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SYSTEMHOUSE

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

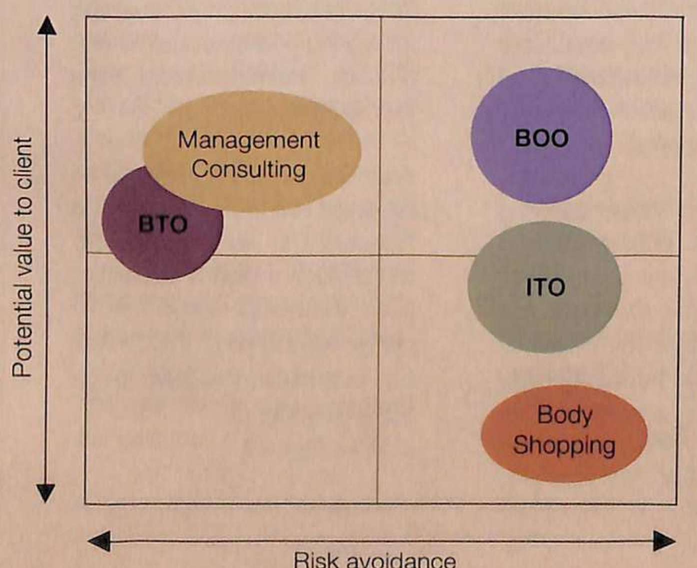
SAY 'BOO' TO TRANSFORMATIONAL OUTSOURCING!

In December 2004, SystemHouse predicted that transformational outsourcing would come under increasing attack from its critics - and lo, it came to pass that this did indeed happen. IT consultancies and management consultants with no outsourcing businesses piled on the pressure, accusing transformational outsourcers of selling inflexible, monopolistic services that restrict customers' access to best-of-breed consulting and systems integration, and which are commercially risky to boot.

Combine the fact that clients are increasingly breaking outsourcing contracts into slices allocated to multiple vendors, add in embarrassments like Sainsbury's decision late last year to cancel its mega-deal with Accenture (the poster child of transformational outsourcing in the UK), and you seem to get a full-scale backlash. Yet outsourcers are strengthening their consulting capabilities, not scaling them down - a move with which we actually agree. So what's going on?

Actually, good IT outsourcing is inherently 'transformational' in that it improves the IT infrastructure (in which we'd include business applications) - otherwise, it's just a labour-arbitrage or economies-of-scale story, with little or no relevance to more sophisticated clients. Good outsourcing keeps the IT and the business processes that the infrastructure supports closely connected, and that requires constant effort and change. So, a good outsourcing contract almost invariably contains an element of IT consulting, even if it's not billed or identified as such.

Where we take issue with vendors is when they stray beyond their competence as IT



[continued on page two]

Contents

IN THIS ISSUE

INDICES
(changes in January 2006)

Holway S/ITS	**+1.1%**	**5135**
FTSE IT (SCS)	**+0.6%**	**572**
techMARK 100	**+4.56%**	**1497**
Nasdaq Comp	**+4.5%**	**2305**

[continued from front page]

services organisations and indulge in what many suppliers call 'business-transformational outsourcing' or BTO for short. This is where outsourcers claim to be driving business change across *entire* organisations, heroically transforming their clients' financial fortunes by fusing grand management consultancy with IT services.

But surely outsourcers can apply their undoubted transformational skills to re-engineering (and then running) processes beyond the IT infrastructure? We agree, but with an important caveat.

Transformational outsourcers working beyond the IT infrastructure should only take the driving seat when reorganising relatively niche processes, such as invoice processing. For more important processes beyond the IT infrastructure, outsourcers should play a supporting role, rather than driving wide-scale business change. Here's the general rule: IT outsourcing *supports* strategic business change outside the IT function; it doesn't *drive* this change.

Things generally go wrong when the outsourcer over-stretches itself when *driving* business change outside the IT function - for example taking responsibility for transforming a client's accounts payable processes, its supply chain or its HR department. We're not saying outsourcers can't do this work, but they fall into some nasty traps.

One important trap is when BTO contracts contain risk-sharing and gain-sharing payment mechanisms, under which the outsourcer is paid in part by how well the client's overall business performs. This link is made more and more, but we argue that it's easy to make this connection inappropriately.

Hostages to fortune

We worry that BTO players, in their desire to be seen driving business change, are agreeing to be rewarded by metrics beyond their control. Should an outsourcer agree to be paid according to the improvement in its client's share price or its EPS? Surely not, given that any such improvement (or deterioration) of this profitability or share price is the product of many different factors. Contracts that make outsourcers hostages to fortune are risky in both financial and brand-reputation terms.

Many outsourcers employ experienced management consultants who add great value to their clients' businesses. These consultants do a lot of high-end IT consulting, but they also do genuine management consulting. But that doesn't make their employers management consultancies as such. The outsourcers remain IT services companies, and their management consulting capabilities are mostly confined to IT-centric processes and functions. Yes, outsourcers with consulting arms can drive real improvements in clients' profitability, but they're not high-level strategy consultancies or mainstream management consultancies. They have impressive employees who can do this sort of work, but general management consulting is not within the core competence of an outsourcer.

Surely there are exceptions? Sure, an IT services player with a strong consulting arm may drive wide-ranging business change within a particular department or business function. But grand consulting work is for pure-play management consultancies.

Since every good outsourcing contract is probably 'transformational' to some extent, and given the perils of BTO, we prefer to talk about 'business-oriented outsourcing' - or 'BOO' for short. We see business-oriented outsourcers in future continuing their successful work of transforming IT infrastructures and niche business processes, often using business/management consultants to deliver this service.

Indeed, despite the perceived backlash against overblown BTO, we see outsourcers such as LogicaCMG, Fujitsu Services and EDS strengthening their business consulting capabilities, not reducing them, and we think they're right to do so.

Business consulting can have an important role to play in delivering high-quality IT services that help to transform a client's business - that's what BOO is about. What clients don't need is BTO, where the outsourcer pretends to be something it's not.

(Douglas Hayward)

Holway Comment

The eve of destruction

Richard Holway

I've already written and talked about the advent of disruptive technologies and innovations. I contend that all parts of the ICT industry are facing more and faster disruption than at any time in the last 40 years.

But perhaps it is time to get even tougher. In many cases, established ICT business models face destruction. In some cases, it is not just the business models that are at risk, but the continued existence of the current established leading suppliers too. In turn, this destruction will create huge new opportunities either for new players or, and much more difficult to perform, the established companies to change and win in that new world.

This Eve of Destruction theme can be applied to many areas:

Software as a service

The established model of charging for product licences faces destruction. It will be replaced by service subscriptions and, in an increasing number of cases, free software funded by advertising. Free software will become the 'norm' for consumers and I expect will make major inroads over a longer timeframe into corporate IT too.

The webtop will take-over from the desktop

A key 2005 theme of mine was *'I used to drive a Microsoft - now I fly a Google'*. Google was the *Financial Times'* Company of 2005. Although Microsoft, IBM and others will fight very hard to (re)capture this space, my bet would be on Google being a strong contender for the FT 'Company of 2006' too.

Indeed, Google would already get my vote for 'Most Disruptive Company of the Decade'...so far.

Offshore comes of age

As I described last month, Xansa's recent results are a perfect example of the deflationary effect of offshoring on the IT services sector. I would expect the majority of IT-related tasks which are capable of being undertaken offshore eventually to go offshore. This will have huge destructive effects on indigenous companies. Offshore companies fully realise that some tasks must still be undertaken 'onshore'. Companies like Wipro, Infosys and Tata all have the capability either to grow onshore operations organically or, indeed, to buy them.

The really disruptive effects of this on our industry are only just starting...

China will become a global IT powerhouse

Already in 2005, China has become the world's largest exporter of IT goods and the biggest exporter to the US (source - OECD).

We are all wrong to underestimate the innovation that will come from China. Presently, most IT innovation comes from the US with Europe and Japan in pursuit. I believe that, within a matter of a few years, China will threaten that position.

Offshore as a market destroys the dominance of Western IT suppliers.

IT is a mature, at best low single-digit growth, market in most of the developed world - UK, Europe and US in particular. That is not the case in China, India, Eastern Europe etc. It is far more likely that indigenous suppliers will reap the major benefits from these markets than Western companies.

IT services' glory days are over - but don't expect BPO to be its savour

The influence of IT departments is already on the wane. The provision of IT services will be looked upon in much the same way as office or property services

[continued on page four]

[continued from page three]

or distribution. Providing 'just' IT services - be it IT outsourcing, support services and even utility staff - to companies will be a low-margin, highly competitive, declining market. A decidedly unattractive place to be.

Many companies will try to move into BPO (or whatever new name is given to it in 2006) Many will find that move extremely difficult and will face great pain in the process; as will many of the current batch of BPO startups. Amongst the winners will probably be the current business support services players (like Capita in the UK) which just happen to have embedded IT expertise.

Excitement is in the consumer areas

I have to admit that after 40 pretty exciting years in 'corporate' IT, it is now looking decidedly dull - particularly compared to the consumer arena. Consumer-oriented tech companies will gain hugely in power, influence and value compared with their corporate brethren. One only has to look to Google and Apple right now for perfect examples.

Consumers lead - corporates follow

Consumer innovation will drive the corporate IT scene - not the other way around. Consumers used to slick, fast, stylish and reliable technology in the home (train, plane or car) will not settle for second best at work. Already many consumer devices (like snazzy mobile devices) and software (Google search is a good example) are staples in the workplace.

Leadership in communications threatened

Leading operators like BT in the fixed world and Vodafone in the mobile world will find 2006 and beyond extremely hard going. They are threatened on all sides. The old policy of defence no longer works as the disruptive forces are too strong. Organically building the new value-add, content-oriented services required for survival will be difficult for most of the larger players. Profits and therefore valuations will be under threat.

A destructive revolution in entertainment

The advent of 'entertainment on-demand', coupled with user demand for 'Anywhere, Anytime, Anyplace' access (my Martini device!), will throw many of the established entertainment providers into disarray. It's already happening with the major music companies as they face the threat of music downloads. The TV suppliers (like ITV) have seen their audiences rapidly decline in favour of multiple digital services. BSkyB might even see its main competition for the Premiership coming from a comms player. And they really ain't seen nothing yet! Many established entertainment companies could face destruction.

TMT - the real 'convergence'

As comms players search for content to add value and as the entertainment companies come under threat from multiple choice digital services, the obvious end result seems to be that we will see more and more couplings between the two. Vodafone and ITV or BT buying the rights to Premiership Football? If you think that's a step too far, BT has this month bought the rights to Bob the Builder and Pingu for its new Internet TV on demand (IPTV) service.

All the points above, and I am sure there are many more examples, are going to be hugely disruptive to most players in our sector and, I contend, will lead to the destruction of many; whilst providing major opportunities for new players to emerge.

'But you tell me over and over and over again my friend,
You don't believe we're on the Eve of Destruction?'
Barry McGuire - 1963

To learn more about Ovum's view of IT services in 2006 and beyond, see Market Trends Preview 2006 - available now to subscribers. If you are not a Holway@Ovum subscriber, please contact Suzana Murshid (sum@ovum.com) for further details.

BRIGHTER END TO UNISYS' ANNUS HORRIBILIS

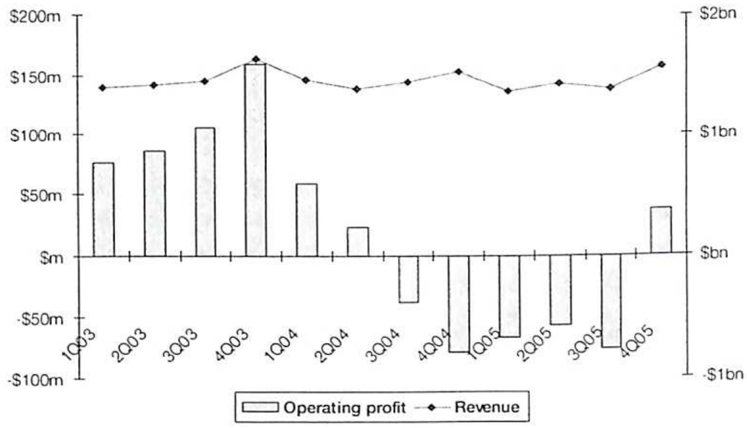
Unisys Corp improved its performance in its Q4 ended 31 December 2005, reporting an improved net loss of $31.1m (versus $34.9m in 2004), in spite of increased tax and pension expenses. Operating margin was positive (2.3%) for the quarter (versus minus 5.2% for Q4 2004). Without pension expenses, operating margin would have been 5.2% in Q4 2005.

Revenue growth was also better than previous quarters, and was up 3% (5% in constant currencies) to $1.57bn. But this was not enough to reduce the impact of poor performance in the previous three quarters. Full-year results revealed a net loss of $1.73bn (from a $38.6m profit in 2004), on revenues down 1% to $5.76bn. Currency impacts had a one percentage-point positive impact on full-year revenues. Operating margin was also negative (at minus 2.8%) for the year (versus minus 0.6% for 2004). Shares in the company fell 3% to $6.47 at close of business after the company released its results.

