

# System House

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## Deja Vu or Sanity Revisited?

In July 98, when we gave our annual CSSA presentation, the newly launched FTSE IT index had hit a record 1884 - up 88% in its first six months of life. We warned the audience that these were "crazy, unsustainable valuations". After all, average P/Es had hit nearly 60. A year back, August 98's *System House* was headlined "Increasing unease" and warned of a "steep fall" which could have a major effect on the new issue market. By Oct. 98, all of the FTSE IT Index' gain was lost and the IPO market ground to a halt. There was a feeling of deja vu when we addressed the CSSA again this month. *Kinda spooky* as the FTSE IT Index had in July 99 returned to the record +88% levels last seen in July 98.

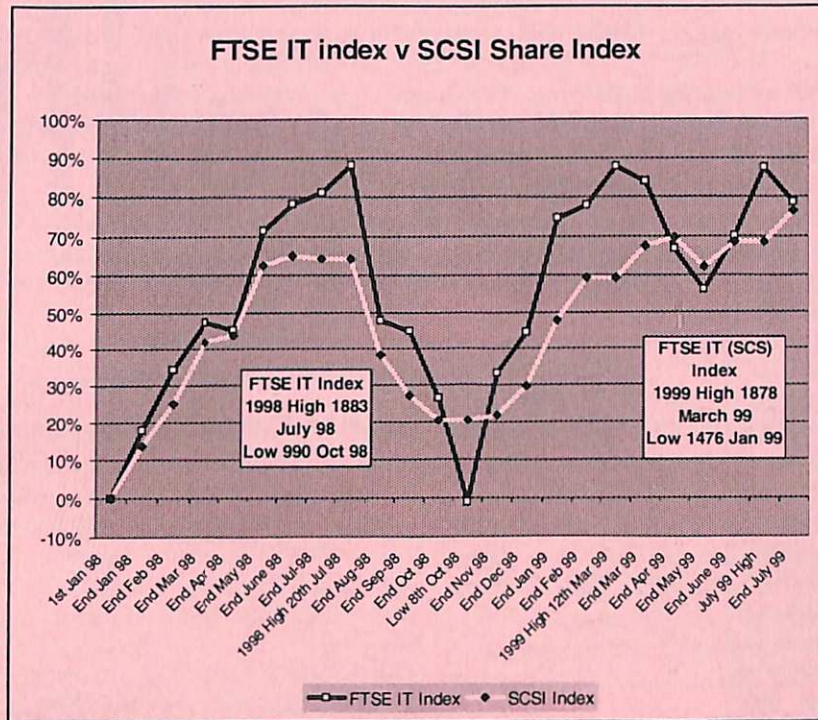
### Are we likely to see another massive dive in Q3?

The situation now is quite different. Firstly we are a year on. Earnings have risen substantially so relative valuations are now back to historically sustainable levels. P/E's are now nearly 40% lower than a year back and at "just" 33 are much closer to the anticipated % growth in earnings for 1999 and 2000.

Secondly, perhaps last year the market had not fully realised the "special microclimate" that would exist this year as a result of Y2K. We hope that there is now a better understanding of the market. We have already seen trading statements from nearly 20 quoted SCS companies warning of a slowdown due to the "Y2K effect". Although we still expect more warnings from others, if investors are still

unaware of the general situation, then the fault probably resides with them, not the SCS industry.

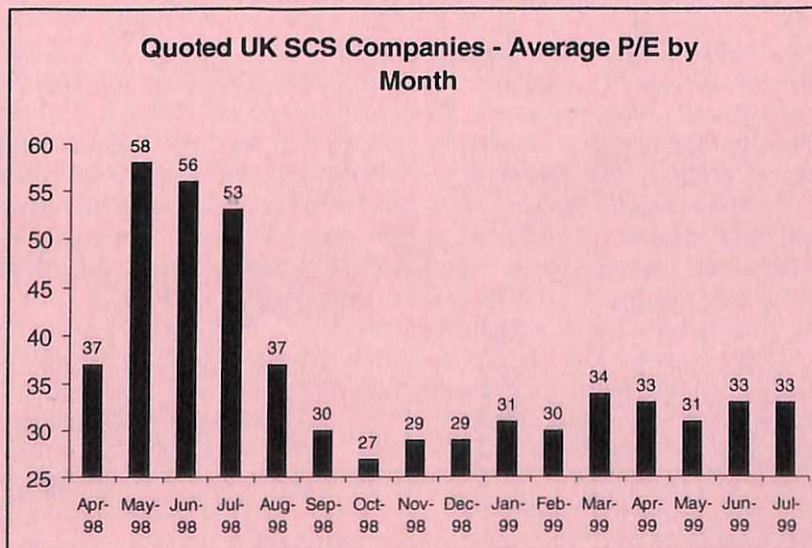
Thirdly, the "pain" has not been felt across the board. In the last twelve months IT staff agencies have seen share prices dive over 50%. Resellers have slumped by 10%. But software companies are up nearly 20% and system houses have soared by over 30%. Given that the pain of 1999/2000 is likely to be felt most by IT staff agencies and resellers, whereas system houses like FI Group might well gain as pressures on staff cost and associated churn rates ease, investors seem to have called the market pretty well. Finally, the outlook for the UK economy looks much healthier than a year ago.



### Companies that have specifically mentioned Y2K slowdown in trading statement

|                   |          |
|-------------------|----------|
| Admiral           | Misys    |
| Diagonal          | MMT      |
| Druid             | MSB      |
| Ecooft            | Quantica |
| Gresham Computing | Riva     |
| Highams           | Spring   |
| JBA               | Total    |
| Lorien            | Triad    |
| MDIS              |          |

So, the logical answer is that a Q3 correction this year would be unjustified. However, that does not take account of "factors outside our control". Our main fear relates to internet stocks - in particular the high valuations in the US. So much of the US economy - in particular its "feel good" factor - is now bound up in the internet. If there was a major correction - we are talking here of total valuations falling by 50%+ - this would have a knock on effect throughout the US and would move to the UK within microseconds. Sound IT services companies would be knocked alongside our own fledgling internet stocks. But we have firmly predicted the birth of a new GOLDEN ERA for our industry starting in 2001. So any downturn in Q3 could be viewed as an opportunity.



## Superb results signal changing of the guard at FI Group

Once again FI Group has delivered the goods in announcing its results for the year ending 30th Apr. 99. As previewed in last month's *System House*, FI recorded revenues up 41% at £228.4m, PBT up 60% at £17.0m and EPS up 58% at 5.8p - exceeding analyst expectations. Margins have increased - again - from 6.6% to 7.5% (they reached 8.3% in H2). The order book is also up 50% at £267m. Revenues in all areas advanced - Finance up 39% (41% of total), Retail up 31% (24% of total) and Services (basically Utilities, Telecomms & Government) up 52% (35% of total). FI's 'book-to-bill' ratio stood at 1.4, and they had nearly £23m cash in the bank, of which c£12m went on the OSI Group purchase.

Recent acquisitions are progressing well. Indeed Indian IIS Infotech "exceeded expectations" producing £2.1m profit on turnover of £23.5m, over 10% of Group revenue. FI's 49% stake in First Banking Systems, their innovative JV with Bank of Scotland, contributed operating profit of £1.8m on revenue of £14.5m. It is, of course, too early to report on OSI as the acquisition of the UK-based consultancy was completed only a few weeks after FI's year end.

Application management is still the main contributor to FI's revenues, although this decreased again to 65% of the total compared to 68% the year before. FI Recruitment (the IT contractor bit) increased turnover by 41% to £53.7m but just over half of this was internal supply to FI's other divisions. 'True' external revenues actually rose c30% and now represent 11% of the total, down from 12% last year. FI's consultancy business also grew c30% and also contributes about 11% of the total. This proportion is set to rise in FY99/00 with an almost full year contribution from OSI. FI Academy (nee FI Training) is still 'small potatoes' at some 3% of Group revenues (4% last year).

FI's order bank makes joyous reading. Almost half of the £267m in signed orders will be billed in FY99/00 - and another half will turn into revenue within 2-3 years. A lot of this has to do with FI's move to build 'partnerships' (read long term, high value contracts) with its leading customers. They've got 18 partnerships so far and are heading for 20 this year. Significant new orders include Bank of Scotland (£73m - as part of the JV), London Electricity - a new partnership - (£22m) and The Post Office (£13m). Further reinforcing the importance of long term customer relationships, over half (53%) of FI's revenues came from customers of over 5 years standing.

