 4 of its 5 vertical sectors worldwide, with the best performance coming from distribution, up 5%. IBM continued its advance in the SMB (small and medium-sized businesses) market – up 7% for the second successive quarter.

Chairman and CEO Sam Palmisano blamed difficulty in closing transactions in the final weeks of the quarter, especially in those countries with soft economic conditions, as well as short term Global Services signings.

Software sales were weak in Europe, with Tivoli sales declining in the region, and Europe saw *"particular weakness"* in hardware sales as customers delayed large deals, he said.

Comment: IBM's results certainly suffered badly in March, though some of this may have been a result of the reorganisation of its European operations. Detailed figures released by the company showed that it was 7% up on last year in January, 5.3% up in February but 0.1% down in March. There were particular problems in some countries: Germany was down 8%, Italy down 7%, Japan 4% and France down 3% in constant currency compared to Q1 2004.

Lougridge said that *"actions were in place to drive improvements in future performance including some sizeable restructuring activities, primarily designed to move decision making closer to the customer"*. Details of the restructuring *"will come within the next three months,"* he said. The Wall Street Journal reported late Thursday that IBM plans to cut several thousand jobs in Europe, citing a person familiar with the matter. The company has told employees that it will close two sites in Germany and five in Sweden and transfer the work to lower-cost operations in Eastern Europe, the newspaper reported.

The rise in SMB sales is undoubtedly a good sign. IBM clearly will take action to restore Italy, France and Germany to health, and we expect to see a more effective European structure to emerge soon. The question is whether the disappointing performance in services sales was a one-off, worsened by organisational restructuring, or a sign of a general market slowdown. We shall see in three months' time. *(Ian Wesley)*

STERIA IMPRESSES IN FY04

Steria posted a satisfactory performance during FY04 and seems poised to raise its profitability, with a confirmed target of 7% operating margin by 2007. France is in a very healthy position, with a much improved margin (6.7% versus 3.5% in 2003) and market-leading organic growth (8%). Interestingly, the Nordic area, which is more product centric, saw an 8% growth in services. Spain was the black spot, but the company claims the country is now back on track, following the

[continued on page nine]

[continued from page eight]

appointment of a new country manager at mid-year.

Comment: We have been impressed with what Steria achieved overall during the year. Contrary to what we feared, the UK business is not showing signs of weakening. It recorded flat sales of euro 271m (probably a 3% decline excluding currency fluctuations), but says this was due to delays recorded on two outsourcing contracts in the public sector – in criminal justice and defence. Meanwhile, profitability increased slightly, to 8.8% from 8.5%. Steria boasts that all the bidders in the recent Atlas outsourcing mega-deal solicited its help, including the ultimate winner, EDS. Steria says its business with the MoD will continue to grow in the coming years.

Whether this reflects its strength in the UK market overall remains to be seen. We are well aware that Steria has the capabilities to capitalise on the trend towards *"multi-sourcing"* (where clients buy outsourcing services from an ecosystem of suppliers rather than sign a monolithic single-source contract), but we fear it will be threatened by larger players moving into its mid-market niche. In the face of this challenge, it is encouraging to see the company developing its intellectual property in critical areas (such as biometrics, security and payments). But it will also need to further develop its integration and consulting capabilities, which are weak in certain countries. Also worth a mention is the change implemented around its sales organisation, which was initially structured around business lines. It's now focused on industry sectors – a shift that is aimed at reducing the company's dependency on the public sector.

In our eyes, Steria is not yet a truly pan-European player. But the work done during the downturn is impressive. It is getting tougher on cost control, sharper in business focus and stronger in key countries. *(Francois Dauriat)*

FUJITSU PROFITS FALL SHORT IN FY04

Fujitsu Ltd, Japanese parent of UK-based Fujitsu Services, has revealed its FY04 results for the year to 31 March 2005. The highlights include:

- total revenues were essentially flat at ¥4,762bn (c$44.5bn) and operating income increased by 6.6% to ¥160.2bn
- consolidated net income was almost 36% down on the previous year at ¥31.9bn (c$298m) after extraordinary gains (of at least ¥169.7bn) and extraordinary losses from real estate valuations, restructuring charges and an allowance for deferred taxes totalling ¥128.7bn
- consolidated European sales increased by 6% to ¥596.9bn. European operating margins improved from 1.2% in FY03 to 2.0% in FY04
- consolidated software and services revenues were 1.1% down on FY03 at ¥2,070bn (c$19.4bn).

Within Fujitsu's software and services business segment, sales in Japan fell 3% on the back of sluggish business in solutions and systems integration and lower public infrastructure systems sales. Once again, however, the Fujitsu Services business in the UK was singled out for praise by head office: its success in large-scale government outsourcing contracts (notably the NHS, Aspire at the Inland Revenue, and DII at the MoD) lies behind *"strong"* growth in the Overseas Software and Services business segment. Sales in this area increased by 4.7% (or 9.8% on a continuing operations basis) to ¥537bn.

But operating profits at the Software and Services business slumped by almost 19% to ¥113.1bn, an operating margin of 5.4% compared to 6.5% the year before and well below the ¥140bn predicted at the time of its Q3 announcement. Fujitsu blames the shortfall on significantly higher than expected development costs relating to certain system development projects in Japan. Interestingly though, unlike fellow NHS supplier Accenture, Fujitsu claims its UK subsidiary saw improved profitability as a result of *"increased earnings from large-scale government sector outsourcing deals"*.

Commenting on the results, Hiroaki Kurokawa, President of Fujitsu Limited, said: *"Although disappointed that we were not able to meet out original earnings targets for fiscal 2004, I am encouraged by the strong performance in our Platforms segment, as well as by significant improvement in our overseas businesses, where we were profitable in every region."*

For FY05, Fujitsu is forecasting net sales of ¥4,850bn (+1.8%), a 9.2% increase in operating income (to ¥175bn) and a 56.7% increase in net income (to ¥50bn).

[continued on page ten]

[continued from page nine]

Comment: What's clear from these results is that the Fujitsu Services business in the UK, with its recent successes in the public sector, is a valuable source of growth for Fujitsu Ltd. We'll be speaking to Fujitsu to get the full low-down on its UK performance over the coming weeks but, for the moment, it's encouraging to hear that profitability has improved. Large, high-profile government outsourcing contracts are by their very nature risky though. Given the high profile problems that some of its peers have had, particularly with their NHS contracts, we'll be watching future results announcements carefully for signs that the *"deteriorating profitability"* seen on the problematic Japanese system development projects doesn't spread to the UK. That said, we get the impression that Fujitsu Services has taken a more conservative approach to recognising revenue from its NHS contract than some of its fellow Local Service Providers (LSPs). *(Tola Sargeant)*

MSB GROWS PROFITS BUT CONDITIONS REMAIN "UNPREDICTABLE"

UK IT staff agency (ITSA) **MSB International** has revealed results for the year to 31 January 2005. The highlights are as follows:

- turnover increased by 37% (35% organic growth) to £92m from £67m in 2004
- pre-tax profits more than doubled to £825k (2004: £311k) - a margin of less than 1%
- operating profit was £1.3m (2004: £409k) before goodwill amortisation of £197k (2004: £31k) and the cost of starting up new businesses (£234k this year and £226k last year)
- EPS came in at 2.57p compared to 0.76p the year before.

During the year, permanent recruitment has grown to represent 23% of gross profit (2004: 17%) and MSB has continued to diversify its business away from pure IT recruitment with the launch of MSB Secretarial.

Commenting on the outlook, MSB Chairman Paul Davies said: *"Market conditions for our services during the first two months of the current financial year show improvements on this time last year. Whilst we are encouraged by overall improvements in market conditions, longer-term growth forecasts remain unpredictable."*

Comment: MSB has got to be pleased with what was its most profitable year since 2002 (see *Hotnews* for more detail on the numbers). In terms of revenues, its technology business (which accounts for 97% of total revenues) grew 35% to £66.2m, reflecting the release in pent up demand it felt during the first half of the year. Net cash inflow was £322k, from last year's outflow of £1.7m, with net cash at £1.2m (£3.3m in the previous year).

Worthy of note is that MSB is not alone in achieving an impressive double-digit increase in sales. For example, market leader Spring grew 37% in its latest financial year, while Lorien gained 33%. This rate of growth will not, we believe, be sustained. Indeed, since Autumn 2004, MSB has seen demand for contractors moderate.