Unisys has recently begun to publish the percentage of its revenues coming from EMEA. For Q4, it got 37% of revenues from EMEA, to a value of about $580m. For the full year, EMEA accounted for 33% of revenues, to a value of about £1.9bn.

Looking forward, Unisys expects growth in the 'low-to-mid single digits' excluding divestments, possibly down slightly including divestments. Nevertheless, it expects outsourcing, systems integration and consulting revenues 'to mirror or exceed market rates'. Meanwhile, revenues are expected to decline in its hardware and maintenance business.

Unisys' quarterly operating profit and revenue performance 2003 - 2005



Comment: Unisys has done well to lift its game in the last quarter of what has been a dire year for the company. Business should continue to improve from here onwards thanks to the company's multi-year restructuring and re-positioning plans.

Unisys aims for an operating margin of 8-10%, excluding pension expenses, by 2008. And to achieve this it will be gradually divesting its hardware business to strategic partner NEC, reducing staff, and focusing on its top 50 clients in each geography - among other things. It is not so important whether Unisys achieves this lofty target, but rather that it convinces both investors and clients that financial and operational stability, as well as sustainable growth, are within reach.

The good news is that Unisys continued to gain European clients in the quarter. Over the period, it won a sub-contract to provide applications management, data centre and desktop support with the UK's **Metropolitan Police** as part of the **CUBIT** consortium. On the continent, it signed up the Bavarian Ministry of Justice to a two-year infrastructure management deal, as well as signing a $70m-plus ClearPath deal with a 'major European financial institution'. And looking forward, Unisys claims services orders have shown 'strong double-digit gains' - with outsourcing order growth offsetting declines in systems integration and consulting. Technology orders showed single-digit gains driven by ClearPath and ES7000 enterprise server orders.

Yet Unisys could find it particularly difficult to rebuild its credibility in the business process outsourcing market, where problems with two of its deals - one of which was the UK cheque-processing joint-venture **iPSL** - dragged profitability downwards over the year. Unisys has just renegotiated the iPSL arrangement, part of which involves an additional $150m in fees being paid to the company between 2006-2010. Although this should put iPSL's problems in the past, the company's reputation as a pioneering BPO player will be tarnished for a long while yet.

(Samad Masood)

GLEN GROUP BUYS FELLOW SCOTCH MINNOW

Glen Group, an AIM-listed value added reseller (VAR) of integrated IT and communication services, has acquired (via a reverse takeover) Eclectic Holdings Limited for an initial consideration of £2.2m in cash and shares. An additional £787k is available dependent upon financial performance. Eclectic is a VAR focused on providing business intelligence consultancy. Eclectic had revenues of £3.3m. Glen and Eclectic will continue to be run as two separate organisations.

Comment: Glen Group is a £540k company that sells communication solutions to SMEs. Generally speaking, the Edinburgh-based company serves customers who have 20-25 employees. It aims to be a one-stop shop, which of course appeals to the SME that doesn't want to go from provider to provider to get its IT and communications infrastructure up and running. Smaller customers tend to be served by local IT services providers and make up what is a notoriously difficult market for the larger players to capture. Instead of building on this SME focus, Glen's acquisition of Eclectic sees it move into the corporate arena (where Eclectic already has numerous clients). We understand that the acquisition of a SME-focused organisation was on the cards at some point, but didn't come to fruition.

What Eclectic brings is a niche focus on BI, and our forecasts show sales in this market will outperform the enterprise software market as a whole for the foreseeable future. Eclectic is also profitable and gives the Group as a whole a real bump up in terms of size.

The fact remains that this is one minnow acquiring a slightly larger minnow. The Eclectic purchase is an important step forward - but Glen will still be a very small player. Acquisition, therefore, will remain an important feature of its ongoing development.

(Kate Hanaghan)

SERCO: BRINGING SOLUTIONS INTO PLAY

We caught up with Ian Downie, the CEO of Serco Solutions, during the month. SystemHouse readers will recall that Serco Solutions is the new name for ITNET, which Serco acquired last year. When the deal was first announced, we heralded the arrival of a significant new name in the UK IT services market. We were especially keen to see how the new group would work together to exploit the huge breadth of capability from ITNET's applications focus right through to Serco's specialist science and research interests. So, one year on, it's a good time to take stock of progress.

One of our first challenges, as analysts predominantly of the IT sector, has been to try and get a grip on the beast that is Serco. We all know it's a FTSE350 services firm that runs prisons, manages traffic light systems and employs more scientists than anyone else in the UK. But what is its real raison d'etre? According to Downie, Serco's core skills and proposition to its customers boil down to change management. It believes it can improve the effectiveness and lower the cost of a process more rapidly and more effectively than its (predominantly government) customers can. And to do that, its favoured approach is to take on and run the process as completely as possible and for as long as possible.

This positioning as a broad-based "transformational outsourcer" explains the rationale behind the ITNET acquisition. Serco felt it was lacking in the depth of IT capability required to support much process change. Once its valuation had fallen following the painful fracas in 2004 over its Cabinet Office contract, mid-sized ITNET became the ideal candidate.

So is there any evidence that the blend of Serco + ITNET is working? Well Serco Solutions itself appears to have had a reasonable first year of operation. Revenue growth picked up in the second half of 2005, and the DTI deal in November was a positive signal in a sector (central government) where ITNET had struggled. It hasn't all been plain sailing, however, and Downie admits to two significant disappointments in recent months - namely being kicked

[continued on page seven]

[continued from page six]

out at Hounslow (where problems, to be fair, had started back in the ITNET days) and missing out at Birmingham to Capita. We shouldn't read too much into this. In the binary world of outsourcing, some you win and some you invest huge amounts of effort and money into but still get nothing.

But the real indicator of success in the integration of ITNET into Serco is its effect on the wider group. We're still waiting for full 2005 results from Serco, but it looks as though organic growth has been strong, driven by a range of new wins and extensions. However, thus far it's hard to see the impact of ITNET's IT expertise at work in existing areas of strength for Serco such as defence, science and transport. But the influence is beginning to be felt in more subtle ways, according to Downie. He cites the private sector, where Serco is under-represented and where the acquisition doubled Serco's revenues, as an area where ITNET's knowledge and presence should open up new opportunities. He also points to the way Serco is adopting ITNET-derived models on global sourcing, primarily out of India.

Consulting looks like another example where the acquisition is having a beneficial effect. Serco has formed an organisation called "Serco Consulting", which comprises ITNET's French Thornton management consulting outfit, a number of other ex-ITNET consultants and the unit that used to be Serco Government Consulting. "SC" is supporting other areas across Serco by driving leads and sales and by working with the vertical market specialists on the day-to-day business of designing and implementing technology and process change. Such co-operation clearly makes sense if your business is transformation. We hope, however, that Serco won't fall into the trap of building a separate consulting identity. As we keep saying, the key is to get consultants seeded throughout the business, and to make their integration as complete from the customers' point of view as possible.

The message on integration and co-operation applies not just to Serco's consulting capabilities, but also to IT and applications expertise. If Serco is to make the most of its ITNET acquisition, it needs to make sure that Serco Solutions works hand-in-glove with other parts of the business. For this reason we suspect that Serco Solutions' separate brand and organisation may, over time, be disseminated across the broader group. In the meantime, there's enough evidence to suggest that the artist formerly known as ITNET is now a more formidable competitor in its new, more stable home, and that Serco is beginning to exploit the vital skills that the acquired business brought it.

(Phil Codling)

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MISYS INTERIMS - A TIME TO REFLECT ON ITS FUTURE

Misys's interim results for the six months to 30th November 2005 showed total revenue for the half-year up to £481m compared to £437m for the equivalent period in 2004, an increase of 10%. Operating profit for the group was £48.1m compared to £44.7m (up 7%), helped by £4m net benefit from disposals. However, net profit was down at £27.5m compared to £34.4m a year ago, due to increased finance costs and a hit on exchange rates.

On the surface of it, this half year appears to have been steady business, some things getting a little bit better, others getting a little bit worse, nothing to be alarmed about. So why did the company issue a profits warning in September?

In an interview before the earnings conference, Misys CEO Kevin Lomax justified the issuing of the warning because the company said it was due to "the deferral of two large contracts which is slightly out of our control, frankly." He went on to say that since this group tends to have very large contracts, there will always be a degree of volatility in its earnings. He also said that the fall in margin for the banking group was not just about the slipped contracts, but also due to heavy investment in this group's products.

Figure 1 shows the comparison between first half 2005/6 and 2004/5 for the banking division. The problem is that you could use this data to argue either way over the justification for the warning - and of course, these numbers also give us perfect hindsight! However what is clear is that the very nice rise in software licences has not been enough to stop the operating profit from falling or to pull through increased professional services into the

[continued on page eight]

[continued from page seven]

period - fairly obviously because of the delays.

Both software licence sales and maintenance are generally (indeed, really should be) very high margin items. In many large software vendors, a £10m improvement in software licences drops straight through to the operating margin more or less intact, as the marginal costs of additional software licenses sales can be almost zero (the sales costs would normally be part of Sales, General & Administrative). Since operating profit fell by £5.2m, this suggests that anything up to around £15m of additional costs were incurred by the project shortfall. However, some of this will have gone on the additional software development costs - unlike US software companies, UK vendors usually don't split out their software development spend. Indeed, with the capitalisation of software development, the numbers have got far less transparent.

Misys says that it plans to combine the wholesale and retail banking divisions, which it feels is a logical combination in the current market. In the interview, Lomax said that the company would able to "release quite a lot of cost from the business," and he mentioned a figure of £10 to 15m in annual costs from the elimination of "management structures and infrastructure generally" in the next full financial year.

In the healthcare division, things are not quite as rosy despite the healthy-looking overall growth, as shown in Figure 2. Software licences and maintenance have grown very modestly, and professional services actually fell. In comparison, transaction processing services have leapt and hardware sales have jumped to £16.9m from almost nothing a year ago. As a result, operating profit has grown only modestly.

Figure 1 **Comparison of most recent interim results and last year's interims for Misys Banking division**

Banking division (£m)	**2005/6 interims**	**2004/5 interims**	**Difference**
Software licenses	36.9	26.9	37%
Maintenance	59.6	57.3	4%
Transaction Processing	5.4	4.4	23%
Professional Services	22.9	23	0%
Hardware	0.1	0.2	-50%
Total revenue	**124.9**	**111.8**	**12%**
Operating profit	14	19.2	-27%
Division operating margin	11%	17%	-6%

Figure 2 **Comparison of most recent interim results and last year's interims for Misys Healthcare division**

Healthcare division (£m)	**2005/6 interims**	**2004/5 interims**	**Difference**
Software licenses	28.5	26.9	6%
Maintenance	57.7	57.3	1%
Transaction Processing	33.5	4.4	661%
Professional Services	17.2	23	-25%
Hardware	16.9	0.2	NA
Total revenue	**153.8**	**111.8**	**38%**
Operating profit	23.1	19.8	17%
Division operating margin	15%	18%	-3%

Hardware resale is generally a low margin business, so we expect little or no profit contribution from this activity, necessary though it may be to fulfil customer requirements. That leaves transaction processing services, and we can't help wonder whether the margins in this part of the business are more like General Insurance or Sesame.

Ironically, Misys says that it wishes to get out of its other transaction processing services, and dispose of both General Insurance and Sesame. Just how much difference would these disposals make to Misys?

Our estimates suggest that Misys would see around a 40% reduction in reported revenue, a decline in operating profit that could be as little as 12% or as much as 31%, and an improvement in operating margin of between 1.8 and 4.5 percentage points.

We are perplexed that Misys has made little tangible progress on the disposal. Indeed, on the earnings call there was a warning that the sale of Sesame might be held up by the need for the FSA's approval - could this not have been anticipated sooner? We suspect that there may be some ambivalence about the divestment.

Much of Sesame's revenue is 'pass through', money that Misys collects from one part to pay to another, but Misys never splits out the 'pass through' from the 'real' revenue in its reports. This enables Misys to enjoy the status of a "billion dollar" industry player while saying that its 'real' operating margins are better than those in the statutory numbers.

Perhaps we are completely mistaken about the ambivalence. It remains our view that disposal would enable the management to focus far better on its core businesses, and so be better in the long run than retention. However, uncertainty is the worst option of all. So we urge the company to jump decisively in one way or the other! *(David Bradshaw)*

MICROSOFT REPORTS AN EXCELLENT QUARTER

Last night Microsoft reported a very good set of results for the quarter to December 31st 2005, its fiscal Q2 2006. Total revenues were $11.8bn, up 9.4% on the $10.8bn achieved in the same quarter in 2004. Operating profit was $4.66bn, down 2% on the $4.75bn achieved a year ago - which has been Microsoft's largest quarterly operating profit to date.

Net income was $3.29bn, down 5% on the $3.46bn achieved a year ago, which was also a record for Microsoft. (Perhaps it should console itself with the fact that it will pay an estimated $1.85bn in income taxes this quarter, which is also a record for the company.)