Average headcount (full-time equiv.) rose 14.7% to 4,235 and staff churn is down from 14% to about 10%. Around three-quarters of FI's staff are employees (including IIS). Excluding India, c65% of staff are salaried.

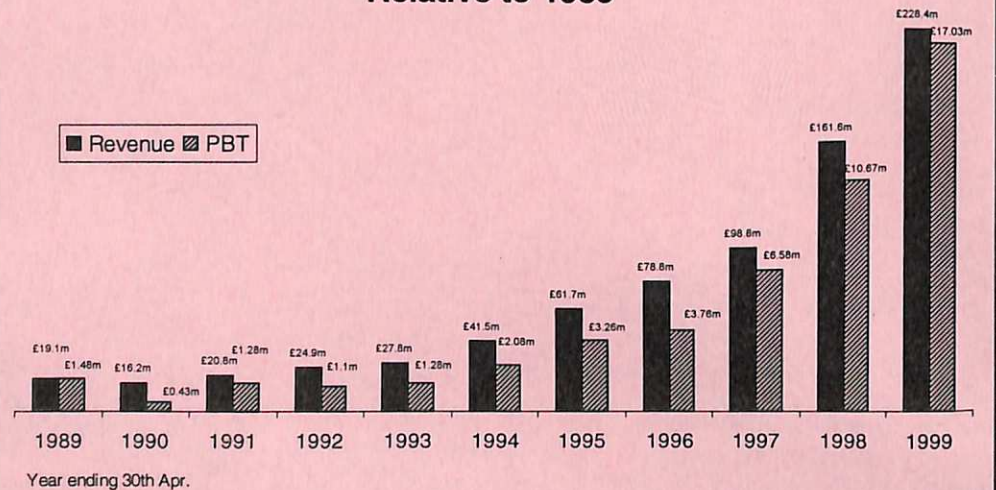
In a well-signalled move, FI also announced that recently 'gonged' CEO and deputy chairman Hilary Cropper CBE is to succeed non-exec. Chairman Sir Peter Thompson as from the beginning of next year - but she will be taking on the role of executive chairman. They are now looking for a new CEO to take over when Cropper ascends the chair. We were, however, surprised to hear that David Best (FD) is to leave "to apply his knowledge and experience to help and invest in smaller emerging companies". Best is to remain at FI for a few more weeks to hand over to his as yet unnamed successor. In addition, long standing (9 years) NED Con Driscoll resigned in Mar. 99. Joining FI's board as a second deputy chairman later in the year will be Barclays plc ex-chairman Andrew Buxton.

Although FI Group accepts that "the year ahead is more difficult to read because of the effects of Y2K, revenue from such work accounted for just 12% of FI's business. Furthermore FI expects its margins to increase even if market growth slows somewhat compared to the exceptional levels of recent years".

**Comment:** We were delighted when FI won the bidding to buy OSI as it looked an excellent fit, with little overlap in client base. This acquisition was the first major step to lift FI from being 'just' a highly successful AM supplier into an international, all-round IT services player. The acquisitions won't stop here, of course. Indeed "the international search is now starting in earnest" although we understand no announcements are imminent. FI is taking its usual cautious approach and will be looking for quality outfits like OSI in Germany, Benelux, Scandinavia and North America (where they already have 100 staff). This makes sense given that AM as a 'stand alone' market is mainly a UK phenomenon; elsewhere, it usually comes part and parcel in full-scale IT outsourcing deals. And, of course, consulting is higher margin business, which adds credence to FI's predictions on its future performance. We were also glad to hear that Hilary Cropper will still have one hand on the tiller when she becomes chairman next year - a smooth succession is another critical success factor in our books - and we trust David Best's successor will be able to fill his formidable boots! Overall there is nothing we can see that moves us from our view that FI is a class act - with every chance of getting classier.

FI's share price rose only slightly after the results announcement, and was still somewhat off their 12-month peak of 372p - probably because these results were presaged a few weeks earlier in their share placing at the time of the OSI acquisition. But since then the share price has risen to end Jul. 99 at 383p, up 17% in the month and 16% on the year.

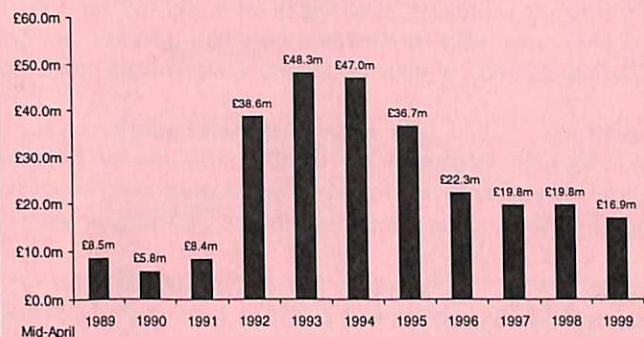
### FI Group plc PBT and Revenue Record Relative to 1989



## "Silly prices" still frustrate EDP

Electronic Data Processing's (EDP) results for the six months to 31st Mar. 99 were depressing with revenues down 6% at £5.47m, flat PBT of £1.2m and EPS unchanged at 3.24p. We probably wouldn't have wasted our time reporting further if it hadn't been for Chairman Mike Heller's comments that he wouldn't utilise his £10.8m cash "mountain" for acquisitions because of "the silly price expectations of vendors which remain a continuing hindrance".

Electronic Data Processing plc  
Market Value



Having read Heller's Chairman's statements for 12 years, this is a recurring gripe of his. Strangely reminiscent of one of our friends who still doesn't have a PC after 10 years of deliberation as "prices will be lower in a few months time".

But the gripe that shareholders might have is to compare and contrast, say, EDP and Sage over the last 10 years. EDP (without managing to secure any significant acquisitions) has merely doubled its market value to £17m. Sage, which has either managed to learn to live with "silly" valuations or perhaps ensured that they weren't really "silly" anyway, has undertaken some 18 acquisitions which has made Sage the financial accounting market leader for SMEs in UK, France, Germany and now the US. Along the way it has boosted its market value from £20m to well over £3 billion!

Same period, same market opportunities, same Stock Exchange. Problem is they don't have the same management. No Goldman, Walker, Wylie or Jackson at EDP. Just Chairman Heller and CEO Richard Jowitt.

## PhoneLink's results- better late than never?

We missed PhoneLink's results for the year ended 31st Mar. 99. Mind you they are hardly stunning and probably weren't announced accompanied by a fanfare of trumpets or wholesale press releases. Mainly due to acquisitions, revenue went up over three-fold to £10m but despite this, losses only fell from £3.7m to £3.4m.

After being the "wonderstock" of the early 90s and with the share price rising to over 420p, they missed the internet boat and the shares have fallen steadily. They ended this month on just 36p.

## Yet another profit warning from MDIS

The MDIS Group expects a material operating loss in H199 with any profits from the core UK business "more than offset" by losses in Glovia and PRO IV. This is "unacceptable" and they were "reviewing available strategic options". The shares have fallen again this month to end on just 23p - after floating in 1994 at 260p. With revenues of c£113m and a capitalisation now of just £54m - it all looks a bit daft to us

## Further progress at Alphameric

Retail systems supplier Alphameric has gone into profit at the interim stage for the six months to 31st May 99. They made a PBT of £1m (loss £421K last time) on revenue up 80% at £11.2m. Chairman Rodney Hornstein believes "the Group is well positioned... and will maintain the progress from the strong first half performance".

## The 'new' Skillsgroup repositions

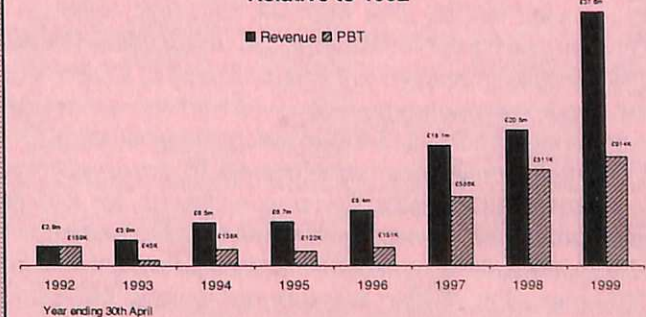
Old established Skillsgroup is now a services company and we don't intend to list again here the many changes they have undertaken over the years. They have spent c£70m on acquisitions to enable them to move into the higher skills area and have made a number of disposals. In the results for the six months to 31st May 99, revenue from continuing business increased 25% to £96.4m (incl. £6m from acquisitions), operating profit rose from £5.4m to £7.9m with PBT, after exceptional costs of £1.5m, actually down slightly at £6.4m. Diluted EPS dropped 9%. Chairman David Southworth said "The outlook now and for the next 3/5 years is very exciting... The Board believes that the outcome for the full year will be at least in line with current market expectations".