The UK ITSA market has changed dramatically over the past few years. Consequently, MSB has had to embark upon something of a transformation journey. And in a market where growth could well return to single digits, MSB will have to continue to look for additional opportunities. It has already increased its permanent recruitment business from zero a few years ago to 14% of gross profit in FY05. The permanent market provides better margins than the contractor market, so if MSB can start introducing permanent elements to its managed services contracts, then all the better. It has also diversified into other sectors (including Finance and Sales & Marketing), although these in total represent just 3% of sales.

Going forward, management have set their sights on acquisitions in order to pump up sales, both in technology and the other sectors MSB is moving into. The company has made two small-sized purchases over the past year or so (its only acquisitions to date, by the way) and we understand it is continuing to seek out further opportunities. Certainly, there have been notable improvements (for instance, in its diversification strategy into perm and other industry sectors) but MSB needs to keep on growing in size. A merger with an ITSA of a similar size would give it more clout to compete with the very largest players. *(Kate Hanaghan)*

UNISYS FACES A YEAR OF PLAYING CATCH UP

Unisys has reported revenues down 7% to $1.37bn in its first quarter ended 31 March 2005, with operating losses of $66.2m, compared to profits of $58.8m last year. Losses before tax were $78.3m, while losses per diluted share have come in at $0.13, compared to a $0.09 profit last year.

Excluding the impact of pension expenses in both 2004 and 2005, the first-quarter 2005 loss was $13.7m, or a loss of 4 cents per share, compared with net income of $44.0m, or 13 cents per share, in the first quarter of 2004.

Comment: As with the 2004 full year, pension expenses and problems with some transformational BPO contracts are still holding the company back, and bringing its margins down.

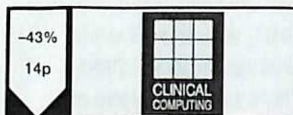
CEO Joseph McGrath admitted to analysts at the full year end that Unisys underestimated the time and expense involved in migrating clients' old environments to newer technology and processes – a crucial part of any transformational deal. By taking out the effect of pension expenses, we can see how badly this has affected services margins: operating losses for the division were $35.7m compared to a $48.5m profit last year.

This is a mistake that will have severely dented the company's reputation in outsourcing, and combined with the fact that Unisys is now focusing so much effort on sorting it out, it's no surprise that services revenues fell by 4.9% to $1.17bn over the quarter.

However, the company has still managed to secure $400m worth of BPO and outsourcing deals since January, including a 10-year, $90m deal to provide insurance processing services for a new Resolution Life Group company in the UK. Needless to say, revenue from these will not feed into Unisys for a while.

McGrath has said that he expects the company to break even on flat revenue in the second quarter, excluding pension expenses, which provides some hope that the problem contracts are on their way to being resolved. Either way, it's going to be a long, hard year of playing catch up for McGrath and his team. The outsourcing market is the one reliable growth area in IT right now, and everyone is racing to grab a piece. Unfortunately Unisys has tripped up at the starting blocks.

(Samad Masood)



CLINICAL COMPUTING – IN RECOVERY BUT STILL LOSS-MAKING

Clinical Computing, developer of clinical information systems for healthcare markets, has announced preliminary results for the year ended 31 December 2004. Revenues fell 5.4% to £1.76m. The company made an operating loss of £1.02m, a slight improvement on the operating loss last year of £1.4m, and LBT was £763k (2003: LBT of £1.2m).

The company has appointed a new CEO to be based in the UK to concentrate on NHS opportunities, John Lowry, while Jack Richardson will step down from the board and will concentrate on the company's US activities.

Comment: This is not great news from Clinical, though it's much better than the news at the half year (*Hotnews*, 14 Sept 2004), when revenues had plummeted 37% year-on-year and licences dropped 72%. Clinical derives over three-quarters of its revenues from the US (78% to be precise – up from 75% in 2003) and suffered from the weak dollar – on a constant currency basis the company would have actually increased its revenues 3% on 2003.

Unlike in the first half, over the year as a whole new software licence sales actually increased slightly (2.5%), which is a more hopeful sign for the future.

Clinical is adamant it's on the right path but that government initiatives in both the UK (18% of revenues) and the US mean that buying decisions are being deferred by local buyers (such as NHS Trusts in the UK). It does have signed contracts for its latest 'CV4' product, a hopeful sign for the future. However, it can't continue to lose money at the current burn rate of £1m a year for more than a few more months – in 2005 it must get a capital injection or increase revenues dramatically. The clock is ticking fast for Clinical Computing.

(Philip Carnelley)

HARVEY NASH CHANGES CEO AHEAD OF GROWTH PLANS

As projected in its February trading update, **Harvey Nash**'s growth for FY05 (to end January) hit 25%. The UK-based IT staff agency registered revenues of £163.4m, with operating profits (before goodwill amortisation) of £4.5m, which was an improvement on the £2.0m operating profit for FY04. Profit before tax was £1.2m (FY04: loss before tax of £4.5m). Diluted EPS was 0.51p (FY04: loss per share of 7.5p).

The company reported UK revenues of £79.7m, up 14% on the previous year (see Hotnews for the full results). Although, this isn't quite as stellar as some of the other recent ITSA results we have seen, the company did see operating margins improve from 1.6% to 2.8%. Specifically within its resourcing business, margins increased 10% due to a 50% increase in revenues from permanent staff and the company's focus on the placement of senior, highly skilled IT staff.

Harvey Nash has also announced that FD, Albert Ellis, will become CEO to replace David Higgins who has been promoted to the role of Executive Deputy Chairman. The company is currently seeking a replacement for Ellis and will in addition create a new COO role.

Comment: We've seen a whole raft of results from UK ITSAs reporting double-digit revenue growth in 2004. This jump is primarily due to a large number of projects coming through during the early part of 2004. CIOs who had been holding back on spending just couldn't hold back anymore, it seems. So don't take the impressive double-digit growth figures to mean more than they do. The pattern, we believe, will not be sustained to anything like the same degree this year and beyond.

For that reason, we're pleased to see that Harvey Nash is preparing itself for such an environment. Organic growth will come through the development of satellite offices - Bristol, Reading and Leeds have been highlighted. It is expected that this will be self-funding. However, in the first half of the current year, the company will be investing c£500k in its outsourcing business - on both sides of the pond. Although profits will take a hit as a result, we think it's a worthwhile move. Additionally, the company's focus on providing highly skilled IT professionals will continue to have a favourable effect on margins. The expansion of the Board is a wise move as we suspect the existing team was feeling the undoubted pressure that comes with the development of more than one overseas operation. The sooner the roles can be filled, the better.

Going forward, expect to see plenty more action in the US specifically. Harvey Nash is planning to open another three offices over there within the next two to three years. In mainland Europe, the plan is focused on increasing headcount and developing services within existing offices.

Overall, these are all sensible plans, but ultimately Harvey Nash will have to fight for every piece of growth at the top line, while profits in the short term will be held back due to investments.
(Kate Hanaghan)

INFOSYS GROWS 50% - BUT IS THE PARTY DRAWING TO A CLOSE?

Infosys Technologies, India's third largest IT services company, has reported 50% revenue growth in the full year ended 31 March 2005, but there are indications that the growth spurt may be coming to an end.

The Bangalore-based company has reported revenues (under US GAAP) of $1.6bn, with operating income (after amortisation) of $456m, up 39% on the previous year. Profit before tax was up 53% to $491m, with diluted earnings per share up 50.5% to $1.52.

Under Indian GAAP the company reported revenues of 33.6bn rupees, up 45%, and operating profit before interest depreciation, amortisation, exceptionals and minority interests, grew 46.5% to 23.3bn rupees.

Comment: Historically the fastest growing of the top three Indian players, for the fourth quarter Infosys only hit the lower range of revenue predicted by a Reuters

[continued on page thirteen]

[continued from page twelve]

analyst poll, which estimated revenues between 19,805-20,490. It's fair to say that this was probably due to the analysts' over-exuberance for Infosys – after all, at 5.5bn rupees, the fourth quarter's net profit still smashed through the highest expectations of 5.47bn rupees.

Yet, Infosys is still expected to have outgrown its closest rivals – TCS and Wipro – in both revenue and net profit. These two companies will soon release their own full year results, and we can provide some further comparisons of all three. As expected, Infosys' European revenues continue to outgrow other regions, with the continent representing 22.3% of revenues, compared to 19.2% in 2004. We expect this trend to be reflected across the top three.