Turning to the different business sectors (see Figure 1 - note that the X-axis is calendar quarters not Microsoft's financial quarters), client revenues for Windows XP and other client operating systems were $3.46bn (up 8%), servers and tools were $2.91bn (up 14%), information worker (mainly Office) revenues were $2.98bn (up 6%), business solutions were $242m (up 17%), MSN was $593m, down 2% (the only business line to have falling revenues), CE/mobility was $101m (up 40%), and home and entertainment was $1.56bn (up 13%).

On the last number, great expectations from the Xbox-360, launched in time for the Thanksgiving/Christmas consumer spending splurge, led some financial analysts to expect higher overall revenue than Microsoft actually reported. This is surprising to us, because Microsoft's supply problems with the Xbox were very widely reported. Still they can console themselves with the fact that profit was higher than expected.

Indeed, Microsoft seems to be firing on more cylinders than usual. The main profit engines of client, server and information worker all put in record high revenues. Margins remained good, with a record 38% for the server division (see Figure 2). In addition a couple of smaller

Figure 1 **Revenue for Microsoft's business units**

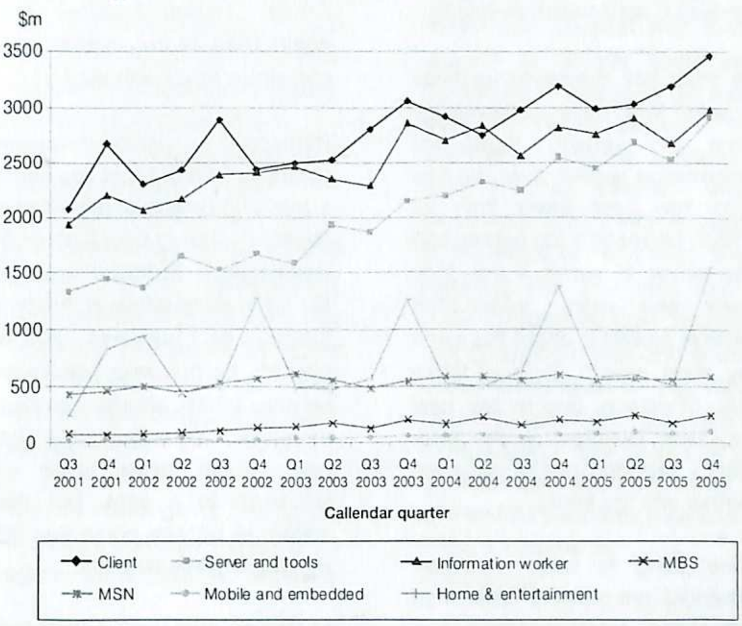
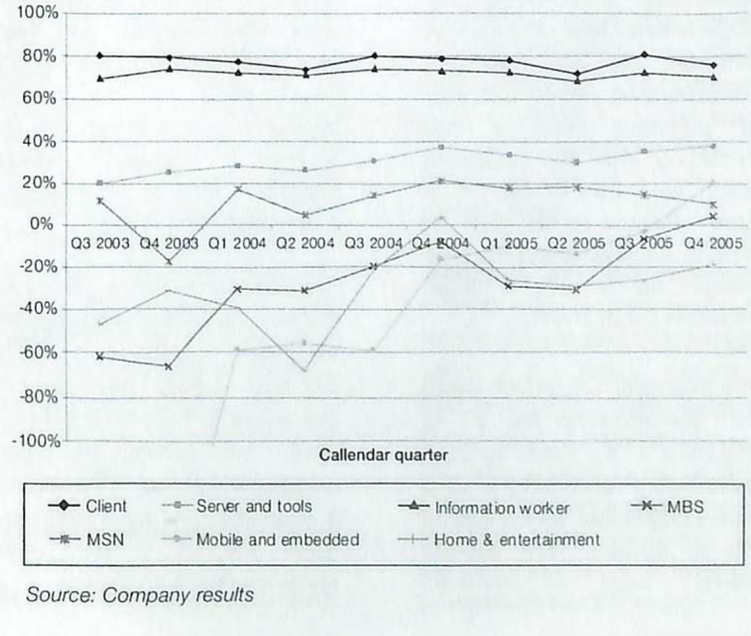


Figure 2 **Operating profit margins for Microsoft's business units**



Source: Company results

[continued on page ten]

[continued from page nine]

business units that never made a profit before (MBS and mobile and embedded) turned in respectable growth as well as first time profits, based on Microsoft's provisional figures (which do tend to get revised in subsequent re-issues.)

Is there any downside to these results? Well, there is some worry that the growth trend for information worker over the last year has been lower than for client, Microsoft's top earner, and for server. However, if you look over two years, information worker growth is about the same as client growth. Both of these are, of course, due to see new products launched in the New Year - provided nether slip even further into the future.

One thing is clear - server revenues are growing faster than either client or information worker, indeed they nearly overtook information worker this quarter, helped by the launch of SQL Server 2005. However, operating profit for the server business of 38% for the quarter is around half that achieved by client or information worker product lines. Could having some real competition in this market have something to do with this?

Perhaps a more worrying downside is that MSN has falling advertising revenues, as well as a steady decline in operating profit (see Figure 2). Microsoft says that the fall in ad revenues is due to a switch of business model towards its Adcenter placement service, which should compete more effectively with Google. Well one should never write off Microsoft in a fight, but this seems to be one horse that left the stable some time ago...

Microsoft Business Solutions had a good quarter, helped by new product launches of the Dynamics GP and SL (formerly Great Plains and Solomon) business applications suites. However, the part of the business that seems to have done best is the (also recently updated) CRM product line. There was no quantitative indication of exactly how well it did, though, but this does seem to confirm what we are hearing elsewhere - that the CRM market is seeing a modest revival of interest. We think that MBS has a good CRM product on its hands, and that its trick of hiding all the complexity of CRM may yet leave a few competitors bamboozled!

Microsoft also said that MBS did well in Europe, but didn't quantify this either. Irritatingly, the world's largest software supplier is the one that gives least information on the geographic breakdown of its revenues. All it gives is a 'domestic' and 'overseas' revenue split. *(David Bradshaw)*

IBM: PROFITS UP BUT GROWTH HARD TO FIND

IBM announced a largely satisfactory - if unexciting - set of Q4 results. Total revenue was $24.4bn, up 3% over the corresponding period last year at constant currency and excluding the PC business, which was sold to Lenovo in April. Pre-tax profits grew by 13% to $4.6bn, taking the PBT margin up to 18.7% (from 14.6% in Q4 of 2004).

The strongest Q4 growth came from the Americas (up 3% to $10.5bn) - a *"solid demand environment"* according to CFO Mark Loughridge. EMEA was up 2% to $6.9bn, with another mixed bag of country performances. Revenues in Spain, France and the Nordics grew while Germany and Italy once again declined. Asia-Pacific disappointed for the fourth quarter in a row (down 3% to $4.5bn). Japan, which represents 60% of AP revenue, was largely responsible.

Global Services saw a 1% fall in revenue to $12bn, and signed services contracts worth $11.5bn during the quarter (compared to $12.7bn in Q4 last year). That brought the order backlog to $111bn, the same as a year ago. Software revenues grew 3% to $4.6bn, with hardware up 9% to $6.9bn.

Full year revenues were $88.3bn, up 3% on 2004, with pre-tax earnings at $12.5bn, up 15%. We estimate that IBM's software and services business in the UK grew by just 1% in 2005.

Comment: The impact of IBM's cost saving initiatives, not least the major restructuring and downsizing Europe, is clearly seen on the bottom line. Global Services, where many of the cuts have been felt, saw its Q4 gross margin rise from 24.3% last year to 27.4%. Margins also increased on software (albeit marginally) and hardware. Overall, IBM looks in good shape to continue generating large

[continued on page eleven]

[continued from page ten]

amounts of cash in the year ahead, and returning much of it to shareholders through dividends and share buy-backs.

So we were interested to note that these profit-expectation-beating Q4 results had very little impact on IBM's NYSE stock price. Could it be that investors share our concern that, despite its ability to generate cash, IBM's prospects are dimmed by its inability to grow the topline? After all, we know from experience that companies that don't grow revenues eventually struggle to eke out profit growth too.

The main area of concern is, perhaps surprisingly, IBM Global Services, which now accounts for just under half of the company's total business. It's true that Global Services grew in the year as a whole - albeit by just 2% at constant currency - but the year-on-year Q4 fall in both revenue and signings, coupled with a slight drop in the order backlog compared to Q3, are not positive signs. The one bright spot was in the outsourcing element of Business Consulting Services (which IBM terms "BTO"), where Q4 signings were up 144% following increased success in new BPO wins. But in the core IT outsourcing business (which IBM terms "Strategic Outsourcing"), signings were down by 32%. By accident or by design, these figures point to a future for Global Services with the PwC-derived BCS unit in the ascendant.

The key challenge for IBM now is to prove it can take market share again, particularly in services. Mark Loughridge told analysts that services growth should "accelerate" in the year ahead, reaching mid-single digit territory in H2. That's hardly stellar, but it would be an improvement. It would also suggest that IBM's actions to reduce costs and complexity during 2005 did more than just deliver profits in the short-term, which is a relatively easy thing to achieve. What we're really looking for is evidence (in the shape primarily of contract signings) that IBM now has a more competitive cost structure and operating model and is thus better positioned to win more business and get the topline moving again. Life should be full of challenges when you're no.1, and for IBM's services business in 2006, it certainly is.

(Phil Codling)

ElanRTO A MANPOWER company

ELANRTO SETS OUT RECRUITMENT OUTSOURCING STALL

The Ovum team has for many years tracked the UK IT staffing market and players. After the market fell off the edge of a cliff in 2001/2002, it has since been in recovery. The IT services market is in a mature phase and many ITSAs servicing this market will have to put up with a rocky ride. Investment by CIOs will generally be subdued, but there will be pockets of spending. Identifying these will give the staffing companies a nice lift. Or, when there is a release of pent up demand, following a period of extra-restrained investment, most sensibly-run ITSAs will feel the rise. But it generally takes a really clever ITSA to grow strongly AND make decent profits while the IT services market more broadly is growing at around 6%.

Over more recent years, many ITSAs have, for better or for worse, signed up customers to managed services contracts. These arrangements are characterised by their size (they tend to be relatively large) and their often lower profitability. While these deals enable the supplier to take a step closer to the customer - by taking control of the management of the provision of staff - it is the customer that retains the strategic upper hand. The customer also benefits from being able to drive prices right down; this situation has been compounded by ITSAs who have been prepared to fight it out to the death to land a large deal. This has had the inevitable effect on ITSA profits.

Recruitment Process Outsourcing

While the market made its recovery, Recruitment Process Outsourcing emerged as a new way of delivering recruitment-oriented services.

RPO addresses the various elements of the employee's journey, from when they join the company to when they leave. So managing recruitment, training, pension contributions and so on. **Alexander Mann** is widely recognised a being as pioneer here.

Elan has this year stepped-forward with its own brand of recruitment process outsourcing, which it calls ElanRTO (Recruitment Transformation Outsourcing). A standalone team has been created to be the hub that pulls together services across the entire Manpower Group. So this is not just about IT. ElanRTO promises labour cost savings of 3-

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[continued from page eleven]

10%. Its goal is to hit £100m (by signing four to six deals) in new business this year. The target market is global companies with more than 1000 employees.

Alongside new business, Elan will also be targeting current managed services customers. It will be training account managers to create the opportunities here. But there is the concern that within these existing accounts there is not the contact at the right level - the relationship will be with the HR director (or department) rather than the FD.

Elan argues that RTO operates at the strategic level; in other words, it creates the HR strategy rather than follows it. It also argues that it works in-sync with the overall business objectives.

The real trick to get right will be creating a synergy across the Manpower group of companies. To date, there will have been little excuse to do this, and ElanRTO really cannot afford to get this wrong once it launches into a large £20m+ outsourcing arrangement.

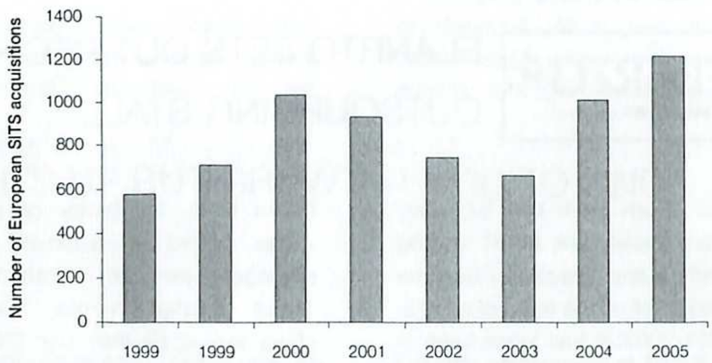
As well as wanting to improve best practices, customers also outsource (of course) because they want to get costs down. And, seeing as it's the FD that's going to be signing on the dotted line, suppliers like ElanRTO can expect monthly checks on how things are progressing.