**Comment.** Its taken a long time for Skillsgroup to move up the value chain and become a SCS company. The share price is now starting to reflect this to end the month on 276p - a rise of 52% this year.

## Computerland OK but....

PC reseller and associated support services company Computerland has announced revenues up 84% to £37.6m (part due to acquisitions of Netman and KDL), PBT up a lower 13% to £914K and diluted EPS actually down 28%. The lower profit "reflected lower than expected product sales" and the EPS drop was due to "an increase in the weighted shares in issue". One plus note is that the services side had "an excellent performance" and, at £9.2m, now represents 25% of total turnover.

Computerland UK plc  
Eight year PBT and Revenue Record  
Relative to 1992



Computerland's results reflect others in the PC industry, and after the profit warning in March, it is disappointing to see that "product sales in May and June have been disappointing and the outlook for the product business continues to be uncertain". But "services continue to make good progress". After the earlier restructuring of the company into two operating divisions - Lifecycle and Support Services - the directors are confident that "the prospects for the year as a whole will be satisfactory". After the earlier profit warning when the shares plunged (to 65p), they ended the month on 84p - still a 16% discount to the Sep. 97 IPO price of 100p.

## How to mount a US invasion

*This is the first in an occasional series of articles showing how enterprising UK software and computer services companies have expanded into the highly competitive US marketplace. We would be happy to hear about other companies' experiences.*

*What do you do when you're a UK company with what you think is a world class 'solution', and you're trying to break into the lucrative – but highly competitive – US market? Well, you could try setting up your own offices. But how do you get your name known around town? Or, if you've got deep pockets, you can look to buy a local firm and use their client base as your entrée. But if you are a small player even in the UK, then both of these strategies can be prohibitively costly and very risky.*

This was the dilemma facing insurance software and services company, **Sherwood International**, back in 1996. Their research had shown that the opportunity in the US for their flagship product Amarta was some ten times greater than in the UK. But with (then) revenues of some £25m, they needed to find an affordable way to tap that market.

The answer was, of course, to find a partner who could provide the credibility and contacts they needed to get a foot in the door and the resources and track record to make the system work. Sherwood engaged a US-based agency to look for potential partners, with a special focus, not surprisingly, on the 'Big 5' professional services firms. By the very nature of Amarta (an ERP solution specifically targeted at insurance) they were able to convince potential partners not only that the Sherwood solution was 'best of breed', but that the partner would be able to generate significant consulting business for itself on the back of the sale.

The first Big 5 firm that showed any real interest was **Deloitte & Touche (D&T)**, with whom Sherwood went on to sign a partnership deal in Mar. 97. The basis behind the arrangement is for D&T to provide the initial entrée into the prospect organisation and Sherwood to assist in the selling. If the client goes ahead, they sign the product licence with Sherwood and a services contract with D&T for implementation, although some Sherwood staff would assist the D&T implementation team on a fee basis.

It didn't take long before D&T scored their first run on the board – with Northwestern Mutual, the largest and most respected life products company in the US, in June 1997. Curiously, NML did not have a previous relationship with D&T and neither had they heard of Sherwood – the introduction actually came from the agency that Sherwood had used to find a partner. Nonetheless, the implementation was very successful and the new system went live in Apr. 98.

A blue-chip reference site like NML was all that Sherwood really needed to establish a beachhead in the US. A second client soon followed – CNA Life – who did already have a strong relationship with D&T but who also used Sherwood's reinsurance product, Senator. And since then, Sherwood has signed partnership deals with **KPMG** and Canadian-based **DMR** (a subsidiary of Amdahl/Fujitsu). Furthermore, in Sep. 98 Sherwood acquired a 13% share in US-based **Allenbrook Inc.** at a cost of up to £7.1m and formed a joint venture to market Senator in the US.

In just a couple of years, Sherwood has built up its US business to £10m – almost a quarter of its 1998 revenues. They also expect other players to sign partnership agreements alongside D&T, KPMG and DMR and Sherwood are now looking for other partners who can introduce them into 'second tier' insurance players in the US. Meanwhile, Sherwood now have some 12 people in the US full time and are starting to recruit local staff to support their partners' implementation services.

By the way, the 'grand plan' doesn't stop there. In keeping with the Holway mantra, Sherwood will look to offer its products as an application hosting service perhaps as part of an insurance back office business process outsourcing offering and are looking at acquisition opportunities in the US as well as the UK.

### Continuing losses at



In the year ended 31st Mar. 99, on static revenue of £65.9m, much troubled **Kalamazoo** (automotive software and services) managed to increase losses to £2.2m. To be fair, group continuing operations did manage an increase in revenue of 11% and there was another one-off hit of £1.5m for rationalisation costs (against £1.3m exceptionals last time). Automotive Division accounts for £45.6m revenue, where development costs for Elite have hit the bottom line, with Computer Solutions the remaining £20.3m. Chairman Bob Jordan expects "continuing but steady improvements in underlying operational performance, revenue growth and a return to profitability is our first priority for this financial year". Indeed CEO Malcolm Roberts was appointed in Jun. 98 to change Kalamazoo radically and return it to profit by streamlining and focusing the company on sustainable growth. More SCS revenues, more recurring revenues seem to be the recipe. He has made a good start - there seems to have been a operating profit in H2 - and most of the reports recently seem to point to a start of a sustained recovery.

The share performance has been a disaster for some time and after hitting a high of over 140p in mid-1996 they had fallen to a low of 32p. But the announcement meant they rose 30% this month to end July on 54p.

### Anite begins to win the fight of the flab

We liked the Mail headline which talked of **Anite Group** being on a crash diet and had now slimmed down sufficiently from the "bad old Cray days" of over indulgence. Certainly the results for the year to 30th Apr. 99 give justification for this. Revenues from continuing operations went up 57% at £130m, and total revenue was up 21% to £180.8m. Continuing trading operating profit was up from £4.8m to £8.5m and, after due allowance for discontinued ops, amortisation etc., operating profit was up from just £903K to £5.6m. Of course last years profit of £29m was mainly due to exceptional profits of £27m on disposals, so at the headline level PBT was actually down 77% at £6.8m. But the really good news was that the consultancy business grew from £5m to over £50m - due to acquisitions - and now comes mainly from Germany and Holland. The established software business also grew revenue 40% to £51.6m but made lower profits - Anite has already restructured the loss making Anite Systems which is now claimed to be profitable.

Chairman Alec Daly commented "Overall I am pleased to report the group's strong financial performance has been sustained into the current financial year and remain confident of a year of further good growth".

The shares have started to recover quite well and ended the month up slightly at 53p - a rise of 33% this year.