However, it does seem that Infosys is expecting growth across the board to decrease over the coming year, saying that it expects revenue growth of between 28% and 30% for the year ending 31 March 2006. Does this mean that the Indian market has peaked? *(Samad Masood)*

PARITY THROWS ITSELF INTO RECOVERY

Parity (IT resourcing, training and development) has reported results for the year to 31 December 2004, together with the results of its strategic review.

Revenues (continued operations) were up 7% at £169.9m with losses (before goodwill, amortisation and tax) reduced from £18.7m to £6.9m. Net debt increased from £12.0m to £13.7m.

In November 2004 founder Philip Swinstead was asked to rejoin the board and became Chairman. The previous chairman, Bill Cockburn, and CEO, Ian Miller, both departed. Swinstead set about a strategic review.

The basics of this were announced in April:

- The European Resourcing business, which generated revenues of £27.2m, will be sold. We understand that several suitors are lined up and a period of exclusivity will be announced soon.
- It was accepted that debt was too high and clearly the sale of the European ops will help. Lloyds TSB has extended the revolving loan facility to end 2006.
- Parity will focus in future on the UK. Its current three operating entities (Business Solutions, Resourcing and Training) will come under one merged management with resulting cost savings *"in the millions"*. There will be five profit centres (Resourcing, Training, Consulting, Managed Services and Development). In this manner, Parity will offer a *"one-stop shop"* to the UK
- The US business (revenues £14.5m) is being maintained but its rationale *"has not been proved in recent years"*. *"The board will review the strategic logic in the light of progress made"*. Probably shorthand for *"we will sell when the time is right and a buyer emerges"*.
- John Hughes, who was COO at Thales Group, takes over from Swinstead as Executive Chairman. (Swinstead becomes Deputy Chairman and will move to an NED role later in the year). NED John Maxwell is also standing down.

Comment: Swinstead, has described the situation at the company as being a *"sortable mess"*. He explained that the results had been delayed while the company got in place three critical things: the appointment of John Hughes, the new Chairman, the financing deal with the bank and a way forward for the sale of the European business. Despite the fact that the delay hit the share price (which was the last thing it needed), Swinstead was willing to risk that in order to bring a more positive story to the City.

Positive story?

So, is it indeed a positive story? Well, the UK business has grown 13%, driven by the resourcing business, which notched up gains of 26%. However, in the scheme of things, this number isn't as impressive as first seems. For instance, Spring grew 32% (organically) in 2004, Lorien grew 33%, MSB International grew 35% and SThree grew 21%. We believe that pent up demand for services in early 2004 is what boosted the ITSA market last year.

You could look at Swinstead's 'To Do' list (which includes the imminent sell-off of the European business, appropriate investment [ie, not around large projects] in sales and marketing, and the streamlining of central overheads) and say there is great potential to turn this ship around. On the other hand, you could simply say there is an awful lot to be done!

We do have additional concerns around the loss-making training business and wonder if Parity wouldn't do well to offload it, as Spring did with its training business in December 2003. We're also concerned that the company is still failing to cross-sell to customers – this must surely be an area for focus in 2005. So we're

[continued on page fourteen]

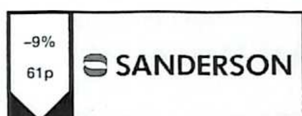
[continued from page thirteen]

very keen for Parity to unveil the next phase of its longer-term strategy – beyond recovery. More details to follow as they emerge.

The managed services crunch

One of the key reasons why Parity is now in an extremely unenviable situation is that it threw itself into managed services – at the expense of its core business. As Swinstead puts it, *"you can't turn a Parity into an EDS."* The result was two or three rather large, loss making contracts. Parity has now acknowledged it must take managed services one step at a time; and, ultimately, it must think carefully about how much managed services it wants to conduct.

Although the dispute over Ian Miller's (ex-CEO) settlement continues (and right now, this looks like it's reached stalemate), Swinstead and John Hughes (the incoming Chairman) really do have to put a *"dismal"* three years behind them and hope that existing and new customers have faith in Parity, as it recovers, throughout this year and beyond. Swinstead's ambition is to return to profits in 2006, which means an awful lot is resting on the direction Hughes takes the company over the coming months. *(Kate Hanaghan)*



SANDERSON PERFORMS WELL IN MAIDEN HALF YEAR

Sanderson Group, a provider of enterprise applications to the manufacturing, food and process industries, mail order and wholesale distribution sectors, has released an encouraging set of results for the half year to 31 March 2005. Pro forma revenues – which show the company's performance had it been trading in its current form for the entire period – increased 7% to £7.9m. Meanwhile, operating profits increased 11% taking the margin to 16.3% from 15.8%. Since its flotation in December 2004, cash generation has been strong with cash flow from operating activities at 96% of operating profit. Bank debt, net of cash, came in at £1.1m from £2.2m at the time of the flotation.

The company's Chairman, Christopher Winn, said he was *"encouraged by the progress"* and anticipated a *"satisfactory outcome"* for the full year.

The company has also announced that its current FD will be replaced on 3 May by Adrian David Frost.

Since floating at 50p in December, shares climbed to 61p by the end of April.

Comment: Certainly this is a satisfactory performance in a market that we estimate grew by just 3.9% in 2004. Into 2005 and 2006, our view of the applications market is that growth will be slightly weakened at 3.5%. Life, therefore, certainly isn't going to get any easier for Winn and team, which is why acquisitions are likely to play an absolutely key role in helping to enhance profits into the future. Indeed, we understand there are already some possibilities in the pipeline.

It's good to see that the company's investment in sales and marketing capabilities has paid off, with a resultant increase in the number of new customers from 5% to 14% of turnover. However, Sanderson must, alongside any acquisitions that are made, continue to perform well organically. It's made an encouraging start so let's see just what the second half brings.
(Kate Hanaghan)

HARRIER DISAPPOINTS AND DISAPPEARS

Harrier Group, which sold its business to Matrix Communications plc in March, confirmed its losses for the year ending December 2004. The company grew revenues by 24% to £11.2m, but made an operating loss of £85k (2003: operating profit of 309k). Loss per share was 0.39p (2003: earnings per share of 55p). Following the sell-off to Matrix, Harrier now has cash balances amounting to £4.2m.

Comment: It was the second half performance that really grounded Harrier. Turnover fell from £6.1m in the six months to June 2004 to £5.1m in the six months to December. It was this slump that precipitated Harrier's search for a buyer. After talks with Germany's Articon-Integralis AG were abandoned in December, Matrix emerged as the next likely acquirer. Matrix pulled back from acquiring the whole of Harrier, but paid £4.5m in cash for the company's three business units and non-cash assets. Harrier's Chief Executive Jim Stoddart and Sales and Marketing Director

[continued on page fifteen]