A word of warning to any ITSA that is considering entering the RPO market: with the risk of stating the obvious, this is all about outsourcing. Do you have the experience to run and profit from outsourcing contracts?

(Kate Hanaghan)

S/ITS M&A HAS A RECORD YEAR IN 2005

Data collected by M&A specialist, Regent Associates, has confirmed what was becoming quite clear as we progressed through 2005: it was indeed "the most active year ever" for European technology transactions. The number of transactions was up 27% while the value of these deals doubled in comparison to 2004.



We are hugely grateful to Regent Associates for the provision of its invaluable data.

A total of 3,053 deals were struck in the tech sector across Europe, which is even greater than the levels we saw during the peak of 2000. What is quite different now is that the combined value of deals sealed in 2005 ($272bn) is just a third of that achieved in 2000.

So just why is there so much activity? Well, that depends on which sector you're in. The most active sector was IT services, and clearly many companies are acquiring in order to boost the low organic growth levels they're experiencing within what is now a mature industry. Indeed, Regent's analysis highlights systems integrators, product resellers and desktop services as showing "heavy consolidation".

The environment generally is also helping to lift activity, as there is now a good level of realism with regards to valuations. That doesn't mean that we haven't seen some significantly-sized deals. Sun's acquisition of StorageTek ($4.1bn) is an example we've commented upon in Hotnews.

And let's not forget the role the investment community is playing in driving up the number of deals. Investors with money to put into tech companies accounted for c13% of all acquisitions. Their desire to pump money into tech is obvious, but so too is their belief that there is a decent return to be had: exits by the investment community accounted for just 6.6% of the total number of deals.

Across the geographies

In terms of geographies, the UK was once again the most active. France and Italy were notably "*sluggish*" - which is interesting

[continued on page thirteen]

[continued from page twelve]

given the current difficult state of the IT services markets in these countries. Meanwhile, Germany and Central and Eastern Europe saw an increase in M&A activity levels; we saw, for example, the acquisition of VW/Gedas by T-Systems in December 2005. What is significant about the nature of the European M&A landscape at the moment is that the very high level of activity does not signify that we are in the midst of a bubble that's about to burst. Conditions now are very different to 2000 and buyers are not going on crazy spending sprees paying well over the odds. Against the back-drop of a mature IT services market, it seems buyers are being a lot more 'grown up' with their purchases.

(Kate Hanaghan)

ACCENTURE GROWS, BUT UK SLOWS

Accenture posted another quarter of strong worldwide growth last month for its FY 2006 first quarter to 30 November 2005. Revenues grew 12% in both dollar and local-currency terms in Q1 to reach $4.17bn, with Europe up 7% in local currency terms at $2bn. Accenture singled out Spain, Italy and Germany (but not the UK) as fast-growing territories with double-digit growth, and CEO Bill Green said the German operation grew "fantastically".

Worldwide, consulting and systems integration grew 8% (9% in local currencies) at $2.6bn, while outsourcing rose a very healthy 18% in dollar and local terms to $1.6bn. Business-process outsourcing (BPO) led growth in outsourcing, with 25% growth.

Growth was double-digit in government, products and resources divisions, but single-digit in two of the biggest verticals, financial services and communications & high tech. Financial services saw growth rates halved to 7% as utilisation rates declined, although Accenture says it expects to see rates go back up in Q2.

Operating (EBIT) margin was flat at 12.3% in Q1, taking into account expensing of employee share options. Had options been expensed the previous year, Accenture would have reported a percentage-point rise in Q1 2006. Accenture kept its SG&A expenses under control and was able to pass on its average 6% employee pay increase (awarded in September 2005), thanks in part to a focus on higher-margin work.

Comment: These are of course very good results; Accenture remains a fearsome fast-growing and profitable operation. But there are two obvious areas of weakness: financial services seems to have hit a wall, perhaps temporary, and Europe is slowing down.

EMEA grew by 12% in local terms in Q1 2005, so 7% growth this time around is not great. I suspect that a major part of this is a decline in the UK growth rate. Accenture wouldn't give a UK growth rate this time around, even when asked directly, in contrast to the same time last year when it crowed about 36% UK growth in sterling terms (50% in dollars) following a series of major contracts sold during FY 2004.

Reading between the lines, it looks like UK growth in Q1 this year was well within single digits. The UK is Accenture's second-largest territory in revenue terms, so that slowdown would have played a large part in Europe's slowdown.

CEO Bill Green said the UK has to pause to "shake itself out" and "absorb" recent contracts that it has won, but added that the company is moving billable staff out of the UK to work in hotter territories like Italy and Spain.

The UK will suffer soon from the cancellation of the J Sainsbury outsourcing mega-deal, but I reckon the deferred NHS outsourcing revenues should more than cancel out the Sainsbury effect in 2006. Nevertheless, Accenture must replace those Sainsbury revenues, get the NHS deals delivering cash, and continue the impressive broad-based expansion that gave it 15% growth in sterling terms last year.

(Douglas Hayward)

THE SHAPE OF THE IT SERVICES MARKET TO COME

Looking ahead to the broader development of the IT services market over the next decade, we offer a view of the possible shape of the market by 2010+.

Who is the customer?

The customer will still be distinct from general procurement departments in 2010, and may still be known as the CIO. However, this individual's internal team will be far smaller than today, and the key individual that will be the IT services provider's customer will be responsible for partnership management within the CIO function. In other words, most enterprise-level IT will be provided by external service providers fulfilling the specific requirements of the customer organisation and managed by a partnering executive.

The IT services ecosystem

Looking a little further forward, the IT services ecosystem will consist of four main types of organisation - low-cost labour suppliers, management consultancies, utility infrastructure operators and customer-facing brands. Value creation will be concentrated in the hands of management consultancies and customer-facing brands, as these will 'own' the end customer and directly influence IT purchasing decisions. Consequently, most existing IT service organisations will not be in a position to create value unless they radically change their current strategic direction. Most are drifting towards a structure dependent on low-cost labour and commodity IT infrastructure, without fully understanding how drastically the shape of the IT services market is changing.

Low-cost labour suppliers

The use of low-cost labour in different parts of the world to develop, maintain and manage legacy IT systems and new application systems will be mainstream by 2010. Consequently, service providers based in China and other Far Eastern countries that Western markets have not heard of today will be delivering services within the IT services ecosystem. Some of these service providers will have customer-facing brands and others will act as sub-contractors to Western brands.

Management consultancies

As IT services become a less expensive capability, predominantly based on low-cost labour and standardised, commodity IT products, there is little point in IT service organisations owning business/management consultancies. There will remain a requirement for technical consultancy and for vertical industry expertise at account management level to aid the enterprise sales process. However, the connection between high-value management consultancy and lower-value IT service provision will largely be severed. By 2015, we doubt that there will be financial value in IT service organisations owning business consultancy capability.

We expect that organisations will either decide to become IT utilities or to assume a mega-broker role in which the broker does not own the end-to-end service and product supply chain.

Utility infrastructure operators

With the development of both next-generation networks and of utility computing, it seems highly likely that most IT infrastructure will develop into a utility industry with big global IT utilities operating to provide the computing power required by most business and consumer customers. A few companies will develop a business model based on the wholesale ownership and management of the necessary IT and network assets. However, most others will prefer to act as virtual infrastructure operators, analogous to the mobile virtual network operators of today, selling services provided by others. Consequently, Tesco and Google may well be the future 'IT service' providers for smaller and mid-sized businesses that are powered by infrastructure utility services, provided by what we now refer to as telcos and global IT service players.

Customer-facing brands

Those supply-side organisations that will be able to directly influence IT decisions in the future (aside from pure management consultancies that retain their board-level influence) will have branding based on one of the following criteria:

- mega-brokers that can pull services together on behalf of the large enterprise customer, but do not directly own the end-to-end delivery capability
- global consumer brands that customers trust
- niche industry/regional specialists offering highly specialised solutions
- local service suppliers to support equipment on customer premises. *(Katy Ring)*

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
7global	Fairbridge Communications	Provides internet security and managed services solutions	100%	n/a	This acquisition isn't just about 7global becoming bigger, it's about it being able to go deeper into the range of managed services it can provide. So, while 7global has indeed provided managed network services and security in the past on a project basis, the addition of Fairbridge enables it to make these a much more significant part of its offering. In other words, it enables 7global to move beyond its heritage in software-as-a-service into a more complete managed services offering. There will also be opportunities to exploit the differing customer bases between the two operations (7global was mostly focused on software vendors and Fairbridge on end users).
CODASciSys	Singular Hungary	Budapest-based distributor of the CODA accounting product	100%	Maximum consideration of euro1m	We expect these two purchases to mark the end of CODASciSys's European acquisition spree, which began with the purchase of its French CODA distributor in February 2005, and included the acquisition of Nordic software company Simple Concepts in July. CEO Graham Steinsberg now rightly states that 2006 will be a year to focus on integrating these businesses as well as incorporating the SOCET compliance product that it acquired from US-based Control Solutions in August 2005. Importantly, these two most recent acquisitions are not about buying revenue. Steinsberg is trying to get a better grip on CODA's European distribution channel so that the company can more successfully up sell its broader portfolio of accounting products, as well as support Continental demand with its UK resources. The company's most recent interim results proved that it can turn a strong profit - hopefully 2006 will be a year that will see strong organic growth achieved from a more integrated European CODA distribution channel.
CODASciSys	bAs GmbH	Munich-based distributor of the CODA accounting product	100%	euro1.4m	
Compel Group	Allinity	A PeopleSoft consultancy and solutions provider	100%	£600k in cash and 421,048 shares	This is a small and manageable purchase of a company that only has 26 employees - most of which are high level consultants. Allinity is profitable and is expected to turn in an improved performance in the current financial year. In addition, it has an "emphasis" on the public sector, which could help to open a few doors for Compel's services more widely. We've said before that an acquisition in the Oracle space would be a good move for Compel. This is partly because its Oracle business plays an essential role in bringing new customers into the fold. Of course, the acquisition of Allinity also makes sense in that it means Compel will be better positioned to address the enlarged Oracle market (which of course now includes the PeopleSoft business).
Experian	ClarityBlue	Provider of online shopping comparison services to the US market	100%	£85m plus potential earn-out payments totalling £15m	The services that ClarityBlue provides sit extremely well with Experian's other businesses. In particular it complements and extends the marketing services that Experian provides, showing the strength of Experian's desire to head further in this direction. Moreover, Experian's presence in the US should help ClarityBlue to extend its rather small overseas business as well.
Financial Objects	Raft International	Risk management specialists	100%	£4m	For Financial Objects, which acquired another niche financial services software firm (WMS) in 2005, the attractions of this acquisition are clear. Raft is a focused player operating in an area of the global financial services market that is complementary to its own and which offers plenty of growth opportunities - i.e. credit risk and operational risk management. Raft has also invested heavily in the development of its software solutions but, in truth, still lacks the scale and financial clout to exploit their potential commercially. The increased scale and stability of the combined group, which will have more than £20m in revenue following the acquisition, should enable more of that potential to be realised. True, that's not exactly scale on a par with a Misys or a Temenos, but it's beginning to look like critical mass for a niche software player.
Glen Group	Eclectic Holdings Limited	VAR focused on providing business intelligence consultancy	100%	An initial consideration of £2.2m in cash and shares	Glen Group is a £540k company that sells communication solutions to SMEs. Generally speaking, the Edinburgh-based company serves customers who have 20-25 employees. It aims to be a one-stop shop, which of course appeals to the SME that doesn't want to go from provider to provider to get its IT and communications infrastructure up and running. Smaller customers tend to be served by local IT services providers and make up what is a notoriously difficult market for the larger players to capture. Instead of building on this SME focus, Glen's acquisition of Eclectic sees it move into the corporate arena (where Eclectic already has numerous clients). We understand that the acquisition of a fellow SME-focused organisation was on the cards at some point, but didn't come to fruition.
Sage	Verus Financial Management, Inc	A small privately owned provider of credit/debit card and cheque processing services	100%	$326m (£184m)	On balance we think that this is the right move for Sage to make. Software and online services are converging, and the ability to offer a well-supported integrated set of services (Sage already offers payroll) is potentially very attractive to SMEs. And it's no accident that Intuit, Sage's biggest rival, already offers similar services. But Sage is also taking a considerable risk, though one it can afford. Verus is a minnow in the US payment processing market, dwarfed by market leader First Data which had $3.7bn of revenues in 2004. For the moment the big players, like First Data and the large US banks, are happy taking the money from the large enterprise market. The danger will come if they aware of the opportunities in the SME market properly. Their brand values and massive marketing budgets would make things very tough for Versus.
Temenos	TLC Risk Solutions	Private UK software company	Assets	n/a	Essentially, Temenos is acquiring TLC's barracuda software product, re-branding it as T-risk but keeping it as a stand-alone product. Baracuda, or should we say T-risk, helps banks to calculate their regulatory capital under Basel II. The capital requirements can have a big impact on their operations, and the software helps them to optimise their exposure and mitigation. It integrates with other vendors' core banking solutions, so keeping its as a stand-alone product seems a wise move. TLC and Temenos had an alliance before the purchase, but this was not TLC's only alliance.
The Innovation Group (TiG)	Servicekonzept AG	German insurance process outsourcer	100%	euro10m in cash and euro4m in new shares	This is a logical move for TiG. The company has built up a good position in the motor insurance market in Germany over the past two years, and Servicekonzept enables it now to step into the country's sizeable household insurance market. The focus of the acquired business is on damage assessment services, but TiG can be expected to draw on its motor insurance-derived knowledge as it pushes into other outsourceable areas, notably claims management. It's worth noting, given the difficulties inherent in the German environment, that such insurance back-office outsourcing tends not to involve the transfer of staff from customer to outsourcer.
Xchanging	Landmark Business Consulting	An insurance sector-focused consulting company	100%		The addition of Landmark's transformational business consultants, which operate at a senior strategic level with clients, should help to broaden Xchanging's business into the personal insurance market, as well as into the burgeoning market for life & pensions (L&P) administration - an area ripe for transformational efficiencies. However, by entering the L&P market, VC-owned Xchanging is not only throwing itself into the path of its General Atlantic stable mate Liberata, but also pitting itself against the UK's leading BPO player Capita, as well as a host of other established BPO and IT services players vying for this market. Yet this acquisition may mark the rise of a more aggressive attitude to the market from this usually quiet company. According to Xchanging, the company is "on the hunt" for some more acquisitions in 2006. .
Xpertise	Waterman's People and Organisational Development Limited	IT training company	100%	Initial consideration of £220k in cash and shares	Xpertise's strategy is to grow by acquisition. We know that last year it got close to purchasing a "major" un-named training company but called things off during the due diligence process. So the completion of the purchase of Waterman's must be a relief for management. While Waterman's is small, it is profitable (PBT margin of 14.5% on revenues of £693k in FY05) and doesn't have the expense of having to maintain its own training sites. It's also got some great customers (e.g. Atos Origin, Nationwide, BMI) and has developed its own course materials for delivering IT training.