| Quoted Companies - Results Service          |                |                  |                  | Note: Highlighted Names indicate results announced this month. |                  |                  |                  |   |                  |                  |                |                |                |
|---|----------------|------------------|------------------|--|------------------|------------------|------------------|---|------------------|------------------|----------------|----------------|----------------|
| <b>Admiral plc</b>                          |                |                  |                  | <b>Electronic Data Processing plc</b>                          |                  |                  |                  | <b>Macro 4 plc</b>                            |                  |                  |                |                |                |
| Interim - Jun 98                            | Final - Dec 98 | Interim - Jun 99 | Comparison       | Interim - Mar 98   | Final - Sep 98   | Interim - Mar 99 | Comparison       | Interim - Dec 97                              | Final - Jun 98   | Interim - Dec 98 | Comparison     |                |                |
| REV   | £65,805,000    | £147,187,000     | £84,927,000      | £5,812,000   | £11,518,000      | £5,469,000       | -5.9%            | REV   | £12,150,000      | £24,234,000      | £13,152,000    | +8.2%          |                |
| PBT   | £10,329,000    | £23,479,000      | £9,936,000       | £1,235,000   | £2,210,000       | £1,225,000       | -0.8%            | PBT   | £5,250,000       | £10,060,000      | £5,024,000     | -4.3%          |                |
| EPS   | 10.20p         | 24.90p           | 11.20p           | 3.23p  | 5.89p            | 3.24p            | +0.3%            | EPS   | 17.60p           | 33.70p           | 16.60p         | -5.7%          |                |
| <b>AFA Systems plc</b>                      |                |                  |                  | <b>F.I. Group plc</b>  |                  |                  |                  | <b>MERANT plc</b>                             |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Final - Apr 98   | Final - Apr 99   | Comparison       | Final - Jan 98   | Final - Apr 99   | Comparison                                    |                  |                  |                |                |                |
| REV   | £226,000       | £809,000         | +258.0%          | REV  | £161,595,000     | £228,353,000     | +41.3%           | REV   | £97,015,000      | £215,473,000     | not comparable |                |                |
| PBT   | -£1,801,000    | -£1,444,000      | Loss both        | PBT  | £10,670,000      | £17,025,000      | +59.6%           | PBT   | £15,217,000      | -£11,572,000     | Profit to loss |                |                |
| EPS   | -16.80p        | -11.80p          | Loss both        | EPS  | 3.68p            | 5.80p            | +57.6%           | EPS   | 13.28p           | -14.30p          | Profit to loss |                |                |
| <b>AIT Group plc</b>                        |                |                  |                  | <b>Financial Objects plc</b>                                   |                  |                  |                  | <b>Microgen plc</b>                           |                  |                  |                |                |                |
| Final - Mar 98                              | Final - Mar 99 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Final - Oct 97   | Final - Dec 98   | Comparison                                    |                  |                  |                |                |                |
| REV   | £13,556,000    | £17,460,000      | +28.8%           | REV  | £15,937,000      | £21,662,000      | +35.9%           | REV   | £66,398,000      | £70,105,000      | not comparable |                |                |
| PBT   | £2,164,000     | £2,764,000       | +27.7%           | PBT  | £2,015,000       | £3,438,000       | +70.6%           | PBT   | £5,324,000       | £8,492,000       | not comparable |                |                |
| EPS   | 7.11p          | 9.08p            | +27.7%           | EPS  | 7.54p            | 8.99p            | +19.1%           | EPS   | 8.80p            | 2.20p            | not comparable |                |                |
| <b>Anite Group plc</b>                      |                |                  |                  | <b>Flomerics Group plc</b>                                     |                  |                  |                  | <b>Misys plc</b>                              |                  |                  |                |                |                |
| Final - Apr 98                              | Final - Apr 99 | Comparison       | Interim - Jun 98 | Final - Dec 98   | Interim - Jun 99 | Comparison       | Final - May 98   | Final - May 99                                | Comparison       |                  |                |                |                |
| REV   | £149,540,000   | £180,829,000     | +20.9%           | REV  | £2,938,163       | £3,443,222       | +17.2%           | REV   | £447,700,000     | £582,000,000     | +30.0%         |                |                |
| PBT   | £29,049,000    | £6,788,000       | -76.6%           | PBT  | -£268,699        | £384,123         | -£149,606        | Loss both                                     | PBT              | £51,700,000      | £91,400,000    | +76.8%         |                |
| EPS   | 8.70p          | 1.50p            | -82.8%           | EPS  | n/a              | 10.0p            | n/a              | EPS   | 5.70p            | 10.60p           | +86.0%         |                |                |
| <b>Axon Group plc</b>                       |                |                  |                  | <b>Gresham Computing plc</b>                                   |                  |                  |                  | <b>Mondas plc</b>                             |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Interim - Apr 98 | Final - Oct 98   | Interim - Apr 99 | Comparison       | Final - Apr 98   | Final - Apr 99                                | Comparison       |                  |                |                |                |
| REV   | £10,353,105    | £20,024,253      | not comparable   | REV  | £8,522,000       | £23,063,000      | £16,301,000      | +91.3%  | REV              | £297,169         | £955,301       | +221.5%        |                |
| PBT   | £43,496        | £1,824,401       | not comparable   | PBT  | £1,017,000       | £3,003,000       | £1,483,000       | +45.8%  | PBT              | -£484,722        | -£520,770      | Loss both      |                |
| EPS   | 0.02p          | 2.80p            | not comparable   | EPS  | 1.91p            | 5.46p            | 2.35p            | +23.0%  | EPS              | -7.90p           | -5.70p         | Loss both      |                |
| <b>Azlan Group plc</b>                      |                |                  |                  | <b>Guardian IT plc</b>   |                  |                  |                  | <b>Moorepay Group plc</b>                     |                  |                  |                |                |                |
| Final - Mar 98                              | Final - Mar 99 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison                                    |                  |                  |                |                |                |
| REV   | £292,073,000   | £343,000,000     | +17.4%           | REV  | £23,026,000      | £29,693,000      | +29.0%           | REV   | £5,283,379       | £8,365,688       | +58.3%         |                |                |
| PBT   | -£7,860,000    | £3,900,000       | Loss to profit   | PBT  | £4,033,000       | £6,623,000       | +64.4%           | PBT   | £1,385,201       | £2,043,492       | +47.5%         |                |                |
| EPS   | -12.20p        | 4.10p            | Loss to profit   | EPS  | 5.70p            | 9.00p            | +57.9%           | EPS   | 9.04p            | 12.39p           | +37.1%         |                |                |
| <b>Baltimore Technologies plc</b>           |                |                  |                  | <b>Harvey Nash Group plc</b>                                   |                  |                  |                  | <b>Morse Holdings plc</b>                     |                  |                  |                |                |                |
| Final - Apr 98                              | Final - Dec 98 | Comparison       | Final - Jan 98   | Final - Jan 99   | Comparison       | Final - Jun 97   | Interim - Dec 98 | Final - Jun 98                                | Comparison       |                  |                |                |                |
| REV   | £13,176,700    | £9,883,512       | not comparable   | REV  | £55,796,000      | £104,851,000     | +87.9%           | REV   | £135,343,000     | £144,275,000     | +59.7%         |                |                |
| PBT   | £296,684       | £5,173,012       | not comparable   | PBT  | £5,205,000       | £8,869,000       | +70.4%           | PBT   | £11,198,000      | £9,784,000       | +5.4%          |                |                |
| EPS   | -0.90p         | 25.30p           | not comparable   | EPS  | 12.33p           | 19.29p           | +56.4%           | EPS   | 4.60p            | 5.16p            | +31.1%         |                |                |
| <b>Bond International Software plc</b>      |                |                  |                  | <b>Highams Systems Services Group plc</b>                      |                  |                  |                  | <b>MSB International plc</b>                  |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Final - Mar 98   | Final - Mar 99   | Comparison       | Final - Jan 98   | Final - Jan 99   | Comparison                                    |                  |                  |                |                |                |
| REV   | £8,395,027     | £8,807,697       | +37.7%           | REV  | £25,143,421      | £34,069,990      | +35.5%           | REV   | £128,793,000     | £191,345,000     | +48.6%         |                |                |
| PBT   | £718,250       | £935,378         | +30.2%           | PBT  | £1,383,327       | £1,524,855       | +10.2%           | PBT   | £9,043,000       | £8,088,000       | -10.6%         |                |                |
| EPS   | 3.54p          | 4.54p            | +28.2%           | EPS  | 5.34p            | 5.40p            | +1.1%            | EPS   | 30.00p           | 27.00p           | -10.0%         |                |                |
| <b>Cadcentre Group plc</b>                  |                |                  |                  | <b>ICM Computer Group plc</b>                                  |                  |                  |                  | <b>MSW Technology plc</b>                     |                  |                  |                |                |                |
| Final - Mar 98                              | Final - Mar 99 | Comparison       | Interim - Dec 97 | Final - Jun 98   | Interim - Dec 98 | Comparison       | Interim - Nov 97 | Final - May 98                                | Interim - Nov 98 | Comparison       |                |                |                |
| REV   | £17,727,000    | £17,861,000      | +0.8%            | REV  | £17,998,000      | £35,881,000      | £18,534,000      | +3.0%   | REV              | £1,080,000       | £2,909,951     | £1,360,000     | +25.9%         |
| PBT   | £2,754,000     | £3,001,000       | +9.0%            | PBT  | £1,416,000       | £2,702,000       | £1,949,000       | +37.6%  | PBT              | £76,952          | £503,055       | £140,309       | Profit to loss |
| EPS   | 10.06p         | 11.21p           | +11.4%           | EPS  | 5.70p            | 8.70p            | 6.70p            | +17.5%  | EPS              | 1.16p            | 6.54p          | -1.82p         | Profit to loss |
| <b>Capita Group plc</b>                     |                |                  |                  | <b>ilion Group plc</b>   |                  |                  |                  | <b>NetBenefit plc</b>                         |                  |                  |                |                |                |
| Interim - Jun 98                            | Final - Dec 98 | Interim - Jun 99 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Final - Jun 97   | 9 mos - Mar 99                                | Final - Jun 98   | Comparison       |                |                |                |
| REV   | £117,907,000   | £237,802,000     | £150,227,000     | REV  | £203,134,000     | £244,803,000     | +20.5%           | REV   | £832,530         | £1,241,908       | £1,244,243     | +49.5%         |                |
| PBT   | £10,484,000    | £27,019,000      | £14,115,000      | PBT  | £6,100,000       | £3,243,000       | Profit to loss   | PBT   | £66,860          | £286,435         | £92,500        | Loss to Profit |                |
| EPS   | 3.35p          | 8.68p            | +37.0%           | EPS  | 15.10p           | -8.80p           | Profit to loss   | EPS   | -0.67p           | 2.10p            | 0.42p          | Loss to Profit |                |