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
Alterian	MarkIT Information Services Limited	Privately-held ASP	100%	Alterian will pay just £36k in cash up-front, with an additional consideration of up to £250k subject to finalisation of terms.	Totting up the terms gives a maximum potential acquisition price to Alterian of £850k, including liabilities. That would be a handsome sum for a company that had turnover of £635k in the year to July 2004, and PBT of just £3k. But the merger should make the operation more profitable, not least because MarkIT's ASP service (which will now be branded "Alterian Connect") has itself been a channel for Alterian software. However, the move will not be profit enhancing until FY07 (to March 2007). Alterian has done good work to trim losses in recent quarters, on the back of strong revenue growth (up 40% in the nine months to December). So we hope that this small acquisition won't be a distraction from such positive progress.
Autonomy	eTalk	US-based call centre software company	100%	$70m in cash and shares.	The acquisition of eTalk will augment the company's Audentify offering by adding call monitoring infrastructure software. The resulting solution, which leverages the IDOL platform and Autonomy's SoftSound technology, will enable Audentify to monitor calls, analyse their content, and suggest possible solutions to callers' problems, as well as offering a range of post-call analytics.
Axon	Feanix Corporation	Provider of SAP consulting services to the US Aerospace and Defence Industry	100%	Initial consideration of $23.5m consisting of $12m cash plus 2.8m newly issued Axon shares worth $11.5m.	Buying Feanix makes a lot of sense to us. Apart from the cultural considerations, it is of a size to make a difference but not too big to digest. Furthermore, the fact that it has a very strong focus on one industry means it can compete against the much bigger generalists such as Capgemini and IBM GS. There may well be opportunities nearer home to make inroads into the considerable European aerospace industry too.
Detica	Extraprise UK	Specialist IT consultancy	100%	£200k	This is a minor acquisition for Detica but nonetheless will add some useful expertise to the company's commercial business. To date, Detica has concentrated on transferring its 'information management' skills from its core market, National Security, into other verticals. This is a sensible strategy and has paid off in the financial services and TMT sectors. However, the territory outside its core niche vertical of National Security is less well known to Detica and we welcome this acquisition as a way to enhance its commercial expertise and expand its client list.
Mediasurface	Class-Act BV	Provider of content management systems	100%	euro400k	The purchase enables Mediasurface to move into a new market and a new geography. Class-Act's Silverbullet products is an ASP CM solution - Mediasurface has been contemplating going down the hosted route for some time now. The fact that the acquisition will be immediately profit enhancing is an added bonus.
Satyam Computer Services	Citisoft	London-based consultancy focused on the investment management market	100%	$23.2m over three years, with an additional $15.5m performance-based payment	We have been expecting an Indian acquisition on this scale for some time now. Indian companies require local knowledge and "feet on the street" if they are to sustain growth in the UK and Europe in the longer term. But the fact that Satyam has become the first to make a serious dive into European M&A reveals more about the pressure it is under to keep up with the leading three in this region. Although the top three offshorers having been looking at acquisition targets for a few years now, all have told us that it is difficult to find the right type of fit.
Softlab GmbH Austria	Anite Group	IT solutions and software	100%	Total of euro3.7m (£2.6m) in cash	Anite's strategy to dispose of non-core business continues apace with the sale of this business - the least profitable of the International division's operations sold so far. Anite's strategy is to focus on its core markets of public sector, travel and telecoms, and we expect further disposals within the International division, which now comprises Anite Deutschland, GMO MC, and Anite Finance. Together, these businesses bring in revenue of £21.4m, but with profit before tax of £1.9m for the division. With such low profitability it will be interesting to see what Anite can do with these interests

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Apr 05	Change since IPO
FDM Group Plc	Media adaptation software for mobiles and PDAs	A	AIM	78p	£18.1m	07-Apr-05	79p	1.3%

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
BCS Group	Control management software and servicces	SP	AIM	10p	£22.1m	01-Jun-05
e-retail	Online retail consultancy	O	AIM	n/a	n/a	n/a
Hansard Group	Holding company for several software businesses	SP	AIM	n/a	n/a	10-May-05
InterQuest Group	IT recruitment	A	AIM	n/a	n/a	n/a
Ubiquity Software	SIP-based network software	SP	AIM	n/a	£100m	n/a
Visual Defence	IP and fixed wireless digital audio video security technology	SP	AIM	n/a	n/a	06-May-05

[continued from page fourteen]

Sarah Carter resigned in the wake of the sale.

All of which amounts to a rather sorry end for Harrier. This is a classic example of a company that was nicely positioned in growing areas of the market (namely security and storage) but just could not execute well enough to achieve sustained growth and profitability. All that remains now is cash, and while Harrier has mooted the possibility of acquisitions of its own, we suspect its long-suffering shareholders may receive at least a slice. *(Phil Codling)*

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 - Oct 03	Final - Apr 04	Interim - Oct 04	Comparison
REV	£85,210,000	£188,763,000	£92,927,000	+9.1%
PBT	-£14,333,000	-£28,763,000	£9,539,000	Loss to profit
EPS	-4.40p	-8.60p	1.90p	Loss to profit

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

	Final Dec 03		Final Dec 04	Comparison
REV	£1,956,000		£2,146,000	+9.7%
PBT	£496,000		£188,000	-62.1%
EPS	1.35p		0.50p	-63.0%

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

	Final - Dec 03		Final - Dec 04	Comparison
REV	£50,210,000		£60,273,000	+20.0%
PBT	£4,020,000		£6,334,000	+57.6%
EPS	4.60p		7.80p	+69.6%

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

	Interim - Jan 04	Final - Jul 04	Interim - Jan 05	Comparison
REV	£5,893,000	£13,822,000	£8,866,000	+50.4%
PBT	£34,000	£541,000	£438,000	Loss to Profit
EPS	0.00p	0.81p	0.63p	Loss to profit

Chelford Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£9,877,000		£11,852,000	+20.0%
PBT	-£373,000		£282,000	Loss to profit
EPS	-3.22p		-3.72p	Loss to profit

Civica plc

	Final - Sep 03		Final - Sep 04	Comparison
REV	£90,304,000		£104,100,000	+15.3%
PBT	£9,317,000		£8,300,000	-10.9%
EPS	11.30p		12.90p	+14.2%

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

	Final - Dec 03		Final - Dec 04	Comparison
REV	£68,026,000		£67,830,000	-.3%
PBT	£3,861,000		£3,914,000	+1.4%
EPS	9.90p		8.90p	-10.1%

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

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£29,328,000	£63,335,000	£41,512,000	+41.5%
PBT	-£260,000	-£327,000	£277,000	Loss to profit
EPS	-0.80p	-0.90p	0.80p	Loss to profit

Computacenter plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£2,482,713,000		£2,456,575,000	-1.1%
PBT	£65,161,000		£64,645,000	-.8%
EPS	24.60p		23.70p	-3.7%

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

Cornwell Management Consultants plc

	Final - Dec 02		Final - Dec 03	Comparison
REV	£7,222,660		£13,901,439	+92.5%
PBT	£105,338		£1,229,334	+1067.0%
EPS	n/a		n/a	Loss both

Corpora plc

	Final - Jun 04		Interim - Dec 04	Comparison
REV	£499,381		£806,151	N/a
PBT	-£2,649,553		-£2,356,084	Loss both
EPS	-16.10p		-6.50p	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	+92.5%
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 04	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

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£77,121,000	£156,197,000	£86,908,000	+12.7%
PBT	£2,775,000	£7,757,000	£5,866,000	+111.4%
EPS	4.00p	18.20p	15.70p	+292.5%

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

	Final - Dec 03		Final - Dec 04	Comparison
REV	£13,528,000		£14,408,000	+6.5%
PBT	£2,104,000		£452,000	-78.5%
EPS	4.50p		1.35p	-70.0%

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 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£91,450,000	£150,057,000	£43,961,000	-51.9%
PBT	£7,826,000	-£1,951,000	-£28,737,000	Profit to loss
EPS	4.40p	-2.10p	-20.70p	Profit to loss

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

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£3,726,000	£7,296,000	£3,873,000	+3.9%
PBT	£821,000	£1,364,000	£893,000	+8.8%
EPS	2.20p	3.90p	2.40p	+9.1%

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

	Final - Dec 03		Final - Dec 04	Comparison
REV	£10,427,000		£9,509,000	-8.8%
PBT	-£12,055,000		-£45,000	Loss both
EPS	-43.96p		-0.16p	Loss both

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

	Final - Dec 03		Final - Dec 04	Comparison
REV	£10,221,000		£10,241,000	+0.2%
PBT	£455,000		£671,000	+47.5%
EPS	2.74p		3.85p	+40.5%

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

	Interim - Feb 04	Final - Aug 04	Interim - Feb 05	Comparison
REV	£3,569,144	£7,649,463	£3,912,157	+9.6%
PBT	£231,620	£498,926	£130,925	-43.5%
EPS	0.54p	1.19p	0.28p	-48.1%

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	-1.19p	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

	Final - Jan 04		Final - Jan 05	Comparison
REV	£130,911,000		£163,374,000	+24.8%
PBT	-£4,536,000		£1,640,000	Loss to profit
EPS	-8.75p		0.51p	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

	Final Dec 03		Final Dec 04	Comparison
REV	£168,434		£190,788	+13.3%
PBT	£4,616		£3,864	-16.3%
EPS	3.00p		4.00p	+33.3%

ICM Computer Group plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£36,252,000	£77,542,000	£38,711,000	+6.8%
PBT	£1,905,000	£4,380,000	£2,014,000	+5.7%
EPS	6.10p	14.00p	6.50p	+6.6%

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

INCAT International

	Final - Aug 02		Final - Aug 03	Comparison
REV	£83,633,982		£64,024,991	-23.4%
PBT	-£1,036,012		£2,288,242	Loss to profit
EPS	n/a		n/a	n/a

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

	Final - Sep 03		Final - Sep 04	Comparison
REV	£191,153		£313,716	+64.1%
PBT	-£1,143,000		-£1,050,789	Loss both
EPS	-0.65p		-0.54p	Loss both

Intercede Group plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	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