Recent IPOs

Name	Activity	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Dec 05	Change since IPO
Orpak	automated fuel payment systems	SP	AIM	140p	£46.5m	08-Dec-05	140p	0%
@UK plc	procurement softw are	SP	AIM	60p	£22.5m	14-Dec-05	66p	9%
Advanced Smartcard Technolo	smartcard softw are	SP	AIM	3p	£0.8m	14-Dec-05	4p	22%
Nasstar plc	application service provision and hosting	CS	AIM	25p	£2.7m	29-Dec-05	30p	18%

Forthcoming IPOs

Name	Activity	Index Class	Market	Est Issue Price	Est Mkt Cap.	IPO Date
Amteus plc	secure voice and data transmission applications	SP	AIM	n/a	n/a	11-Jan-06
Seeing Machines Ltd	image recognition technology	SP	AIM	n/a	n/a	n/a
Zone 4 Play	multiplayer games technology	SP	AIM	n/a	n/a	n/a

UK software and IT services share prices and market capitalisation - January 2006

	SCS Cat.	Share Price 31-Jan-06	Capitalisation 31-Jan-06	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jan-06	Share price move since 30-Dec-05	Share price % move in 2006	Capitalisation move since 30-Dec-05
Alphameric	SP	£0.92	£111.0m	-	1.59	422	3%	3%	£3.02m
Alterian	SP	£1.32	£53.7m	35.6	6.88	660	0%	0%	-£0.20m
Anite Group	CS	£0.75	£262.3m	62.7	1.38	440	11%	11%	£25.27m
Ascribe	SP	£0.35	£36.9m	-	5.51	1816	-1%	-1%	-£0.54m
Atlantic Global	SP	£0.19	£4.4m	-	2.03	644	-12%	-12%	-£0.57m
Autonomy Corporation	SP	£4.14	£740.8m	92.4	22.19	126	6%	6%	£40.71m
Aveva Group	SP	£10.39	£227.6m	37.1	3.95	5195	11%	11%	£23.44m
Axon Group	CS	£3.10	£177.2m	29.8	2.94	1773	13%	13%	£21.00m
Bond International	SP	£1.00	£25.2m	13.4	3.58	1538	1%	1%	£0.25m
Brady	SP	£0.24	£6.1m	9.1	2.54	290	-25%	-25%	-£2.06m
Business Systems	CS	£0.12	£10.1m	10.9	0.34	101	-29%	-29%	-£4.21m
Capita Group	CS	£4.27	£2,786.2m	29.7	2.17	115494	3%	3%	£68.47m
Centrom	CS	£0.05	£8.3m	-	1.31	771	3%	3%	£0.22m
Charteris	CS	£0.35	£15.1m	26.9	0.78	389	-3%	-3%	-£0.43m
Chelford Group	CS	£2.70	£19.2m	28.2	1.62	46956	11%	11%	£1.95m
Civica	CS	£2.51	£127.6m	208.8	1.23	1431	1%	1%	£0.64m
Clarity Commerce	SP	£0.67	£10.6m	26.6	0.80	532	-13%	-13%	-£1.51m
Clinical Computing	SP	£0.07	£2.3m	-	1.30	58	-28%	-28%	-£0.87m
CODASciSys	CS	£4.85	£123.2m	31.9	1.82	3760	17%	17%	£17.53m
Comino	SP	£3.34	£46.6m	25.3	1.83	2565	0%	0%	£0.08m
Compel Group	CS	£0.93	£31.8m	48.9	0.50	744	4%	4%	£1.63m
Computacenter	R	£2.65	£504.2m	20.9	0.21	396	4%	4%	£19.48m
Computer Software Group	SP	£0.75	£41.9m	18.5	2.98	634	12%	12%	£4.36m
Cornwell Management Consultants	CS	£1.11	£19.6m	13.8	1.10	797	49%	49%	£6.43m
Corpora	SP	£0.12	£8.1m	-	16.15	309	-4%	-4%	-£0.34m
DCS Group	CS	£0.11	£3.2m	-	0.06	175	-2%	-2%	-£0.08m
Dealogic	SP	£1.50	£106.9m	17.7	3.45	652	2%	2%	£1.77m
Delcam	SP	£3.48	£21.2m	16.4	0.99	1337	5%	5%	£0.94m
Detica	CS	£12.94	£289.2m	35.2	4.12	3235	8%	8%	£20.34m
Dicom Group	R	£2.24	£193.3m	41.2	1.08	685	7%	7%	£13.41m
Dimension Data	R	£0.49	£656.9m	66.7	0.47	87	22%	22%	£118.78m
DRS Data & Research	SP	£0.38	£12.4m	-	0.86	345	1%	1%	£0.16m
Electronic Data Processing	SP	£0.62	£13.7m	-	1.65	1883	-8%	-8%	£1.25m
FDM Group	A	£0.86	£19.9m	-	0.60	1049	2%	2%	£0.35m
Ffastfill	SP	£0.04	£10.3m	-	3.89	35	10%	10%	£0.91m
Financial Objects	CS	£0.40	£16.2m	-	1.70	174	1%	1%	£0.20m
Flomerics Group	SP	£0.88	£0.3m	-	0.02	3365	1%	1%	£0.00m
Focus Solutions Group	CS	£0.21	£5.9m	22.8	1.08	105	-2%	-2%	£0.02m
GB Group	CS	£0.34	£27.5m	-	2.45	218	-1%	-1%	-£0.19m
Gladstone	SP	£0.20	£10.5m	50.6	1.37	506	-14%	-14%	-£1.68m
Glotel	A	£0.94	£36.1m	16.1	0.40	486	13%	13%	£4.30m
Gresham Computing	CS	£0.97	£48.8m	-	3.93	1038	19%	19%	£7.71m
Group NBT	CS	£1.11	£21.6m	12.4	1.91	553	-3%	-3%	-£0.78m
Harvey Nash Group	A	£0.46	£4.3m	1.4	0.03	263	3%	3%	-£0.16m
Highams Systems Services	A	£0.03	£0.9m	-	0.07	80	-8%	-8%	-£0.08m
Horizon Technology	CS	£0.85	£60.6m	16.1	0.32	312	1%	1%	-£1.78m
IBS OPENSystems	CS	£1.70	£67.8m	-	6.50	1111	6%	6%	£3.80m
I S Solutions	CS	£0.13	£3.2m	-	0.58	484	-4%	-4%	-£0.12m
ICM Computer Group	CS	£2.97	£62.2m	19.5	0.80	1647	-11%	-11%	-£7.87m
IDOX	SP	£0.13	£24.7m	15.6	2.59	17	-7%	-7%	-£1.87m
In Technology	CS	£0.30	£42.3m	-	0.15	1200	-6%	-6%	-£2.82m
InterQuest Group	A	£0.43	£10.9m	-	0.45	739	-1%	-1%	-£0.13m
Innovation Group	SP	£0.32	£143.7m	-	2.36	140	7%	7%	£11.77m
Intelligent Environments	SP	£0.03	£4.7m	-	1.52	31	-12%	-12%	-£0.61m
Intercede Group	SP	£0.32	£1.4m	-	0.8	533	-6%	-6%	-£0.12m
Invu	SP	£0.23	£39.4m	17.4	12.52	2421	10%	10%	£2.16m
iSOFT Group	SP	£1.84	£427.6m	11.4	1.63	1673	-53%	-53%	-£475.20m
iTrain	SP	£0.05	£3.5m	45.0	3.24	53	-16%	-16%	-£0.69m
K3 Business Technology	SP	£1.11	£18.9m	-	2.22	844	35%	35%	£4.88m
Kewill	SP	£0.79	£62.2m	19.8	2.33	1561	10%	10%	£5.51m
Knowledge Technology Solutions	SP	£0.02	£2.6m	-	2.08	350	0%	0%	£0.00m
LogicaCMG	CS	£1.82	£2,080.4m	66.6	1.25	2486	2%	2%	£49.04m
Lorien	A	£0.36	£6.6m	8.3	0.05	355	-10%	-10%	-£0.74m
Macro 4	SP	£2.44	£54.5m	81.3	1.65	984	-7%	-7%	-£3.91m
Manpower Software	SP	£0.27	£12.0m	38.6	2.33	278	-6%	-6%	-£0.78m

UK software and IT services share prices and market capitalisation - January 2006