| <b>Cedar Group plc</b>                      |                |                  |                  | <b>Intelligent Environments Group plc</b>                      |                  |                  |                  | <b>NSB Retail Systems plc</b>                 |                  |                  |                |                |                |
| Final - Mar 98                              | Final - Mar 99 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison                                    |                  |                  |                |                |                |
| REV   | £12,508,000    | £23,406,000      | +84.3%           | REV  | £4,443,146       | £6,633,118       | +49.3%           | REV   | £3,284,464       | £8,366,637       | +154.7%        |                |                |
| PBT   | £2,564,000     | £2,807,000       | +9.5%            | PBT  | -£3,009,417      | -£1,024,104      | Loss both        | PBT   | £837,516         | £1,477,983       | +78.5%         |                |                |
| EPS   | 5.30p          | 5.50p            | +3.8%            | EPS  | -13.30p          | -3.42p           | Loss both        | EPS   | 6.50p            | 10.90p           | +67.7%         |                |                |
| <b>CFS Group plc</b>                        |                |                  |                  | <b>Internet Technology Group plc</b>                           |                  |                  |                  | <b>Oxford Molecular plc</b>                   |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Interim - Apr 98 | Final - Oct 98   | Interim - Apr 99 | Comparison       | Final - Dec 97   | Final - Dec 98                                | Comparison       |                  |                |                |                |
| REV   | £8,828,000     | £10,989,000      | +60.9%           | REV  | £4,286,000       | £11,012,000      | £8,854,000       | +106.6%                                       | REV              | £15,641,000      | £21,505,000    | +37.5%         |                |
| PBT   | £548,000       | £1,223,000       | +123.2%          | PBT  | -£164,000        | £55,000          | -£1,588,000      | Loss both                                     | PBT              | £256,000         | £1,228,000     | Profit to loss |                |
| EPS   | 4.82p          | 8.33p            | +72.8%           | EPS  | -0.42p           | 0.12p            | -0.43p           | Loss both                                     | EPS              | 0.20p            | -2.20p         | Profit to loss |                |
| <b>Clinical Computing plc</b>               |                |                  |                  | <b>IS Solutions plc</b>  |                  |                  |                  | <b>Parity plc</b>                             |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison                                    |                  |                  |                |                |                |
| REV   | £3,025,110     | £3,039,301       | +0.5%            | REV  | £8,748,076       | £8,745,833       | -0.0%            | REV   | £202,078,000     | £290,200,000     | +43.6%         |                |                |
| PBT   | £275,564       | £276,584         | +0.4%            | PBT  | £539,845         | £942,384         | +74.6%           | PBT   | £13,488,000      | £20,032,000      | +48.5%         |                |                |
| EPS   | 1.10p          | 1.10p            | +0.0%            | EPS  | 7.42p            | 13.67p           | +84.2%           | EPS   | 20.29p           | 26.52p           | +30.7%         |                |                |
| <b>CMG plc</b>                              |                |                  |                  | <b>ITNET plc</b>   |                  |                  |                  | <b>Pegasus Group plc</b>                      |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison                                    |                  |                  |                |                |                |
| REV   | £302,992,000   | £443,832,000     | +46.5%           | REV  | £81,713,000      | £105,728,000     | +29.4%           | REV   | £12,447,000      | £14,979,000      | +20.3%         |                |                |
| PBT   | £38,467,000    | £57,482,000      | +49.4%           | PBT  | £5,099,000       | £7,346,000       | +44.1%           | PBT   | £1,698,000       | £928,000         | -45.3%         |                |                |
| EPS   | 19.10p         | 29.00p           | +51.8%           | EPS  | 4.60p            | 6.90p            | +50.0%           | EPS   | 29.30p           | 18.80p           | -35.8%         |                |                |
| <b>Comino plc</b>                           |                |                  |                  | <b>JBA Holdings plc</b>  |                  |                  |                  | <b>Phoneline plc</b>                          |                  |                  |                |                |                |
| Final - Mar 98                              | Final - Mar 99 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Final - Mar 98   | Final - Mar 99   | Comparison                                    |                  |                  |                |                |                |
| REV   | £13,151,000    | £18,595,000      | +41.4%           | REV  | £221,737,000     | £291,537,000     | +31.5%           | REV   | £3,206,000       | £10,014,000      | +212.4%        |                |                |
| PBT   | £1,950,000     | £2,718,000       | +39.4%           | PBT  | £5,233,000       | -£1,696,000      | Profit to loss   | PBT   | -£3,746,000      | -£3,381,000      | Loss both      |                |                |
| EPS   | 11.71p         | 14.83p           | +26.6%           | EPS  | 9.6              | -20.46p          | Profit to loss   | EPS   | -7.70p           | -5.40p           | Loss both      |                |                |
| <b>Compel Group plc</b>                     |                |                  |                  | <b>JSB Software Technologies plc</b>                           |                  |                  |                  | <b>Policy Master plc</b>                      |                  |                  |                |                |                |
| Interim - Dec 97                            | Final - Jun 98 | Interim - Dec 97 | Comparison       | Interim - Nov 97   | Final - May 98   | Interim - Nov 98 | Comparison       | Final - Dec 97                                | Final - Dec 98   | Comparison       |                |                |                |
| REV   | £86,633,000    | £210,003,000     | £121,590,000     | REV  | not available    | £3,362,000       | £1,760,000       | REV   | £8,195,069       | £11,338,405      | +38.4%         |                |                |
| PBT   | £3,666,000     | £9,021,000       | £4,972,000       | PBT  | not available    | £6,000           | -£373,000        | PBT   | £435,608         | £697,390         | +60.1%         |                |                |
| EPS   | 8.80p          | 21.20p           | 11.30p           | EPS  | not available    | n/a              | n/a              | EPS   | 5.65p            | 5.86p            | +3.7%          |                |                |
| <b>Computacenter plc</b>                    |                |                  |                  | <b>Kalamazoo Computer Group plc</b>                            |                  |                  |                  | <b>Proteus International plc</b>              |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Final - Mar 98   | Final - Mar 99   | Comparison       | Final - Mar 98   | Final - Mar 99   | Comparison                                    |                  |                  |                |                |                |
| REV   | £1,133,523,000 | £1,566,238,000   | +39.9%           | REV  | £65,711,000      | £65,870,000      | +0.2%            | REV   | £178,000         | £696,000         | +291.0%        |                |                |
| PBT   | £47,099,000    | £64,603,000      | +37.2%           | PBT  | -£2,329,000      | -£2,198,000      | Loss both        | PBT   | -£4,127,000      | -£3,947,000      | Loss both      |                |                |
| EPS   | 17.50p         | 23.50p           | +34.3%           | EPS  | -3.00p           | -3.30p           | Loss both        | EPS   | -7.17p           | -5.54p           | Loss both      |                |                |
| <b>DCS Group plc</b>                        |                |                  |                  | <b>Kewill Systems plc</b>                                      |                  |                  |                  | <b>Quality Software Products Holdings plc</b> |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Final - Mar 98   | Final - Mar 99   | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison                                    |                  |                  |                |                |                |
| REV   | £59,777,000    | £110,172,000     | +84.3%           | REV  | £44,586,000      | £60,079,000      | +34.7%           | REV   | £28,016,991      | £21,194,336      | -24.7%         |                |                |
| PBT   | £4,920,000     | £7,353,000       | +49.5%           | PBT  | £6,346,000       | £7,196,000       | +13.4%           | PBT   | £2,655,299       | £4,604,830       | +73.4%         |                |                |
| EPS   | 15.29p         | 21.62p           | +41.4%           | EPS  | 27.80p           | 27.20p           | -2.2%            | EPS   | 18.00p           | 32.60p           | +81.1%         |                |                |
| <b>DRS Data &amp; Research Services plc</b> |                |                  |                  | <b>Logica plc</b>  |                  |                  |                  | <b>Quantica plc</b>                           |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Interim - Dec 97 | Final - Jun 98   | Interim - Dec 98 | Comparison       | Final - Nov 97   | Final - Nov 98                                | Comparison       |                  |                |                |                |
| REV   | £6,765,000     | £6,777,000       | +0.2%            | REV  | £216,256,000     | £472,957,000     | +218.9%          | REV   | £5,635,000       | £15,184,000      | +169.1%        |                |                |
| PBT   | -£826,000      | -£26,000         | Loss both        | PBT  | £15,517,000      | £41,825,000      | £25,551,000      | +64.7%  | PBT              | £1,011,000       | £3,460,000     | +242.2%        |                |
| EPS   | -2.02p         | -0.13p           | Loss both        | EPS  | 3.12p            | 8.46p            | +56.4%           | EPS   | 1.29p            | 6.79p            | +426.4%        |                |                |
| <b>Delcam plc</b>                           |                |                  |                  | <b>London Bridge Software Holdings plc</b>                     |                  |                  |                  | <b>RM plc</b>                                 |                  |                  |                |                |                |
| Final - Dec 97                              | Final - Dec 98 | Comparison       | Final - Dec 97   | Final - Dec 98   | Comparison       | Interim - Mar 98 | Final - Sep 98   | Interim - Mar 99                              | Comparison       |                  |                |                |                |
| REV   | £14,556,443    | £13,735,249      | -5.6%            | REV  | £11,320,000      | £22,375,000      | +97.7%           | REV   | £50,473,000      | £130,996,000     | £71,116,000    | +40.9%         |                |
| PBT   | £504,036       | -£1,418,549      | Profit to loss   | PBT  | £3,701,000       | £7,365,000       | +99.0%           | PBT   | £636,000         | £10,037,000      | £2,493,000     | +292.0%        |                |
| EPS   | 7.10p          | -23.10p          | Profit to loss   | EPS  | 9.87p            | 19.77p           | +100.3%          | EPS   | 0.50p            | 7.90p            | +1.90p         | +280.0%        |                |
| <b>Diagonal plc</b>                         |                |                  |                  | <b>Lorien plc</b>  |                  |                  |                  | <b>Rage Software plc</b>                      |                  |                  |                |                |                |
| Interim - May 98                            | Final - Nov 98 | Interim - May 99 | Comparison       | Final - Nov 97   | Final - Nov 98   | Comparison       | Interim - Dec 97 | Final - Jun 98                                | Interim - Dec 98 | Comparison       |                |                |                |
| REV   | £31,860,000    | £70,179,000      | £37,141,000      | REV  | £116,930,000     | £138,407,000     | +18.4%           | REV   | £873,000         | £3,623,000       | £3,057,000     | +250.2%        |                |
| PBT   | £3,053,000     | £7,314,000       | £4,358,000       | PBT  | £1,585,000       | £2,549,000       | +60.8%           | PBT   | -£350,000        | £860,000         | £810,000       | Loss to profit |                |
| EPS   | 2.56p          | 6.16p            | +43.0%           | EPS  | 4.50p            | 8.00p            | +77.8%           | EPS   | -0.13p           | 0.35p            |                |                |                |