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

	Final - Jan 04		Final - Jan 05	Comparison
REV	£1,997,000		£3,149,000	+57.7%
PBT	-£1,377,000		£608,000	Loss both
EPS	-0.36p		0.64p	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

	Final - Dec 03		Final - Dec 04	Comparison
REV	£5,985,000		£5,514,000	-7.9%
PBT	-£188,000		-£317,000	Loss both
EPS	-0.89p		-0.13p	Loss both

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

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£298,323	£770,185	£572,283	+91.8%
PBT	-£432,656	-£904,161	-£419,898	Loss both
EPS	-0.38p	-0.71p	-0.28p	Loss both

LogicaCMG plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£1,706,600,000		£1,669,800,000	-2.2%
PBT	-£33,000,000		£42,400,000	Loss to profit
EPS	-6.30p		1.90p	Loss to profit

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Lorien plc

	Final - Nov 03		Final - Nov 04	Comparison
REV	£94,714,000		£122,714,000	+29.6%
PBT	-£673,000		£1,152,000	Loss to profit
EPS	-4.60p		6.90p	Loss to profit

Macro 4 plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£15,061,000	£31,240,000	£16,596,000	+10.2%
PBT	-£181	£1,042,000	£863,000	Loss to profit
EPS	-2.40p	1.90p	1.20p	Loss to profit

Manpower SoftWare plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£2,463,669	£5,146,663	£2,043,121	-17.1%
PBT	£259,925	£388,906	-£738,923	Profit to loss
EPS	0.58p	1.00p	-1.63p	Loss to profit

Marlborough Stirling plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£114,628,000		£98,766,000	-13.8%
PBT	£903,000		-£10,988,000	Profit to loss
EPS	-0.30p		-5.20p	Loss both

Maxima Holdings plc

	Interim - Nov 03		Interim - Nov 04	Comparison
REV	£5,687,000		£6,194,000	+8.9%
PBT	£557,000		£800,000	+43.6%
EPS	3.02p		4.34p	+43.7%

Mediasurface plc

	Final - Sep 03		Final - Sep 04	Comparison
REV	£5,160,933		£5,403,482	+4.7%
PBT	-£2,229,267		-£737,394	Loss both
EPS	-2.40p		-0.60p	Loss both

Microgen plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£26,416,000		£42,444,000	+60.7%
PBT	-£2,356,000		£1,118,000	Loss to profit
EPS	-3.20p		0.20p	Loss to profit

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

Misys plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	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%

Mondas plc

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

Morse plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£187,074,000	£390,008,000	£216,592,000	+15.8%
PBT	-£6,788,000	-£12,431,000	-£7,593,000	Loss both
EPS	-6.20p	-11.90p	-6.40p	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%

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

Ncipher Plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£12,988,000		£14,244,000	+9.7%
PBT	-£585,000		£2,333,000	Loss to profit
EPS	-2.80p		8.78p	Loss to profit

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

Netstore plc

	Interim - Dec 03	Final - Jun 04	Interim - Dec 04	Comparison
REV	£10,602,000	£20,681,000	£10,111,000	-4.6%
PBT	-£672,000	-£687,000	£321,000	Loss to profit
EPS	n/a	-0.14p	0.56p	n/a

Nexus Management 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

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%

NSB Retail Systems plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£64,348,000		£45,399,000	-29.4%
PBT	-£28,755,000		-£8,680,000	Loss both
EPS	-7.03p		-2.14p	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

Orca Interactive

	Final - Dec 03		Final - Dec 04	Comparison
REV	£1,380,000		£2,840,000	+105.8%
PBT	-£2,760,000		-£1,010,000	Loss to profit
EPS	-0.22p		-0.06p	Loss both

Parity Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£158,883,000		£169,860,000	+6.9%
PBT	-£18,722,000		-£6,914,000	Loss both
EPS	-7.70p		-2.24p	Loss both

Patsystems plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£10,673,000		£11,775,000	+10.3%
PBT	-£2,369,000		-£2,929,000	Loss both
EPS	-1.70p		-1.40p	Loss both

Phoenix IT Group plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£29,100,000	£58,311,590	£41,500,000	+42.6%
PBT	£5,310,000	£9,317,065	£6,423,000	+21.0%
EPS	N/a	N/a	N/a	N/a

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

Pixology plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£2,528,038		£4,514,729	+78.6%
PBT	-£1,919,177		-£2,163,393	Loss both
EPS	-12.70p		-9.79p	Loss both

Planit Holdings plc

	Interim - Oct 03	Final - Apr 04	Interim - Oct 04	Comparison
REV	£13,045,000	£26,926,000	£14,035,000	+7.6%
PBT	£742,000	£1,547,000	£761,000	Loss to profit
EPS	0.40p	1.00p	0.40p	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	-£18,000	#VALUE!
EPS	N/a	N/a	N/a	Profit to Loss

PSD Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£37,622,000		£43,714,000	+16.2%
PBT	£333,000		£2,856,000	+757.7%
EPS	-1.20p		7.20p	Loss to profit

QA plc

	Final - Nov 03		Final - Nov 04	Comparison
REV	£29,158,000		£30,153,000	+3.4%
PBT	-£3,220,000		-£2,386,000	Loss both
EPS	-2.50p		-1.40p	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

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

Red Squared plc

	Final - Sep 03		Final - Sep 04	Comparison
REV	£2,303,795		£1,696,513	-26.4%
PBT	-£189,470		-£466,614	+146.3%
EPS	-0.94p		-2.32p	+146.8%

Retail Decisions plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£30,227,000		£31,737,000	+5.0%
PBT	£2,947,000		£5,134,000	+74.2%
EPS	0.50p		1.04p	+108.0%

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%

Royalblue Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£56,489,000		£59,768,000	+5.8%
PBT	£9,246,000		-£859,000	Profit to loss
EPS	22.90p		23.40p	+2.2%

Sage Group plc

	Final - Sep 03		Final - Sep 04	Comparison
REV	£560,345,000		£687,585,000	+22.7%
PBT	£151,037,000		£181,144,000	+19.9%
EPS	8.14p		9.85p	+21.0%

Sanderson Group plc

		Final - Sep 04	Interim - Mar 05	Comparison
REV		£11,880,000	£7,897,000	n/a
PBT		-£328,000	£1,236,000	n/a
EPS		-1.00p	n/a	n/a

SDL plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£64,378,000		£62,690,000	-2.6%
PBT	-£804,000		£457,000	Loss both
EPS	-3.30p		-1.77p	Loss both

ServicePower Technologies plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£2,638,000		£4,114,000	+56.0%
PBT	-£1,624,000		-£3,857,000	Loss both
EPS	-2.67p		-5.50p	Loss both

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

Sirvis IT plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£528,000	£3,230,000	£3,948,000	+647.7%
PBT	£129,000	£321,000	£345,000	+167.4%
EPS	0.76p	0.60p	0.16p	-78.9%

smartFOCUS plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£2,201,853		£2,850,101	+29.4%
PBT	-£554,444		-£324,052	Loss both
EPS	-0.70p		-0.30p	Loss both

Sopheon plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£6,734,000		£4,323,000	-35.8%
PBT	-£5,806,000		-£1,964,000	Loss both
EPS	-6.30p		-1.60p	Loss both

Spring Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£360,197,000		£476,429,000	+32.3%
PBT	-£18,946,000		£5,842,000	Loss to profit
EPS	-12.92p		6.80p	Loss to profit

StatPro Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£8,426,000		£9,072,000	+7.7%
PBT	£146,000		£162,000	+11.0%
EPS	0.60p		5.30p	Loss both

Stilo International Plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£2,279,000		£2,076,000	-8.9%
PBT	-£1,445,000		-£1,299,000	Loss both
EPS	-2.61p		-1.56p	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

SurfControl plc

	Final - Jun 03		Final - Jun 04	Comparison
REV	£46,209,392		£47,859,580	+3.6%
PBT	£5,602,849		£7,890,650	+40.8%
EPS	13.12p		19.73p	+50.3%

Synstar plc

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

Systems Union Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£78,427,000		£104,230,000	+32.9%
PBT	£6,124,000		£4,614,000	-24.7%
EPS	5.80p		3.90p	-32.8%

Tadpole Technology plc

	Final - Sep 03		Final - Sep 04	Comparison
REV	£5,318,000		£4,831,000	-9.2%
PBT	-£9,566,000		-£2,767,000	Loss both
EPS	-4.30p		-1.00p	Loss both