	SCS Cat.	Share Price 31-Jan-06	Capitalisation 31-Jan-06	Historic P/E	PSR Ratio Cap./Rev.	S/ITS Index 31-Jan-06	Share price move since 30-Dec-05	Share price % move in 2006	Capitalisation move since 30-Dec-05
Maxima Holdings	CS	£1.43	£22.4m	-	1.80	1040	-8%	-8%	-£1.88m
Mediasurface	SP	£0.13	£9.7m	-	1.79	919	6%	6%	£0.58m
Micro Focus	SP	£1.33	£264.9m	22.3	3.26	0	13%	13%	£29.63m
Microgen	CS	£0.77	£78.3m	42.5	1.84	327	4%	4%	£3.07m
Minorplanet Systems	SP	£0.54	£16.2m	-	0.74	1103	23%	23%	£3.00m
Misys	SP	£2.44	£1,235.2m	33.9	1.39	3033	2%	2%	-£101.18m
Mondas	SP	£0.10	£3.6m	-	0.78	137	-21%	-21%	£0.11m
Morse	R	£1.25	£190.8m	-	0.49	498	30%	30%	£46.36m
MSB International	A	£0.37	£7.6m	16.7	0.08	195	3%	3%	£0.21m
NCC Group	CS	£2.71	£88.4m	25.9	4.70	1623	17%	17%	£12.88m
Ncipher	SP	£2.61	£73.0m	17.1	5.12	1044	26%	26%	£14.96m
Netcall	SP	£0.17	£11.2m	85.0	4.64	343	31%	31%	£2.64m
Netstore	CS	£0.41	£50.7m	27.9	2.37	272	6%	6%	£2.80m
Nexus Management	CS	£0.01	£2.0m	-	1.69	182	-9%	-9%	-£0.20m
Northgate Information Solutions	CS	£0.86	£458.1m	48.0	2.23	331	1%	1%	£2.66m
NSB Retail Systems	SP	£0.32	£117.8m	-	2.59	2804	-1%	-1%	-£0.91m
OneclickHR	SP	£0.04	£6.3m	-	1.32	106	-3%	-3%	-£0.19m
OPD Group (was PSD Group)	A	£2.63	£65.8m	25.2	1.51	1193	5%	5%	£0.06m
Parity	A	£0.08	£21.7m	-	0.13	1250	-17%	-17%	-£4.33m
Patsystems	SP	£0.15	£23.7m	-	2.01	138	9%	9%	£2.01m
Phoenix IT	CS	£3.35	£198.6m	23.8	2.25	1241	24%	24%	£38.23m
Pilat Media Global	SP	£0.44	£22.0m	30.4	1.83	2175	-2%	-2%	-£0.49m
Pixology	SP	£0.56	£11.1m	-	2.46	398	1%	1%	£0.10m
Planit Holdings	SP	£0.24	£21.5m	14.7	0.77	979	-8%	-8%	-£1.83m
Portrait Software (was AIT)	CS	£0.25	£21.2m	-	1.48	161	-8%	-8%	-£1.73m
Prologic	CS	£0.60	£6.0m	21.0	0.87	723	-2%	-2%	-£0.15m
QA	CS	£0.01	£1.8m	-	0.06	3	-17%	-17%	-£0.36m
Qonnectis	CS	£0.02	£3.1m	-	0.05	533	-6%	-6%	-£0.20m
Quantica	A	£0.57	£36.1m	15.4	1.17	456	-3%	-3%	-£1.28m
Raft International	SP	£0.06	£3.6m	-	0.50	87	-4%	-4%	-£0.17m
Red Squared	CS	£0.07	£1.9m	-	1.11	364	0%	0%	£0.00m
Retail Decisions	SP	£1.47	£114.2m	21.5	3.60	1979	10%	10%	£10.13m
RM	SP	£1.83	£166.6m	79.3	0.63	5214	15%	15%	£24.13m
Royalblue Group	SP	£7.89	£257.7m	31.0	4.31	4638	10%	10%	£23.04m
Sage Group	SP	£2.66	£3,428.7m	23.8	4.41	102404	3%	3%	£112.83m
Sanderson Group	SP	£0.51	£20.8m	-	1.43	1020	-3%	-3%	-£0.61m
SDL	CS	£2.20	£134.8m	75.4	2.15	1463	2%	2%	£2.15m
ServicePower	SP	£0.33	£26.7m	-	6.50	330	6%	6%	£1.69m
Sirius Financial	SP	£1.21	£21.3m	55.0	0.98	807	-17%	-17%	-£4.32m
SiRViS IT plc	CS	£0.03	£3.0m	-	0.9	23	-13%	-13%	-£0.43m
smartFOCUS plc	SP	£0.18	£13.9m	-	4.9	1946	20%	20%	£2.31m
Sopheon	SP	£0.19	£25.3m	-	5.84	273	-3%	-3%	£1.40m
Spring Group	A	£0.60	£95.5m	20.5	0.20	661	-4%	-4%	-£4.01m
StatPro Group	SP	£0.64	£22.3m	9.5	2.45	794	-4%	-4%	-£0.88m
SThree Group plc	A	£2.67	£368.4m	-	1.52	1296	24%	24%	£70.37m
Stilo International	SP	£0.03	£2.3m	-	1.09	50	-5%	-5%	-£0.11m
SurfControl (was JSB)	SP	£5.68	£23.9m	-	0.45	2839	8%	8%	-£18.49m
Systems Union	SP	£1.68	£183.9m	32.8	1.76	1288	27%	27%	£40.53m
Tadpole Technology	SP	£0.03	£11.4m	-	2.37	69	-21%	-21%	-£2.98m
Tikit Group	CS	£1.66	£21.1m	87.4	1.77	1443	-5%	-5%	-£1.15m
Torex Retail	SP	£0.87	£284.9m	33.6	4.19	2181	-18%	-18%	-£64.47m
Total Systems	SP	£0.43	£4.5m	20.4	1.30	802	6%	6%	£0.26m
Touchstone Group	SP	£1.38	£15.7m	-	0.91	1310	1%	1%	£0.17m
Trace Group	SP	£0.96	£14.5m	16.1	0.94	764	0%	0%	£0.00m
Triad Group	CS	£0.52	£7.8m	-	0.17	381	1%	1%	£0.08m
Ubiquity Software	SP	£0.33	£59.5m	-	11.20	817	-13%	-13%	-£9.15m
Ultima Networks	R	£0.01	£2.8m	-	1.48	34	-15%	-15%	-£0.51m
Ultrasis Group	SP	£0.02	£26.8m	-	17.43	42	2%	2%	£3.45m
Universe Group	SP	£0.18	£11.1m	34.3	0.25	778	-8%	-8%	-£0.91m
Vega Group	CS	£2.03	£41.2m	17.8	0.78	1660	-1%	-1%	-£0.31m
VI group	SP	£0.10	£3.7m	-	0.38	200	21%	21%	£0.65m
Xansa	CS	£0.96	£331.1m	28.2	0.88	2468	7%	7%	£21.50m
XKO Group	SP	£1.12	£38.4m	2.7	0.86	743	10%	10%	£3.62m
Xpertise Group	CS	£0.01	£3.9m	-	0.29	37	-10%	-10%	-£0.42m

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

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Alphameric plc

	Interim - May 05	Final - Nov 04	Interim - May 05	Comparison
REV	£18,048,000	£69,973,000	£31,520,000	+74.6%
PBT	-£2,350,000	-£59,487,000	£3,117,000	Loss to profit
EPS	-2.10p	-50.90p	2.30p	Loss to profit

Alterian plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 04	Comparison
REV	£2,511,000	£7,806,000	£3,422,000	+36.3%
PBT	-£1,945,000	-£649,000	-£1,082,000	Loss both
EPS	-3.93p	-0.04p	-2.68p	Loss to profit

Anite Group plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£96,472,000	£189,403,000	£83,566,000	-13.4%
PBT	£9,539,000	£6,820,000	£10,066,000	+5.5%
EPS	1.90p	0.50p	2.60p	+36.8%

Ascribe plc

	Final Jun 04		Final Jun 04	Comparison
REV	£6,243,000		£6,767,000	+8.4%
PBT	£233,000		£1,276,000	+447.6%
EPS	0.11p		0.79p	+618.2%

Atlantic Global plc

	Interim - Jun 04	Final Dec 04	Interim - Jun 05	Comparison
REV	£988,000	£2,146,000	£930,000	-5.9%
PBT	£121,000	£188,000	-£468,000	Profit to loss
EPS	0.23p	0.50p	-1.55p	Profit to loss

Autonomy Corporation plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£16,900,000	£35,379,067	£20,830,000	+23.3%
PBT	£1,650,000	£4,682,488	£3,500,000	+112.1%
EPS	0.01p	0.03p	0.03p	+200.0%

Aveva Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£24,078,000	£57,163,000	£29,036,000	+20.6%
PBT	£2,832,000	£9,124,000	£4,406,000	+55.6%
EPS	8.37p	23.78p	12.48p	+49.1%

Axon Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£26,685,000	£60,273,000	£40,393,000	+51.4%
PBT	£2,703,000	£6,600,000	£3,546,000	+31.2%
EPS	3.30p	8.50p	5.40p	+63.6%

Bond International Software plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£4,239,000	£9,578,000	£5,924,000	+39.7%
PBT	£711,000	£1,881,000	£1,070,000	+50.5%
EPS	2.40p	6.63p	3.10p	+29.2%

Brady plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,940,299	£4,832,440	£1,530,585	-21.1%
PBT	£823,300	£1,914,789	-£268,537	Profit to loss
EPS	2.73p	5.80p	-0.80p	Profit to loss

Business Systems Group Holdings plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£12,624,000	£29,485,000	£18,800,000	+48.9%
PBT	£196,000	£576,000	£499,000	+154.6%
EPS	0.45p	0.90p	0.60p	+33.3%

Capita Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£617,300,000	£1,285,100,000	£687,300,000	+11.3%
PBT	£63,300,000	£117,000,000	£70,100,000	+10.7%
EPS	6.31p	11.21p	7.46p	+18.2%

Charteris plc

	Final - Jul 04		Final - Jul 05	Comparison
REV	£13,822,000		£19,290,000	+39.6%
PBT	£541,000		£891,000	+64.7%
EPS	0.81p		1.28p	n/a

Chelford Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,603,000	£11,852,000	£6,494,000	+15.9%
PBT	£501,000	£282,000	£702,000	Loss to profit
EPS	7.56p	3.72p	7.85p	Loss to profit

Civica plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£52,474,000	£104,100,000	£49,576,000	-5.5%
PBT	£3,764,000	£8,300,000	£4,250,000	+12.9%
EPS	5.20p	11.50p	5.70p	+9.6%

Clarity Commerce plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£8,236,000	£16,310,000	£8,415,000	+2.2%
PBT	£306,000	£513,000	£323,000	+5.6%
EPS	2.49p	2.36p	1.47p	-41.0%

Clinical Computing plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£1,858,828		£1,757,997	-5.4%
PBT	-£1,236,892		-£1,087,741	Loss both
EPS	-4.50p		-2.40p	Loss both

CODASciSys plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£34,039,000	£67,830,000	£35,306,000	+3.7%
PBT	£1,904,000	£3,914,000	£3,433,000	+80.3%
EPS	4.50p	8.90p	9.40p	+108.9%

Comino Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£12,229,000	£25,533,000	£13,061,000	+6.8%
PBT	£849,000	£2,297,000	£1,401,000	+65.0%
EPS	4.00p	11.10p	6.60p	+65.0%

Compel Group plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£63,335,000		£79,103,000	+24.9%
PBT	-£327,000		£812,000	Loss to profit
EPS	-0.90p		1.80p	Loss to profit

Computacenter plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,228,941,000	£2,410,590,000	£1,151,553,000	-6.3%
PBT	£30,062,000	£67,928,000	£8,221,000	-72.7%
EPS	10.50p	23.50p	1.20p	-88.6%

Computer Software Group plc

	Interim - Aug 04	Final - Feb 05	Interim - Aug 05	Comparison
REV	5328000	£14,072,000	£10,972,000	+105.9%
PBT	£86,000	£928,000	£955,000	+1010.5%
EPS	0.25p	3.19p	0.98p	+292.0%

Cornwell Management Consultants plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£8,898,000	£17,738,000	£10,001,000	+12.4%
PBT	£719,000	£1,257,000	£969,000	+34.8%
EPS	4.60p	7.70p	4.10p	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

DAT Group

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,028,000	£2,424,000	-£1,784,000	-273.5%
PBT	-£1,370,000	-£2,376,000	-£952,000	Loss both
EPS	-9.60p	-14.70p	-5.10p	Loss both

DCS Group plc

	Interim - Jun 03	Final - Dec 03	Interim - Jun 04	Comparison
REV	£30,200,000	£52,800,000	£19,500,000	+12.4%
PBT	-£4,000,000	-£7,000,000	£2,800,000	Loss to profit
EPS	-17.16p	-31.07p	10.78p	Loss to profit

Dealogic Holdings plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£16,395,000	£33,446,080	£17,260,330	+5.3%
PBT	£4,879,000	£10,538,040	£6,112,500	+25.3%
EPS	2.14p	5.53p	4.18p	+95.3%

Delcam plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£10,554,000	£21,503,000	£11,835,000	+12.1%
PBT	£662,000	£1,196,000	£803,000	+21.3%
EPS	8.60p	18.81p	11.00p	+27.9%

Detica Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£32,311,000	£70,210	£43,466,000	+34.5%
PBT	£3,948,000	£9,049,000	£4,647,000	+17.7%
EPS	12.60p	28.10p	18.00p	+42.9%

Dicom Group plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£156,197,000		£179,795,000	+15.1%
PBT	£7,757,000		£10,479,000	+35.1%
EPS	18.20p		27.30p	+50.0%

Dimension Data Holdings plc

	Final - Sep 04		Final - Sep 05	Comparison
REV	£1,371,186,768		£1,571,761,404	+14.6%
PBT	-£2,423,052		£28,800,244	Loss to profit
EPS	-1.53p		0.78p	Loss to profit

DRS Data & Research Services plc

	Interim - Jul 04	Final - Dec 04	Interim - Jul 05	Comparison
REV	£9,728,000	£14,408,000	£6,325,000	-35.0%
PBT	£1,126,000	£452,000	-£277,000	Profit to loss
EPS	2.36p	1.35p	-0.68p	Profit to loss

Electronic Data Processing plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£4,323,000	£8,319,000	£3,472,000	-19.7%
PBT	£549,000	£1,032,000	£193,000	-64.8%
EPS	1.93p	2.61p	0.44p	-77.2%

FDM Group

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£15,778,000	£32,971,000	£16,438,000	+4.2%
PBT	£819,000	£1,805,000	£400,000	-51.2%
EPS	2.30p	5.00p	0.50p	N/a

Ffastfill Plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 04	Comparison
REV	£1,583,000	£4,327,000	£227,700	-85.6%
PBT	£1,594,000	-£2,879,000	£1,566,000	Loss both
EPS	-1.00p	-1.60p	-0.70p	Loss both

Financial Objects plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£4,589,000	£9,509,000	£5,589,000	+21.8%
PBT	£125,000	-£45,000	-£144,000	Profit to loss
EPS	0.45p	-0.16p	-0.47p	Profit to loss

Flomerics Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£4,430,000	£10,241,000	£5,256,000	+18.6%
PBT	-£106,000	£671,000	£321,000	Loss to profit
EPS	-0.71p	3.85p	1.66p	Loss to profit

Focus Solutions Group plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£1,921,000	£5,431,000	£2,731,000	+42.2%
PBT	-£809,000	£26,000	-£585,000	Loss both
EPS	-2.80p	0.10p	-2.00p	Loss both