**Quoted Companies - Results Service** **Note: Highlighted Names indicate results announced this month.**

| Roife & Nolan plc             |                |                |            | Sherwood International plc      |                |                |            | Torex plc                  |                |                |            |
|-------------------------------|----------------|----------------|------------|---------------------------------|----------------|----------------|------------|----------------------------|----------------|----------------|------------|
|                               | Final - Feb 98 | Final - Feb 99 | Comparison |                                 | Final - Dec 97 | Final - Dec 98 | Comparison |                            | Final - Dec 97 | Final - Dec 98 | Comparison |
| REV                           | £21,714,000    | £21,000,000    | -3.3%      | REV                             | £30,036,000    | £42,591,000    | +41.8%     | REV                        | £21,029,000    | £21,770,000    | +3.5%      |
| PBT                           | £894,000       | £1,600,000     | +77.5%     | PBT                             | £3,095,000     | £5,494,000     | +77.5%     | PBT                        | £7,277,000     | £2,982,000     | -59.0%     |
| EPS                           | -10.20p        | 7.90p          | +87.5%     | EPS                             | 23.30p         | 36.00p         | +54.5%     | EPS                        | 16.20p         | 6.80p          | -58.0%     |
| Romtec plc                    |                |                |            | Skillsgroup plc                 |                |                |            | Total Systems plc          |                |                |            |
| REV                           | £4,217,440     | £3,900,572     | -7.5%      | REV                             | £96,400,000    | £208,400,000   | +119.3%    | REV                        | £4,134,866     | £3,247,157     | -21.5%     |
| PBT                           | £310,718       | £273,934       | -11.8%     | PBT                             | £6,600,000     | £14,400,000    | +117.0%    | PBT                        | £1,019,675     | £629,873       | -38.2%     |
| EPS                           | 4.00p          | 2.30p          | -42.5%     | EPS                             | 5.80p          | 12.30p         | +110.3%    | EPS                        | 6.72p          | 4.29p          | -36.2%     |
| Royalblue Group plc           |                |                |            | Spring Group plc                |                |                |            | Touchstone Group plc       |                |                |            |
| REV                           | £13,312,000    | £29,514,000    | +121.0%    | REV                             | £119,326,000   | £279,231,000   | +134.1%    | REV                        | £5,154,000     | £7,683,000     | +48.5%     |
| PBT                           | £1,815,000     | £4,543,000     | +151.2%    | PBT                             | £6,574,000     | £18,109,000    | +174.4%    | PBT                        | £841,000       | £1,048,000     | +24.6%     |
| EPS                           | 3.70p          | 9.30p          | +151.4%    | EPS                             | 3.05p          | 8.30p          | +170.8%    | EPS                        | 6.91p          | 7.70p          | +11.4%     |
| Sage Group plc                |                |                |            | Staffware plc                   |                |                |            | Trace Computers plc        |                |                |            |
| REV                           | £88,798,000    | £191,547,000   | +116.4%    | REV                             | £17,585,000    | £22,187,000    | +26.2%     | REV                        | £7,170,000     | £14,658,625    | +105.1%    |
| PBT                           | £23,967,000    | £47,635,000    | +98.7%     | PBT                             | £1,772,000     | £2,500,000     | +41.1%     | PBT                        | £409,000       | £1,205,166     | +195.5%    |
| EPS                           | 14.68p         | 28.85p         | +95.1%     | EPS                             | 10.70p         | 14.10p         | +31.8%     | EPS                        | 2.16p          | 6.11p          | +180.6%    |
| Sanderson Group plc           |                |                |            | Superscape VR plc               |                |                |            | Triad Group plc            |                |                |            |
| REV                           | £34,743,000    | £73,589,000    | +112.0%    | REV                             | £2,568,000     | £4,220,000     | +62.7%     | REV                        | £32,161,000    | £49,306,000    | +53.3%     |
| PBT                           | £4,049,000     | £8,592,000     | +111.4%    | PBT                             | £956,000       | £3,516,000     | +268.1%    | PBT                        | £6,609,000     | £8,629,000     | +29.1%     |
| EPS                           | 6.20p          | 12.80p         | +108.1%    | EPS                             | -10.90p        | -37.30p        | +240.4%    | EPS                        | 17.62p         | 22.74p         | +29.1%     |
| SBS Group plc                 |                |                |            | Synstar plc                     |                |                |            | Ultima Networks plc        |                |                |            |
| REV                           | £11,308,000    | £35,856,000    | +216.1%    | REV                             | £78,827,000    | £164,425,000   | +108.6%    | REV                        | £38,598,000    | £14,440,000    | -62.6%     |
| PBT                           | £529,000       | £1,485,000     | +182.4%    | PBT                             | £0             | £2,169,000     | n/a        | PBT                        | £13,520,000    | £5,090,000     | -62.6%     |
| EPS                           | 4.80p          | 11.80p         | +145.8%    | EPS                             | 0.00p          | 1.70p          | n/a        | EPS                        | -16.54p        | -4.85p         | +70.7%     |
| Science Systems plc           |                |                |            | Systems Integrated Research plc |                |                |            | Vega Group plc             |                |                |            |
| REV                           | £18,801,000    | £24,319,000    | +28.8%     | REV                             | £516,000       | £1,035,000     | +100.0%    | REV                        | £22,457,000    | £28,993,000    | +29.1%     |
| PBT                           | £1,852,000     | £2,217,000     | +19.7%     | PBT                             | £296,000       | £493,000       | +65.2%     | PBT                        | £3,081,000     | £4,292,000     | +39.3%     |
| EPS                           | 6.90p          | 8.90p          | +29.0%     | EPS                             | -2.40p         | -4.00p         | +66.7%     | EPS                        | 13.71p         | 17.42p         | +27.1%     |
| Sema Group plc                |                |                |            | Terence Chapman Group plc       |                |                |            | Workplace Technologies plc |                |                |            |
| REV                           | £1,130,086,000 | £1,250,400,000 | +10.6%     | REV                             | £16,025,205    | £15,747,000    | -1.7%      | REV                        | £65,938,000    | £82,964,000    | +25.8%     |
| PBT                           | £64,073,000    | £97,800,000    | +52.6%     | PBT                             | £500,909       | £2,721,000     | +443.3%    | PBT                        | £1,830,000     | £3,275,000     | +79.0%     |
| EPS                           | 9.80p          | 14.80p         | +51.0%     | EPS                             | 0.72p          | 3.32p          | +357.1%    | EPS                        | 2.17p          | 6.50p          | +199.5%    |
| XKO Group plc. Pro-forma only |                |                |            |                                 |                |                |            |                            |                |                |            |
| REV                           | £24,288,000    | £28,428,000    | +17.0%     |                                 |                |                |            |                            |                |                |            |
| PBT                           | £1,979,000     | £2,667,000     | +34.8%     |                                 |                |                |            |                            |                |                |            |
| EPS                           | 6.10p          | 8.20p          | +34.4%     |                                 |                |                |            |                            |                |                |            |