Telecity plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£23,536,000		£25,837,000	+9.8%
PBT	-£9,522,000		-£6,804,000	Loss both
EPS	-4.70p		-2.70p	Loss both

Tikit Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£9,558,000		£11,903,000	+24.5%
PBT	£713,000		£859,000	+20.5%
EPS	2.90p		4.50p	+55.2%

Torex Retail

	Final - Dec 03		Final - Dec 04	Comparison
REV	£67,559,000		£67,935,000	+0.6%
PBT	£3,873,000		£7,711,000	+99.1%
EPS	1.00p		2.90p	+190.0%

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%

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

Trace Group plc

	Interim - Nov 03	Final - May 04	Interim - Nov 04	Comparison
REV	£7,478,000	£15,472,000	£7,314,000	-2.2%
PBT	£117,000	£822,000	£201,000	+71.8%
EPS	0.38p	4.69p	0.77p	+102.6%

Triad Group plc

	Interim - Sep 03	Final - Mar 04	Interim - Sep 04	Comparison
REV	£16,573,000	£36,534,000	£22,799,000	+37.6%
PBT	-£849,000	-£759,000	£170,000	Loss to profit
EPS	-5.60p	-5.20p	1.08p	Loss to profit

Tribal Group plc

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

Ultima Networks plc

	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%

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

Universe Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£42,129,000		£43,992,000	+4.4%
PBT	-£2,730,000		-£74,000	Loss both
EPS	-7.00p		-0.10p	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

Vianet Group plc

	Final - Sep 03		Final - Dec 04	Comparison
REV	£33,714		£376,878	+1017.9%
PBT	-£2,056,476		-£2,417,000	Loss both
EPS	-3.10p		-1.90p	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	-215.8%
PBT	-£227,000	-£1,250,000	-£99,000	Loss both
EPS	-0.78p	-3.92p	-0.60p	Loss both

Wealth Management Software plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£7,300,000		£6,062,000	-17.0%
PBT	£5,000		-£267,000	Profit to loss
EPS	-0.05p		-0.72p	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

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

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

XN Checkout Holdingsplc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£14,315,000		£18,300,000	+27.8%
PBT	-£2,242,000		-£1,700,000	Loss both
EPS	N/a		-9.70p	N/a

Xpertise Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£10,767,000		£13,170,000	+22.3%
PBT	-£2,140,000		-£668,000	Loss both
EPS	-0.70p		0.15p	Loss both

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat	Share Price 29-Apr-05	Capitalisation 29-Apr-05	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 29-Apr-05	Share price move since 31-Mar-05	Share price % move in 2005	Capitalisation move since 31-Mar-05
AIT Group	CS	£0.31	£16.31m	4.3	6.42	204	-1.6%	0.0%	-£0.26m
Alphameric	SP	£0.74	£88.83m	-	1.11	339	-5.7%	-7.5%	-£4.42m
Alterian	SP	£0.93	£36.41m	-	4.21	463	-8.4%	-9.8%	-£3.20m
Anite Group	CS	£0.60	£209.84m	-	1.80	348	2.1%	4.8%	£4.41m
Atlantic Global	SP	£0.40	£9.05m	68.1	6.51	1339	8.2%	3.9%	£0.69m
AttentiV Systems	SP	£0.77	£46.34m	15.9	3.91	1275	30.8%	17.7%	£10.90m
Autonomy Corporation	SP	£2.02	£218.40m	54.7	1.88	62	9.8%	20.1%	£19.21m
Aveva Group	SP	£6.68	£149.00m	43.6	3.08	3338	-0.7%	1.3%	£0.86m
Axon Group	CS	£2.14	£113.20m	25.7	9.06	1220	1.9%	44.3%	£2.12m
Bond International	SP	£0.86	£21.69m	12.8	0.59	1323	-13.6%	4.9%	-£3.40m
Brady	SP	£0.78	£21.62m	12.7	2.31	957	-20.9%	-14.4%	-£5.72m
Business Systems	CS	£0.16	£13.26m	13.6	1.20	132	-4.5%	5.0%	-£0.63m
Capita Group	CS	£3.76	£2,496.88m	33.1	1.05	101708	0.1%	2.9%	£1.66m
Charteris	CS	£0.34	£14.62m	23.4	1.05	378	-13.9%	-11.7%	-£2.37m
Chelford Group	CS	£1.88	£12.42m	50.4	1.65	32609	-5.1%	46.5%	-£0.66m
Civica	CS	£2.11	£95.26m	-	2.42	1203	-12.3%	-7.9%	-£13.35m
Clarity Commerce	SP	£0.66	£10.44m	23.1	1.39	524	-1.5%	-3.0%	-£0.16m
Clinical Computing	SP	£0.14	£4.49m	-	1.28	115	-43.0%	-56.2%	-£3.39m
CODASciSys	CS	£3.73	£94.61m	37.6	0.46	2888	2.1%	10.4%	£1.90m
Comino	SP	£2.26	£31.42m	33.7	0.20	1738	1.6%	3.0%	£0.49m
Compel Group	CS	£0.86	£28.87m	122.1	6.73	684	-9.0%	-6.6%	-£2.87m
Computacenter	R	£2.59	£491.59m	10.7	1.72	387	-12.8%	-11.0%	-£72.13m
Computer Software Group	SP	£0.54	£26.53m	15.6	10.93	455	-3.6%	-13.0%	£1.88m
Cornwell Management Consultants	CS	£1.44	£23.86m	-	0.06	1031	-5.9%	7.9%	-£1.50m
Corpora	SP	£0.14	£5.45m	-	3.64	368	-26.3%	-9.7%	-£1.95m
DCS Group	CS	£0.13	£3.13m	-	0.74	208	-19.4%	19.0%	-£0.75m
Dealogic	SP	£1.60	£111.94m	27.8	3.14	696	-4.5%	18.5%	-£5.25m
Delcam	SP	£2.48	£15.12m	13.2	1.35	954	10.7%	26.5%	£1.57m
Detica	CS	£7.53	£168.20m	18.8	0.31	1881	1.7%	-2.6%	£2.79m
Dicom Group	R	£9.88	£210.09m	31.9	0.93	3027	3.9%	20.6%	£7.98m
Dimension Data	R	£0.30	£402.73m	-	4.61	53	-8.4%	-21.1%	-£36.92m
DRS Data & Research	SP	£0.39	£13.40m	28.1	6.81	352	0.6%	-5.5%	£0.09m
Earthport	SP	£0.01	£4.26m	-	0.52	6	-38.0%	-51.6%	-£2.99m
Easyscreen	SP	£0.16	£15.03m	-	2.13	93	5.0%	5.0%	£0.72m
Eidos	SP	£0.61	£87.52m	-	0.25	3024	-5.8%	-24.4%	-£3.91m
Electronic Data Processing	SP	£0.76	£18.55m	29.1	2.40	2327	-3.8%	2.0%	-£0.73m
Empire Interactive	SP	£0.09	£6.36m	-	0.70	156	2.7%	-6.3%	£0.17m
Epic Group	CS	£0.73	£17.51m	17.4	4.96	695	-3.3%	-21.1%	-£0.60m
Eurolink Managed Services	CS	£0.50	£175.50m	41.9	1.36	495	-20.8%	35.6%	-£45.63m
Ffastfill	SP	£0.07	£13.15m	-	2.84	56	-22.9%	5.9%	-£3.90m
Financial Objects	SP	£0.47	£12.94m	-	1.00	202	1.1%	-9.7%	£0.14m
Flightstore Group	SP	£0.01	£0.78m	-	1.47	70	-13.9%	-58.7%	-£0.13m
Flomerics Group	SP	£0.70	£10.25m	18.0	2.33	2692	0.0%	5.3%	£0.00m
Focus Solutions Group	SP	£0.29	£7.92m	-	1.27	146	0.0%	-27.8%	£0.00m
GB Group	SP	£0.35	£27.68m	345.0	0.39	223	11.3%	36.6%	£2.83m
Gladstone	SP	£0.22	£10.88m	22.4	9.42	544	-6.5%	-4.4%	-£0.75m
Glotel	A	£0.92	£35.19m	27.1	3.10	478	-6.6%	-9.8%	-£2.47m
Gresham Computing	CS	£1.94	£96.08m	-	0.47	2081	-32.1%	-29.9%	-£45.43m
Group NBT	CS	£1.23	£23.78m	19.1	0.20	613	-8.6%	18.4%	-£2.10m
Harrier Group	CS	£0.13	£4.26m	-	0.16	103	-13.1%	-30.3%	-£0.21m
Harvey Nash Group	A	£0.53	£33.22m	96.4	214.46	303	-29.3%	-41.4%	-£13.79m
Highams Systems Services	A	£0.06	£1.75m	-	0.54	153	-4.3%	0.0%	-£0.08m
Horizon Technology	CS	£0.67	£60.30m	16.4	0.89	247	-14.9%	-13.2%	£3.16m
I S Solutions	CS	£0.12	£2.98m	-	4.60	447	-12.7%	-17.2%	-£0.43m
ICM Computer Group	CS	£3.33	£69.30m	22.5	0.58	1847	-11.1%	-18.9%	-£8.65m
IDOX	SP	£0.11	£20.54m	47.8	0.41	14	15.8%	-1.1%	£2.80m
In Technology	CS	£1.53	£37.02m	-	3.60	956	2.7%	100.7%	£0.97m
INCAT International	SP	£0.46	£64.91m	-	1.73	1840	-8.9%	-70.1%	-£6.35m
Innovation Group	SP	£0.48	£210.72m	-	7.63	210	7.9%	38.1%	£15.36m
Intelligent Environments	SP	£0.03	£4.61m	-	4.01	32	-27.3%	-52.0%	-£1.73m
Interactive Digital Solutions	SP	£0.01	£2.39m	-	7.3	480	-30.4%	-26.2%	-£1.05m
Intercede Group	SP	£0.15	£7.30m	-	0.4	241.7	-25.6%	-21.6%	-£2.52m
Invu	SP	£0.30	£22.96m	46.1	5.35	3105	51.3%	28.3%	£4.47m
IQ-Ludorum	SP	£0.01	£1.00m	-	7.47	17	0.0%	-18.0%	£0.00m
iSOFT Group	SP	£3.51	£799.48m	115.8	1.53	3191	0.9%	1.7%	£6.83m
iTrain	SP	£0.08	£6.40m	262.1	2.29	96	12.1%	0.0%	£0.69m
K3 Business Technology	SP	£0.81	£10.72m	8.1	46.34	615	-14.8%	-23.3%	-£1.86m
Kewill	SP	£0.65	£50.77m	19.5	0.72	1275	-0.8%	12.7%	-£0.39m
Knowledge Technology Solutions	SP	£0.05	£7.41m	-	0.09	1000	-13.0%	-9.1%	-£1.11m
LogicaCMG	CS	£1.63	£1,225.87m	85.9	1.72	2236	-7.8%	-15.3%	-£103.25m
Lorien	A	£0.59	£10.90m	8.5	2.10	585	-11.4%	11.4%	-£1.40m