GB Group plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£5,232,000	£11,231,000	£5,939,000	+13.5%
PBT	-£20,000	£146,000	-£183,000	Loss both
EPS	0.00p	0.30p	-0.20p	Loss both

Gladstone Plc

	Final - Aug 04		Final - Aug 05	Comparison
REV	£7,649,463		£8,411,642	+10.0%
PBT	£498,926		£195,919	-60.7%
EPS	1.19p		0.38p	-68.1%

Glotel plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£58,141,000	£119,496,000	£68,718,000	+18.2%
PBT	£1,027,000	£2,571,000	£1,655,000	+61.1%
EPS	1.70p	4.70p	3.00p	+76.5%

Gresham Computing plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£6,136,000	£12,398,000	£6,634,000	+8.1%
PBT	-£559,000	-£1,067,000	-£742,000	Loss both
EPS	-1.13p	-1.54p	-1.27p	Loss both

Group NBT plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£7,675,000		£11,280,000	+47.0%
PBT	£412,000		£1,690,000	Loss to Profit
EPS	3.40p		8.30p	Loss to Profit

Harvey Nash Group plc

	Interim - July 04	Final - Jan 05	Interim - July 05	Comparison
REV	£78,907,000	£163,374,000	£92,705,000	+17.5%
PBT	£1,181,000	£3,169,000	£1,732,000	Loss to profit
EPS	1.61p	3.62p	2.30p	Loss to profit

Highams Systems Services Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£4,496,000	£13,512,000	£8,844,000	+96.7%
PBT	-£195,000	-£523,000	-£29,000	Loss both
EPS	-0.83p	-1.90p	-0.09p	Loss both

Horizon Technology Group plc

	Interim - Jun 04	Final Dec 04	Interim - Jun 05	Comparison
REV	£101,488,400	£190,777,237	£101,094,460	-.4%
PBT	£2,259,000	£4,872,000	£2,730,280	+20.9%
EPS	2.59p	5.41p	3.06p	+18.1%

IBS OPENSystems plc

		Jun-05		Comparison
REV		£5,216,000		N/a
PBT		£999,000		N/a
EPS		1.20p		N/a

ICM Computer Group plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£77,542,000		£77,628,000	+0.1%
PBT	£4,380,000		£4,438,000	+1.3%
EPS	14.00p		14.90p	+6.4%

IDOX plc

	Interim - April 04	Final - Oct 04	Interim - April 05	Comparison
REV	£3,284,000	£9,555,000	£7,024,000	+113.9%
PBT	-£193,000	£89,000	£214,000	Loss to Profit
EPS	0.03p	0.23p	0.12p	Loss to Profit

Innovation Group plc (The)

	Final - Sep 04		Final - Sep 05	Comparison
REV	£58,051,000		£60,916,000	+4.9%
PBT	-£7,349,000		-£11,344,000	Loss both
EPS	-1.98p		-2.94p	Loss both

InTechnology plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£132,420,000	£283,522,000	£131,779,000	-.5%
PBT	-£2,167,000	-£2,465,000	-£14,088,000	Loss both
EPS	-1.61p	-1.84p	-9.88p	Loss both

Intelligent Environments Group plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£3,485,000		£3,074,928	-11.8%
PBT	-£209,928		-£452,796	Loss both
EPS	-0.02p		-0.23p	Loss both

Intercede Group plc

	Final - Mar 04		Final - Mar 05	Comparison
REV	£1,605,000		£1,806,000	+12.5%
PBT	-£661,000		-£426,000	Loss both
EPS	-2.90p		-0.70p	Loss both

InterQuest Group plc

	Interim - May 04	Final - Dec 04	Interim - May 05	Comparison
REV	£12,127,936	£24,389,937	£12,558,585	+3.6%
PBT	£451,174	£926,876	£576,009	+27.7%
EPS	2.50p	4.80p	2.40p	-4.0%

Iomart Group plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£6,428,000	£16,603,000	£10,952,000	+70.4%
PBT	£107,000	£1,724,000	£1,417,000	Loss to Profit
EPS	0.24p	4.26p	1.79p	N/a

INVU plc

	Interim - Jul 04	Final - Jan 05	Interim - Jul 05	Comparison
REV	£1,015,000	£3,149,000	£1,680,000	+65.5%
PBT	-£576,000	£608,000	£70,000	Loss to profit
EPS	-0.61p	0.64p	0.07p	Loss to profit

ISOFT Group plc

	Final - Apr 04		Final - Apr 05	Comparison
REV	£149,260,000		£261,992,000	+75.5%
PBT	£17,593,000		£44,524,000	+153.1%
EPS	6.57p		10.97p	+67.0%

I S Solutions plc

	Interim - June 04	Final - Dec 04	Interim - June 05	Comparison
REV	£2,849,000	£5,514,000	£2,573,000	-9.7%
PBT	£63,000	-£324,000	£105,000	+66.7%
EPS	0.25p	-1.15p	0.40p	+60.0%

iTrain plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£436,885	£1,094,097	£947,655	+116.9%
PBT	-£29,634	£70,076	£33,494	Loss to Profit
EPS	n/a	0.10p	n/a	N/a

K3 Business Technology Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,790,000	£8,529,000	£9,344,000	+234.9%
PBT	£1,174,000	£1,160,000	£72,000	-93.9%
EPS	9.00p	10.00p	-1.10p	Profit to loss

Kewill Systems plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£13,198,000	£26,680,000	£13,699,000	+3.8%
PBT	£1,011,000	£2,894,000	£1,339,000	+32.4%
EPS	1.60p	3.40p	1.50p	-6.3%

Knowledge Technology Solutions Plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£770,185		£1,250,474	+62.4%
PBT	-£904,161		-£966,536	Loss both
EPS	-0.71p		-0.65p	Loss both

LogicaCMG plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£804,100,000	£1,669,800,000	£891,700,000	+10.9%
PBT	£25,800,000	£42,400,000	£37,700,000	+46.1%
EPS	1.90p	1.90p	2.90p	+52.6%

Lorien plc

	Interim - May 04	Final - Nov 04	Interim - May 05	Comparison
REV	£56,552,000	£122,598,000	£61,266,000	+8.3%
PBT	£340,000	£1,152,000	-£369,000	Profit to loss
EPS	1.00p	6.90p	-1.60p	Profit to loss

Macro 4 plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£31,240,000		£33,103,000	+6.0%
PBT	£1,042,000		£790,000	-24.2%
EPS	1.90p		2.90p	+52.6%

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Manpower SoftWare plc

	Final - May 04		Final - May 05	Comparison
REV	£5,146,663		£5,909,466	+14.8%
PBT	£388,906		£336,139	Profit to loss
EPS	1.00p		0.70p	Loss to profit

Matrix Communications

	Final - Oct 03		Final - Oct 04	Comparison
REV	£1,452,048		£11,134,827	+666.8%
PBT	-£563,450		£1,212,423	Loss to profit
EPS	-3.58p		3.81p	Loss to profit

Maxima Holdings plc

		Interim - Nov 04	Final - 31May05	Comparison
REV		£6,194,000	£8,076,167	N/a
PBT		£800,000	£1,038,016	N/a
EPS		4.34p	8.30p	N/a

Mediasurface plc

	Final - Sep 04		Final - Sep 05	Comparison
REV	£5,403,482		£6,796,433	+25.8%
PBT	-£737,394		-£811,609	Loss both
EPS	-0.60p		-1.00p	Loss both

Micro Focus International plc

	Final - Apr 04		Final - Apr 05	Comparison
REV	£73,867,000		£81,198,000	+9.9%
PBT	£12,874,000		£14,903,000	+15.8%
EPS	5.55p		6.28p	N/a

Microgen plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£21,113,000	£42,444,000	£21,227,000	+0.5%
PBT	£1,325,000	£1,118,000	£3,561,000	+168.8%
EPS	2.10p	0.20p	2.50p	+19.0%

Minorplanet Systems Plc

	Final - Aug 04		Final - Aug 05	Comparison
REV	£31,300,000		£22,000,000	-29.7%
PBT	-£16,400,000		-£19,200,000	Loss both
EPS	-14.90p		-12.00p	Loss both

Misys plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£437,000,000	£888,400,000	£480,500,000	+10.0%
PBT	£40,200,000	£77,100,000	£34,400,000	-14.4%
EPS	6.80p	12.30p	5.60p	-17.6%

Mondas plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£1,816,653	£4,592,675	£1,538,960	-15.3%
PBT	-£1,454,358	-£1,384,081	-£1,159,743	Loss both
EPS	-5.50p	-5.30p	-4.40p	Loss both

Morse plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£390,008,000		£429,531,000	+10.1%
PBT	-£12,431,000		£18,332,000	Loss both
EPS	-11.90p		-14.10p	Loss both

MSB International plc

	Interim - July04	Final - Jan 05	Interim - July 04	Comparison
REV	£44,352,000	£92,321,000	£47,115,000	+6.2%
PBT	£356,000	£997,000	£163,000	-54.2%
EPS	1.26p	3.13p	0.54p	-57.1%

NCC Group plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£8,513,000	£18,786,000	£9,807,000	+15.2%
PBT	£2,312,000	£5,417,000	£2,606,000	+12.7%
EPS	3.30p	10.00p	5.30p	+60.6%

Ncipher Plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£6,391,000	£14,244,000	£7,967,000	+24.7%
PBT	£73,000	£2,333,000	£1,548,000	+2020.5%
EPS	-0.04p	8.78p	4.70p	Loss to profit

Netcall plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£2,414,211		£2,822,086	+16.9%
PBT	-£827,931		£158,059	Loss both
EPS	-1.30p		0.20p	Loss both

Netstore plc

	Final - Jun 04		Final - Jun 05	Comparison
REV	£20,681,000		£21,397,000	+3.5%
PBT	-£687,000		£653,000	Loss to profit
EPS	-0.14p		1.43p	Loss to profit

Nexus Management plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£1,231,134	£2,468,862	£1,233,412	+0.2%
PBT	-£18,143	-£186,945	£48,187	Loss to profit
EPS	0.00p	0.00p	0.00p	Loss to profit

Northgate Information Solutions plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£96,816,000	£205,692,000	£162,664,000	+68.0%
PBT	£3,881,000	£3,889,000	£10,003,000	+157.7%
EPS	2.40p	0.79p	1.18p	-50.8%

NSB Retail Systems plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£21,632,000	£45,399,000	£22,202,000	+2.6%
PBT	£2,445,000	£6,343,000	£3,546,000	+45.0%
EPS	3.02p	3.99p	0.81p	-73.2%

OneclickHR plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,291,391	£4,764,879	£2,785,928	+21.6%
PBT	-£730,170	-£1,745,204	-£135,855	Loss both
EPS	-0.66p	-1.30p	-0.09p	Loss both

Parity Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£82,931,000	£169,860,000	£88,790,000	+7.1%
PBT	-£700,000	-£6,914,000	-£949,000	Loss both
EPS	0.05p	-2.24p	-0.64p	Loss both

Patsystems plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,329,000	£11,775,000	£7,708,000	+44.6%
PBT	-£1,808,000	-£2,929,000	-£558,000	Loss both
EPS	-1.10p	-1.40p	-0.30p	Loss both

Phoenix IT Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£41,549,000	£88,331,000	£54,751,000	+31.8%
PBT	£7,065,000	£11,084,000	£8,851,000	+25.3%
EPS	11.00p	15.40p	10.10p	-8.2%

Pilat Media Global plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,607,249	£12,052,232	£4,694,490	-16.3%
PBT	£434,918	£1,834,969	£739,678	+70.1%
EPS	0.65p	2.49p	-0.97p	Profit to loss

Pixology plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,888,623	£4,514,729	£1,805,948	-4.4%
PBT	-£835,547	-£2,163,393	-£725,742	Loss both
EPS	-3.16p	-9.79p	-3.12p	Loss both

Planit Holdings plc

	Final - Apr 04		Final - Apr 05	Comparison
REV	£26,926,000		£28,124,000	+4.4%
PBT	£1,547,000		£1,972,000	+27.5%
EPS	1.00p		1.40p	+40.0%

Portrait Software

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£8,017,000	£14,288,000	£4,827,000	-39.8%
PBT	£1,558,000	£1,433,000	£464,000	-70.2%
EPS	2.87p	2.49p	-0.77p	-126.8%

Prologic plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£2,067,000	£6,928,000	£4,513,000	+118.3%
PBT	-£4,000	£1,433,000	£21,000	Loss to profit
EPS	-0.02p	2.76p	-0.10p	Loss both

PSD Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£20,378,000	£43,714,000	£26,952,000	+32.3%
PBT	£1,583,000	£2,856,000	£2,317,000	+46.4%
EPS	3.70p	7.20p	6.60p	+78.4%

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

Qonnectis

	Final - Jun 04		Final - Jun 05	Comparison
REV	£24,128,000	£30,848,000	£60,007,000	+148.7%
PBT	-£596,203	£1,957,000	£1,048,503	Loss both
EPS	-0.69p	3.32p	-0.93p	Loss both