**"Having put the loss making distractions behind us..."**

Riva claims to be "Europe's leading store software and systems integration specialists". They have had a pretty torrid time with mounting losses from certain overseas operations (now mostly disposed of) but, belatedly in our view, have now moved away from the hardware side to concentrate on software and services.

Results for the six months to 30th Jun. 99 show static revenues of £36.5m (because of above) but revenue from continuing operations, increased by 13%. At the operating level, profits increased 260% to £1.1m but £790K of losses on the disposal of their Spanish and Danish subsidiaries depressed PBT to £938K - still a healthy 169% growth. Diluted EPS increased from 0.6p to 1.6p.

Although new customers like Signet and Supasnaps have been added, Riva joined the long list of companies warning of reduced activity in Q4 due to Y2K uncertainties.

Earlier in July, Riva had announced that it had received a possible bid approach. These discussions are continuing but were at "an early stage". As a result, Riva shares ended July up 65% at 63p.

**MCA confirms slowdown**

The latest survey from the MCA confirms the situation we have long reported...IT "people-based" revenues are in a sticky period. Overall revenues earned by MCA members (and they do represent all the large IT consultancy players) from IT consultancy dropped from £154m in Q1 to £151m in Q2. That's a 10% drop since Q2 1998.

**Cap Gemini produced excellent results** for the six months to 30th Jun. 99 with revenue up 16% at FFr14.4b. Operating profits were up 34% at FFr1.1b.

**Computer Associates services business starts to sizzle**

US-based infrastructure software company **Computer Associates (CA)** appears to have put last year's abortive bid for services giant **CSC** well behind it, and is now pounding the acquisition beat to build a professional services business pretty well from the ground up. CA set up its 'Global Professional Services' (GPS) business - originally called 'Professional Services Organisation' but mysteriously later renamed - in Apr. 98. GPS is one of the fastest growing units within CA's worldwide operations, more than doubling revenues in Q1 FY2000. CA's results for the 3 months to 30th Jun. 99 saw total revenues rise 17% to \$1.22 billion, although the company still recorded a pre-tax loss of \$304m due to a \$646m R&D charge related to its Jun. 99 acquisition of US software company Platinum Technology. GPS represented \$119m of the \$1.22b - just under 10% - but this compares to \$51m for the same period the year before - a 133% increase. Add to this \$196m in maintenance revenues, and you'll see that CA is now generating over 25% of its total revenue from services. We would expect this proportion to increase substantially and rapidly, but whether they'll match the near 60%/40% services/licence fee mix of Oracle is yet to be seen.

CA's GPS business in Europe is headed up by Bull France ex-president, Jacques Reboul, who joined CA in Sep. 98. Some 850 of the 4,000 GPS staff are based in Europe, mainly in Germany, UK and France. Reboul expects this number to more than double to 2,000 by the end of next year. This growth will come both organically and by acquisition - CA has already acquired five services-related companies since Aug. 98, including Norwegian e-commerce specialists Aventura Systems. CA is actively pursuing further acquisitions worldwide.

**Comment:** CA is the world's 3rd largest independent software company, with 1998 worldwide revenues of \$5.25 billion and 1998 UK revenues of £174m. Having previously eschewed any (non-maintenance) services business, they have since 'seen the light' and are going hell for leather to try to capitalise on what they believe is a potential worldwide \$12 billion opportunity for 'professional' services associated with IT infrastructure software implementation and system/network managed services. They are realistic enough to know they can't do this by themselves so are using 'usual suspect' partners such as the 'Big 5', major systems integrators (including **Logica, Sema, EDS and CSC**), and the channel, to do the business. Indeed, some 50% of GPS Europe's revenues come through the partner channel (compared to 30% worldwide). We think there is a substantial opportunity for planning, implementation and support services related to CA's market-leading application development and system/network management products, so there could be pleasing rewards for those partners that are able to get a slice of the action.

**Beaufort Group**, a European business consultancy, has acquired French internet company **Net Architect** for £140K. European e-commerce company **Integra** (recently successfully floated on Nouveau Marche) has bought the UK's #2 web hosting company **Aligrafix** for £1.8m. **Barcroft Partnership** acted for Aligrafix.

**Guardian IT** has acquired the business continuity and disaster recovery business of French **Sogeris** group for £28.6m. This part of Sogeris' business had 1998 revenues of £7.8m and an operating profit of £2.5m. The deal is expected to be "earnings enhancing" before goodwill amortisation. They have also bought **Bosch Telecom GmbH's** disaster recovery operations for £1.3m cash.

Computer manufacturer **PC Sciences** has crashed with a £8m shortfall. This is founder Charles Forsyth's fourth company to go under in the last ten years. Not good PR for the IT industry.

**ilion** has rejected the 114p per share bid from "disappointed" Dutch **Landis** as it "seriously undervalues the company". ilion also said that trading for H199 was "satisfactory" and June revenues were an all-time record.

Biotech company **Xenova** has sold its US software business **MetaXen** for £245K to **Exelixis Pharmaceuticals**.

"One of the leading independent retail systems providers in the UK"...hmmmm, **Ranzau Group** has completed a £7m MBO with the assistance of VCs **Nash, Sells and Partners** (who invested £4.2m). Ranzau had FY99 revenues of £6.8m and 70% of this is services. What's more 57% of services revenue is recurring. Pretty good stuff. Ranzau are aiming for £10m revenue by 2000.

**Torex** has "significantly strengthened its position in the GP software market" with the acquisition of **AAH Meditel** and **Peak Systems** for a total of £6.5m. AAH have 220 staff, £12.7m revenue and PBT of £322K in FY98, and Peak 35 staff, £1.3m revenue but made a loss of £92K in FY98.

**Cable and Wireless** have bought ISP **Internet Network Services** for an undisclosed sum. INS had net liabilities of £8m and specialises in the business and corporate market. Aim quoted distributor **Fayrewood** is floating its **ComputerLinks** business (they will keep 53%) on the German Neuer market. The offer was 4-times oversubscribed which means a valuation of c£64m - higher than that of Fayrewood alone. Not surprisingly their share price has risen considerably to end on 156p - a valuation for Fayrewood of £44m.

VC syndicate **Quester, Abingworth** and **Alta Berkeley** made a £1.5m investment in **C-Dilla** (copy protection rights for CD-ROM and ISP) in Oct. 96. They have now made a successful exit as C-Dilla has been sold to NASDAQ quoted **Macrovision Corp.** which valued the company at \$22m.

**MERANT** has acquired **Marathon Group** (internet professional services) for \$15m. Marathon will now serve as the foundation of new MERANT Interactive Services.