Holway/SYSTEMHOUSE S/ITS Share Prices and Capitalisation

	SCS Cat.	Share Price 29-Apr-05	Capitalisation 29-Apr-05	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 29-Apr-05	Share price move since 31-Mar-05	Share price % move in 2005	Capitalisation move since 31-Mar-05
Macro 4	SP	£2.48	£53.60m	44.2	0.95	998	-13.0%	35.6%	£0.66m
Manpower SoftWare	SP	£0.24	£10.78m	-	1.57	250	3.2%	-23.0%	£0.33m
Marlborough Stirling	SP	£0.42	£94.16m	-	1.70	296	0.6%	16.9%	£0.57m
Maxima Holdings	CS	£1.63	£19.46m	-	1.87	1185	1.9%	66.3%	£0.36m
Mediasurface	CS	£0.13	£10.20m	-	0.07	974	-15.9%	76.7%	-£1.85m
Microgen	CS	£0.78	£79.50m	387.5	1.03	331	4.0%	37.2%	£3.08m
Minorplanet Systems	SP	£0.04	£6.01m	-	1.05	77	-11.8%	-11.8%	-£0.31m
Misys	SP	£2.02	£1,039.71m	118.8	0.30	2513	-8.8%	-3.5%	-£113.87m
Mondas	SP	£0.16	£4.18m	-	0.23	213	-5.9%	-13.5%	-£0.26m
Morse	R	£0.77	£115.52m	-	4.93	306	-28.8%	-20.3%	-£46.81m
MSB International	A	£0.74	£15.07m	28.6	4.06	387	6.5%	-11.4%	£0.92m
NCC Group	CS	£2.32	£75.48m	-	6.88	1386	-8.9%	20.3%	-£7.34m
Ncipher	SP	£2.11	£57.88m	22.9	2.86	844	-16.4%	0.0%	-£11.38m
Netcall	SP	£0.25	£16.61m	252.5	1.72	510	12.2%	32.9%	£1.81m
Netstore	CS	£0.42	£40.67m	36.9	2.60	278	-0.6%	10.6%	-£0.24m
Nexus Management	CS	£0.01	£1.99m	-	1.96	200	-15.4%	-15.4%	£0.24m
Northgate Information Solutions	CS	£0.67	£355.56m	-	1.01	257	-1.5%	3.5%	£20.08m
NSB Retail Systems	SP	£0.25	£89.03m	-	0.13	2130	-7.5%	-7.5%	-£4.88m
OneclickHR	SP	£0.03	£4.83m	-	1.84	81	0.0%	-7.1%	£0.00m
Parity	A	£0.08	£21.65m	-	2.67	1250	20.0%	-24.1%	£3.61m
Patsystems	SP	£0.15	£21.66m	-	2.09	136	-10.8%	18.4%	-£2.40m
Phoenix IT	CS	£2.66	£155.46m	-	9.01	984	-3.1%	-3.0%	-£4.97m
Pilat Media Global	SP	£0.39	£19.71m	15.1	1.04	1950	-10.3%	5.4%	-£2.27m
Pixology	SP	£1.14	£22.80m	-	0.92	817	-24.0%	-40.5%	-£7.20m
Planit Holdings	SP	£0.23	£21.30m	23.3	1.46	969	5.7%	-3.1%	£1.15m
Prologic	CS	£0.70	£6.95m	-	0.30	837	3.0%	-10.3%	£0.20m
PSD Group	A	£2.48	£61.86m	33.9	0.86	1125	-9.2%	-4.8%	-£6.25m
QA	CS	£0.03	£8.95m	-	0.84	14	-10.7%	0.0%	-£1.07m
Quantica	A	£0.55	£22.36m	16.5	1.09	444	-8.3%	18.3%	-£2.03m
Raft International	SP	£0.09	£6.12m	-	2.76	147	-5.1%	8.8%	-£0.33m
Red Squared	CS	£0.07	£1.84m	-	0.77	357	-33.3%	-27.8%	-£0.92m
Retail Decisions	SP	£0.30	£87.66m	28.5	3.02	409	-4.0%	6.1%	-£3.62m
RM	SP	£1.83	£165.53m	41.5	4.48	5214	-1.1%	5.2%	-£1.81m
Royalblue Group	SP	£5.53	£180.55m	23.1	1.59	3250	-6.8%	24.2%	-£13.07m
Sage Group	SP	£1.96	£2,509.62m	19.7	1.08	75192	-2.9%	-3.3%	-£70.00m
Sanderson Group	SP	£0.61	£24.47m	-	5.20	931	-9.0%	-0.8%	-£2.43m
SDL	CS	£1.21	£67.72m	-	0.89	803	1.3%	-10.1%	£1.19m
ServicePower	SP	£0.29	£21.37m	-	2.60	290	1.8%	-14.7%	£0.37m
Sirius Financial	SP	£1.05	£18.15m	74.6	3.01	697	18.1%	25.1%	£2.78m
SiRViS IT plc	CS	£0.07	£8.41m	-	6.3	64.1	-11.9%	20.4%	-£1.14m
smartFOCUS plc	SP	£0.12	£8.57m	-	0.3	1256.8	24.0%	28.7%	£1.66m
Sopheon	SP	£0.23	£27.15m	-	1.95	335	-18.4%	-2.1%	-£5.79m
Spring Group	A	£0.99	£155.66m	14.1	1.14	1100	-5.3%	7.6%	-£8.65m
StatPro Group	SP	£0.54	£17.69m	10.1	42.36	669	13.8%	59.7%	£2.15m
Stilo International	SP	£0.03	£2.37m	-	3.21	53	-8.7%	-41.7%	-£0.23m
Superscape VR	SP	£0.38	£46.59m	-	1.2	189.4	-17.6%	-37.0%	-£9.94m
SurfControl (was JSB)	SP	£5.10	£153.66m	41.6	4.70	2550	-18.7%	-7.3%	-£35.40m
Systems Union	SP	£1.16	£124.54m	29.0	2.40	892	-3.7%	0.4%	-£4.83m
Tadpole Technology	SP	£0.06	£22.69m	-	1.85	142	-16.1%	-41.3%	-£3.56m
Telecity	CS	£0.21	£56.46m	-	18.96	27	1.2%	10.7%	£0.68m
Tikit Group	CS	£1.75	£22.07m	37.1	1.41	1517	-4.6%	8.7%	-£1.08m
Torex Retail	SP	£1.01	£187.69m	-	0.76	2525	-11.0%	33.3%	-£23.23m
Total Systems	SP	£0.52	£5.42m	14.8	0.80	971.7	-4.6%	-3.7%	-£0.26m
Touchstone Group	SP	£0.98	£10.79m	-	0.33	929	-14.5%	4.8%	-£1.83m
Trace Group	SP	£0.82	£12.38m	16.0	0.63	652	1.9%	1.2%	£0.23m
Triad Group	CS	£0.48	£12.10m	31.3	2.52	352	-6.9%	-17.4%	-£0.89m
Tribal Group	CS	£1.57	£117.32m	-	7.90	948	11.0%	8.7%	£11.62m
Ultima Networks	R	£0.03	£5.11m	17.9	0.23	61	11.1%	33.3%	£0.51m
Ultrasis Group	SP	£0.01	£6.94m	-	1.10	15	-42.3%	123.9%	-£4.71m
Universe Group	SP	£0.17	£10.11m	-	0.38	733	-5.7%	-18.5%	-£0.61m
Vega Group	CS	£1.92	£38.97m	27.0	24.65	1570	1.9%	-1.8%	£0.71m
VI group	SP	£0.09	£3.35m	-	0.92	180	-26.5%	-36.8%	-£1.21m
Vianet	CS	£0.07	£9.29m	-	2.08	58	-8.3%	19.6%	-£0.84m
Wealth Management Software	SP	£0.12	£5.58m	-	0.73	88	2.2%	-4.2%	£0.12m
Workplace Systems	SP	£0.16	£22.19m	-	0.50	0	0.0%	-8.8%	£0.00m
Xansa	CS	£0.89	£305.12m	8.2	3.22	2282	-6.8%	-4.3%	-£20.90m
XKO Group	SP	£0.78	£21.35m	-	0.47	517	-7.2%	6.9%	-£1.65m
XN Checkout Holdings	SP	£2.18	£58.91m	22.5		2224	-8.0%	44.9%	-£5.13m
Xpertise Group	CS	£0.01	£6.16m	-		59	43.9%	96.7%	£1.88m