Quantica plc

	Interim - May 04	Final - Nov 04	Interim - May 05	Comparison
REV	£13,789,000	£30,848,000	£17,019,000	+23.4%
PBT	£763,000	£1,957,000	£1,018,000	+33.4%
EPS	1.15p	3.32p	1.57p	+36.5%

Raft International plc

	Interim - Apr 04	Final - Oct 04	Interim - Apr 05	Comparison
REV	£3,164,000	£7,261,000	£4,161,000	+31.5%
PBT	-£969,000	-£991,000	-£566,000	Loss both
EPS	-1.48p	-1.45p	-0.87p	Loss both

Red Squared plc

	Interim - March 04	Final - Sep 04	Interim - March 05	Comparison
REV	£955,074	£1,696,513	£1,040,122	+8.9%
PBT	-£97,155	-£466,614	-£181,928	Loss both
EPS	-0.48p	-2.32p	-0.67p	Loss both

Retail Decisions plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£15,430,000	£31,737,000	£14,705,000	-4.7%
PBT	£2,998,000	£6,144,000	£3,522,000	+17.5%
EPS	0.69p	1.39p	0.80p	+15.9%

RM plc

	Final - Sep 04		Final - Sep 05	Comparison
REV	£263,264,000		£262,707,000	-2%
PBT	£7,054,000		£5,459,000	-22.6%
EPS	4.30p		2.20p	-48.8%

Royalblue Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£28,459,000	£59,768,000	£34,082,000	+19.8%
PBT	£4,090,000	-£859,000	£4,754,000	Profit to loss
EPS	8.80p	23.40p	10.80p	+22.7%

Sage Group plc

	Final - Sep 04		Final - Sep 05	Comparison
REV	£687,585,000		£776,621,000	+12.9%
PBT	£181,144,000		£205,357,000	+13.4%
EPS	9.85p		11.10p	+12.7%

Sanderson Group plc

	Final - Sep 04		Final - Sep 05	Comparison
REV	£11,880,000		£15,460,000	+30.1%
PBT	-£328,000		-£482,000	Loss both
EPS	-1.00p		-1.29p	Loss both

SDL plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£30,670,000	£62,690,000	£34,080,000	+11.1%
PBT	£1,622,000	£457,000	£3,103,000	+91.3%
EPS	2.07p	-1.77p	3.21p	+55.1%

ServicePower Technologies plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,490,000	£4,114,000	£3,444,000	+131.1%
PBT	-£1,435,000	-£3,743,000	-£1,078,000	Loss both
EPS	-2.16p	-5.34p	-1.54p	Loss both

Sirius Financial Solutions plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£20,523,966		£21,704,052	+5.7%
PBT	-£581,160		£385,444	Loss to profit
EPS	-3.90p		1.40p	Loss to profit

Sirvis IT plc

	Final - May 04		Final - May 05	Comparison
REV	£3,230,000		£8,083,000	+150.2%
PBT	£321,000		-£2,432,000	Profit to loss
EPS	0.60p		-2.45p	Profit to loss

smartFOCUS plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,283,775	£2,850,101	£2,183,779	+70.1%
PBT	-£16,242	-£324,052	£64,926	Loss to profit
EPS	0.10p	-0.30p	0.10p	+0.0%

Sopheon plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,083,000	£4,323,000	£1,909,000	-8.4%
PBT	-£1,261,000	-£1,964,000	-£894,000	Loss both
EPS	-1.20p	-1.60p	-1.60p	Loss both

Spring Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£229,048,000	£476,429,000	£219,908,000	-4.0%
PBT	-£712,000	£859,000	-£5,170,000	Loss both
EPS	-0.04p	4.91p	-3.06p	Loss both

StatPro Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£4,258,000	£9,072,000	£5,017,000	+17.8%
PBT	£263,000	£162,000	£554,000	+110.6%
EPS	1.10p	5.30p	1.40p	Loss both

Strategic Thought Group plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£3,704,000	£9,250,000	£5,077,000	+37.1%
PBT	£513,000	£1,731,000	£901,000	+75.6%
EPS	1.70p	5.80p	3.40p	+100.0%

Stilo International Plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£1,143,000	£2,076,000	£905,000	-20.8%
PBT	-£368,000	-£1,299,000	-£432,000	Loss both
EPS	-0.52p	-1.56p	-0.48p	Loss both

SurfControl plc

	Interim - Dec 04	Final - Jun 05	Interim - Dec 05	Comparison
REV	£25,440,000	£52,601,075	£27,072,000	+6.4%
PBT	£1,690,000	£4,097,312	-£337,000	Profit to loss
EPS	4.60p	20.80p	-0.88p	Profit to loss

System C Healthcare plc

	Interim - Nov 04	Final - May 05	Interim - Nov 05	Comparison
REV	£8,843,000	£18,228,000	£8,581,000	-3.0%
PBT	£1,710,000	£2,532,000	£400,000	-76.6%
EPS	2.31p	0.77p	3.08p	+33.3%

Systems Union Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£51,016,000	£104,230,000	£53,666,000	+5.2%
PBT	£1,464,000	£4,614,000	£2,697,000	+84.2%
EPS	1.20p	3.90p	2.20p	+83.3%

Tadpole Technology plc

	Interim - Mar 04	Final - Sep 04	Interim - Mar 05	Comparison
REV	£1,476,000	£4,831,000	£4,439,000	+200.7%
PBT	-£1,515,000	-£2,767,000	-£1,411,000	Loss both
EPS	-0.60p	-1.00p	-0.40p	Loss both

Tikit Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,889,000	£11,903,000	£9,551,000	+62.2%
PBT	£429,000	£859,000	£263,000	-38.7%
EPS	2.90p	4.50p	0.20p	-93.1%

Torex Retail plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£25,118,000	£67,935,000	£52,466,000	+108.9%
PBT	£2,496,000	£7,711,000	£2,086,000	-16.4%
EPS	0.70p	2.90p	0.40p	-42.9%

Total Systems plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£1,696,642	£3,451,633	£1,419,101	-16.4%
PBT	£136,878	£496,098	-£61,309	Profit to loss
EPS	1.03p	3.56p	-0.44p	Profit to loss

Touchstone Group plc

	Interim - Sep 04	Final - Mar 05	Interim - Sep 05	Comparison
REV	£7,749,000	£17,269,000	£9,757,000	+25.9%
PBT	-£196,000	-£82,000	£231,000	Loss to profit
EPS	-2.41p	-3.20p	0.62p	Loss to profit

Trace Group plc

	Final - May 04		Final - May 05	Comparison
REV	£15,472,000		£16,110,706	+4.1%
PBT	£822,000		£1,223,406	+48.8%
EPS	4.69p		5.92p	+26.2%

Ubiquity Software Corporation plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£2,522,200	£5,314,776	£3,507,000	+39.0%
PBT	-£2,564,000	-£6,407,328	-£4,157,000	Loss both
EPS	-19.00p	-44.00p	-6.00p	Loss both

Ultima Networks plc

	Final - Dec 03		Final - Dec 04	Comparison
REV	£1,770,000		£1,906,000	+7.7%
PBT	£169,000		£313,000	+85.2%
EPS	0.09p		0.14p	+55.6%

Ultrasis Group plc

	Final - Jul 03		Final - Jul 04	Comparison
REV	£548,000		£1,535,000	+180.1%
PBT	-£12,864,000		-£364,000	Loss both
EPS	-0.53p		-0.02p	Loss both

Universe Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£20,349,000	£43,992,000	£22,302,000	+9.6%
PBT	-£224,000	-£74,000	£175,000	Loss to profit
EPS	-0.38p	-0.10p	0.23p	Loss to profit

Vega Group plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£24,519,000	£52,602,000	£30,637,000	+25.0%
PBT	£1,638,000	£2,907,000	£1,963,000	+19.8%
EPS	5.83p	8.61p	6.24p	+7.0%

VI Group plc

	Interim - Jun 04	Final - Dec 04	Interim - Jun 05	Comparison
REV	£5,053,000	£9,698,000	£5,417,000	+7.2%
PBT	-£99,000	-£259,000	£189,000	Loss to profit
EPS	-0.60p	-0.84p	0.02p	Loss to profit

Xansa plc

	Interim - Oct 04	Final - Apr 05	Interim - Oct 05	Comparison
REV	£189,500,000	£376,400,000	£175,900,000	-7.2%
PBT	£4,900,000	£10,800,000	£7,800,000	+59.2%
EPS	1.15p	2.58p	1.90p	+65.2%

XKO Group plc

	Interim - Sept 04	Final - Mar 05	Interim - Sept 05	Comparison
REV	£21,585,000	£44,853,000	£11,624,000	-46.1%
PBT	-£1,225,000	£10,013,000	£615,000	Loss to profit
EPS	-4.80p	34.60p	1.20p	Loss to profit

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		0.16p	Loss both

S/ITS stocks have a subdued January

It has been a bit of a muted start to 2006 for S/ITS shares, with the Ovum S/ITS index up 1.1% and the FTSE IT SCS up just 0.6% over January. Compared with this time last year, the Ovum Index is sitting at almost exactly the same figure (2005=5140, 2006=5136). Across the broader market, the FTSE AIM and FTSE Small Cap indices grew 8.93% and 5.64% respectively.

Surprisingly, the usually subdued reseller category of our S/ITS index was the only area to provide strong growth, up 9.7% over the month. However, this was due to the massive rises in share prices for Dimension Data and Morse (up 22% and 30% respectively). Excluding these two businesses, the sector shrank 1.3%.

Healthcare software specialist iSoft was the biggest loser in January - its shares fell 53% on the 30th of the month - ending the next day at £1.84. This was in relation to its admission that it was not expecting to recognise any revenue from the National Programme for IT in the NHS (NPfIT) in England for the second half of its current financial year. This will reduce its expected revenues for the full year by £55m and its operating profit by £45m (read more analysis on Hotnews).

Though this bad news has been restricted to iSoft for now, the fact that there is a whole ecosystem of UK S/ITS players involved in the NPfIT projects means that any further delays in payment from the NHS could ultimately have a larger effect on other S/ITS shares in future.

The better performing shares in 2005 were all strong on organic growth, earnings growth and were active in M&A - a recipe that doesn't look to be going out of fashion. (Samad Masood)

31-Jan-06		
	S/ITS Index	**5135.57**
	FTSE IT (SCS) Index	**572.04**
	techMARK 100	**1497.16**
	FTSE 100	5760.30
	FTSE AIM	1139.50
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap	3491.89

Changes in Indices	S/ITS Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (03/1/06 to 31/1/06)	+1.13%	+2.52%	+4.57%	+0.60%	+8.93%	+5.64%
From 15th Apr 89	+413.56%	+180.50%				
From 1st Jan 90	+458.15%	+143.87%				
From 1st Jan 91	+625.50%	+166.63%				
From 1st Jan 92	+391.51%	+131.05%				
From 1st Jan 93	+222.26%	+102.36%				+151.69%
From 1st Jan 94	+207.60%	+68.51%				+86.86%
From 1st Jan 95	+242.56%	+87.91%				+99.95%
From 1st Jan 96	+127.39%	+56.14%	+89.69%		+19.52%	+79.85%
From 1st Jan 97	+91.81%	+39.86%	+63.68%		+16.74%	+59.95%
From 1st Jan 98	+69.21%	+12.17%	+56.93%	-42.80%	+14.87%	+50.95%
From 1st Jan 99	+30.30%	-2.08%	+2.83%	-60.44%	+42.15%	+68.62%
From 1st Jan 00	-55.23%	-16.88%	-60.39%	-84.61%	-41.04%	+12.72%
From 1st Jan 01	-38.66%	-7.43%	-41.64%	-70.65%	-20.75%	+9.70%
From 1st Jan 02	+7.03%	+10.41%	+1.66%	-32.25%	+26.92%	+35.39%
From 1st Jan 03	+89.31%	+46.19%	+130.77%	+68.14%	+89.00%	+91.80%
From 1st Jan 04	+9.82%	+28.67%	+47.50%	+13.59%	+36.40%	+41.08%
From 1st Jan 05	+4.27%	+19.65%	+25.14%	+17.76%	+13.29%	+26.60%
From 1st Jan 06	+1.13%	+2.52%	+4.57%	+0.60%	+8.93%	+5.64%

End Jan 06	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 since 1/1/06	Move in Jan 06
System Houses	19.7%	-53.4%	-37.3%	13.0%	125.1%	17.4%	7.0%	1.6%	1.6%
IT Staff Agencies	-73.5%	-76.9%	-63.3%	-33.8%	-0.4%	-34.7%	-17.3%	0.5%	0.5%
Resellers	107.1%	-0.2%	32.0%	46.9%	98.6%	3.6%	14.2%	9.7%	9.7%
Software Products	77.5%	-57.3%	-69.0%	-0.1%	65.4%	1.9%	4.7%	0.3%	0.3%
Holway S/ITS Index	30.3%	-55.2%	-38.7%	7.0%	89.3%	9.8%	4.3%	1.1%	1.1%