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

RESELLERS LOSE THE MOST IN DECLINING MARKET

April has produced another month of declines in the UK S/ITS market. The AIM index fell almost 8%, while the teckMARK 100 fell 4.6%. Our own SYSTEMHOUSE index and the FTSE IT SCS Index meet somewhere in the midpoint of the previous two, at 5.4% and 5.3% respectively.

The real loser for the month was the reseller segment, which fell 7% over April – a significant change from the 5.2% growth in March. The size of this fall is mostly due to concerns over Computacenter and Morse. Computacenter has seen its shares drop by almost 13% amongst warnings that revenues for the year to date have fallen 10% compared to the previous year, and that profits will be *"substantially below last year's"*.

Morse faces more of a serious problem, with shares in the company falling almost 29% over April. In a third quarter update the company had revealed that *"there has been a further deterioration of this business with both sales and margins under greater pressure"*, and so far there is little evidence of the benefits of the company's acquisition of Diagonal. Clearly the reseller segment continues to face challenges.

techMARK 100	1082.20
FTSE 100	4801.70
FTSE AIM	1003.40
FTSE SmallCap	2802.80

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 (01/04/05 to 29/04/05)	-5.40%	-1.89%	-4.58%	-5.34%	-7.84%	-3.59%
From 15th Apr 89	+399.47%	+133.82%				
From 1st Jan 90	+442.85%	+103.29%				
From 1st Jan 91	+605.60%	+122.26%				
From 1st Jan 92	+378.03%	+92.60%				
From 1st Jan 93	+213.43%	+68.69%				+102.03%
From 1st Jan 94	+199.16%	+40.47%				+49.99%
From 1st Jan 95	+233.16%	+56.64%				+60.49%
From 1st Jan 96	+121.15%	+30.15%	+37.12%		+5.24%	+44.36%
From 1st Jan 97	+86.55%	+16.59%	+18.32%		+2.80%	+28.39%
From 1st Jan 98	+64.57%	-6.50%	+13.44%	-53.38%	+1.15%	+21.16%
From 1st Jan 99	+26.72%	-18.37%	-25.67%	-67.76%	+25.17%	+35.34%
From 1st Jan 00	-56.46%	-30.71%	-71.37%	-87.46%	-48.08%	-9.52%
From 1st Jan 01	-40.34%	-22.83%	-57.82%	-76.08%	-30.21%	-11.95%
From 1st Jan 02	+4.10%	-7.97%	-26.52%	-44.78%	+11.76%	+8.67%
From 1st Jan 03	+84.12%	+21.86%	+66.81%	+37.03%	+66.43%	+53.95%
From 1st Jan 04	+6.81%	+7.26%	+6.62%	-7.43%	+20.11%	+13.24%
From 1st Jan 05	+1.41%	-0.26%	-9.55%	-4.03%	-0.24%	+1.62%

End Apr 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 Apr 05
System Houses	17.7%	-54.2%	-38.3%	11.1%	121.4%	15.4%	5.2%	-5.6%
IT Staff Agencies	-69.3%	-73.3%	-57.5%	-23.3%	15.4%	-24.4%	-4.3%	-5.3%
Resellers	82.7%	-12.0%	16.4%	29.6%	75.2%	-8.6%	0.7%	-7.0%
Software Products	69.3%	-59.3%	-70.5%	-4.7%	57.8%	-2.7%	-0.1%	-5.3%
Holway S/ITS Index	26.7%	-56.5%	-40.3%	4.1%	84.1%	6.8%	1.4%	-5.4%

Still, almost one third of all the companies in our index registered a share price fall of 10% or more over April. The top five fallers were: Clinical Computing (–43%); Ultrasis Group (–42%); Earthport (–38%); Red Squared (–33.3%); and Gresham Computing (–32%).

Similarly, only one third of businesses actually grew their share price. But as an example of the climate we are currently in, two of the top four (Invu, up 51%, and smartFocus, up 24%) are in their maiden years on AIM. Of the other two, only Xpertise Group can justify its rise of 44% with a set of strong results. On the other hand, AttentiV Systems' 31% rise can safely be attributed to the M&A interest it has received from Finland's Tietoenator and the UK's own Microgen. *(Samad Masood)*

MORE FROM OVUM HOLWAY

SYSTEMHOUSE concisely summarises all the major financial and corporate news in the UK S/ITS marketplace – richly interspersed with Ovum Holway comment and opinion.

In addition to SYSTEMHOUSE, Ovum Holway also produces *Hotnews*. Through *Hotnews* our team of analysts bring you all the latest financial and corporate news in the UK S/ITS market and beyond – direct to your desktop every working day. Available via email, *Hotnews* combines news, comment and opinion. For more information about how to subscribe to the *Hotnews* service, contact Suzana Murshid on 0207 551 9071.

FROM:

DELIVERY ADDRESS:

SYSTEMHOUSE & HOTNEWS
☐ Single user licence @ £995 + VAT ☐ 2–5 user licence @ £1,980 + VAT

SYSTEMHOUSE
☐ Delivered monthly @ £495PA

For further details and additional licensing options, please call Suzana Murshid on 0207 551 9071 or return this form.

Address: Ovum Ltd, 12 Farringdon Road, London, EC1M 3HS, **T:** 0207 551 9071 **F:** 0207 551 9090/1 **E:** sum@ovum.com

☐ Cheque enclosed (cheque payable to Ovum Ltd) ☐ Please invoice my company

SIGNED: DATE:

© 2005 Ovum Limited. The information contained in this publication may not be reproduced without the written permission of the publishers. Whilst every care has been taken to ensure the accuracy of the information contained in this document, the publishers cannot be held responsible for any errors or any consequences thereof. Subscribers are advised to take independent advice before taking any action. **SYSTEM**HOUSE® is a registered trademark of Ovum Limited. Ovum analysts might hold stock in the companies featured.