**Policy Master** has conditionally agreed to buy **Media Maker** for a max. of £3.4m and a placing of 425K shares at 235p. They have also acquired the business and IPRs of **Mediquote** from **Paul Ackrill & Assoc.** No amount given.

**Morse Holdings** has exercised its option and has acquired the remaining 66% of French **Partner Systems** for up to a max. FF57m in total after an initial FF35m (£3.5m) now.

**Tertio** (telecomms industry specialist) has received a £20m investment boost from VCs **Apax Partners** and **Advent International** to fund overseas expansion prior to a possible float in 2/3 years time.

### Mergers and acquisitions - continued

**Touchstone Group** is to acquire **Resource Systems** for an initial £644K with up to a max. of £756K more. Resource had 1999 revenues of £1.6m and operating profits of £61K. Touchstone has acquired **Resource Systems** for £644K + £756K in 12 months. RSL had profits of £61K on revenue of £1.6m in FY99.. They also said they were "in talks" to acquire another similarly-sized support company.

**Kewill** has acquired US e-commerce company **Aristo** for up to £11.6m (£5m in cash, 176K shares + £3.5m over 2 years). Aristo specialises in the "multi carrier shipping compliance arena" (which we are sure you understand) and had revenues of £3.7m and a remarkable £1.7m PBT in year to 30th Sept. 98.

Kewill shares soared this month by 19% to £19.50p as a result.

**Microsoft** has acquired UK cellular software company **STNC** and its 40 staff "who will remain in the UK".

**Flomerics** ("thermal management software") has acquired **Kimberley Communications Consultants** for £700K (£35K cash, £190K bond redeemable after 12 months and rest in Flomerics shares). Kimberley had revenue of £658K and PBT of £61K in year to 30th Oct. 98.

Flomerics also announced revenue up 17% at £3.44m and Loss before Tax reduced (from £269K to £150K) in the six months to 30th June 99.

**Financial Objects** has acquired **Global Financial Systems** for £10m. GFS had rev. of £4.2m and PBT of £57K in year to 30th Apr. 99

### Geac to buy "bargain" JBA?

Canadian **Geac Computer Corp.** has announced an "agreed" bid for **JBA Holdings** at 250p per share, valuing JBA at c£92.5m. This represents a premium of c70% on the closing mid-market price on 13th July - the last dealing day before JBA indicated that a bid had been made. Geac already had a 2.7% stake and now have agreements amounting to another 11.6%.

But this does not seem to be the end of the affair. **Lazards, Specialist Computer Holdings** and others representing at least 24% of the shares oppose the deal. We would suspect that those with memories of a 1257p JBA share price as recently as early 1998 might well also think that 250p ain't high enough.

Those with even longer memories will remember that JBA was one of our rare Boring Award winners - now ignominiously stripped of the title. Like Coda and others in the same field have found, small players are finding it increasingly hard to compete against much larger rivals. Particularly when the market for such systems are volatile as a result of Y2K and other issue.

*The story will clearly continue.*

**Specialist Computer Holdings** also announced the acquisition of the UK reselling operations of **Elcom International** (formerly **Lantech**) for c£20m - "\$12m/\$13m plus stock at valuation". Just shows what a "profitable" revenue reseller with revenue of c£140m (£40m distribution, £100m dealer business) is worth nowadays. SCH claimed that this will boost SCH's "reseller" revenues to c£700m - second only to Computacenter. Mike Norris of Computacenter is reported as saying (IT Europa Jul. 99) that the deal "looks like an attempt to shore up SCH's dealer arm which is fading". A comment dismissed by Rigby as "ridiculous". Neville Davis of Compel was equally dismissive of SCH's claims, believing that their reseller (rather than distribution) business (after their Info Products acquisition) was larger than SCH's.

We will have to wait for SCH's current year's breakdown (to Mar. 99) on sales before we can judge.

## July - "A month of two halves"

By mid-July the FTSE IT Index had hit 1875 - a 10% rise on the month. But a series of Y2K-related warnings meant that the Index was up a more modest 5% at the end of the month - pretty similar to our SCS Index, showing that the gain and pain was shared by small and large alike.

**JBA** was the main gainer - up 117% on that bid from GEAC (p7). **Riva** (up 65% p6) and **ilion** (up 44% p7) also rose dramatically as a result of bid approaches. **Eidos** was up 49% on a string of new deals and positive analyst comment. **Baltimore** put on 39% on positive statements and a new deal with S&T.

The real interest this month came from **Freeserve**, which we have included in our index. Up 58% since the float to a value of £2.4b and now valued higher than **CMG!**

At the other end of the scale it was Y2K warnings which hit

| End July 99       | Move since 1st Jan 98 | Move since 1st Jan 99 | Move in July 99 |
|-------------------|-----------------------|-----------------------|-----------------|
| System Houses     | 81.9%                 | 17.3%                 | 2.4%            |
| IT Staff Agencies | -33.8%                | -20.3%                | -4.8%           |
| Resellers         | 7.4%                  | 14.3%                 | 7.0%            |
| Software Products | 86.1%                 | 59.1%                 | 9.9%            |

## More M&A....

### Amey buys COMAX

**COMAX**, featured before in our BPO watch, and claims to be "the market leader in the provision of secure business services" has been acquired by **Amey** for £86m, plus the repayment of £59m net debt. **COMAX** was an inspired MBO from the MoD in Apr. 97 at c£60m with **CINVen** providing backing and owning c80% equity with staff/directors the rest. Not a bad return in just two years for all concerned. **COMAX**' IS Director Wilf Emsley had just sent us provisional years results to Mar. 99 showing revenue up 41% at £211m and net operating profit (after amortisation) of £10.4m - up from a net £4.9m (after over £3m exceptional costs). Mind you after net interest paid in FY98 of nearly £5.5m, **COMAX** made a loss before tax in FY98 of £542K.

### NSB merges with Unlimited Solutions Inc.

**NSB Retail** (software solutions etc. for the retail industry) has merged with US **Unlimited Solutions** (retail software products and services) in a £37.7m share deal. Both companies have been in partnership for some time. **NSB** will issue c8m shares and will also place another c1m to raise £4m for working capital. The merger is expected to be "immediately earnings enhancing".

**Comment.** This is great news for **NSB**. They were only formed in 1995 and joined AIM in Sep. 97 at 115p. Since the IPO their performance has been superb - our only worry was their lack of size. Well this deal seems to take care of that as they have now doubled in size. They now plan a move to the main market later this year (October?). The market loved the news with an immediate £1 (c21%) rise in the share price and the shares rose further later in the month to end up 41% on 683p.

### Broadview confirms European appetite for M&A

For the first time in at least a decade, European companies spent more buying IT companies in the US than vice versa. **Broadview** recorded 94 such Euro purchases in the US worth some \$73b in H1 1999. Indeed UK companies represented the lion's share - c50% - compared with France (17%) and Germany (11%). As might be expected, "internet fever gripped the entire M&A world" with 447 deals worth \$37.5b. More on [www.broadview.com](http://www.broadview.com).

| 31-Jul-99   | SCSI Index          |          |               |                |                | 5348.60 |
|---|---------------------|----------|---------------|----------------|----------------|---------|
|   | FTSE IT (SCS) Index |          |               |                |                | 1784.90 |
|   | FTSE 100            |          |               |                |                | 6231.90 |
|   | FTSE AIM            |          |               |                |                | 1076.70 |
|   | FTSE SmallCap       |          |               |                |                | 2716.60 |
| <small>SCSI Index = 1000 on 15th April 1989</small> |                     |          |               |                |                |         |
| Changes in Indices                                  | SCSI Index          | FTSE 100 | FTSE IT Index | FTSE AIM Index | FTSE Small Cap |         |
| Month (30/6/99 to 31/7/99)                          | +4.61%              | -1.37%   | 5.02%         | +5.81%         | +2.49%         |         |
| From 15th Apr 89                                    | +434.86%            | +203.46% |               |                |                |         |
| From 1st Jan 90                                     | +481.31%            | +163.84% |               |                |                |         |
| From 1st Jan 91                                     | +655.59%            | +188.46% |               |                |                |         |
| From 1st Jan 92                                     | +411.90%            | +149.97% |               |                |                |         |
| From 1st Jan 93                                     | +235.63%            | +118.93% |               |                |                | +95.81% |
| From 1st Jan 94                                     | +220.36%            | +82.30%  |               |                |                | +45.38% |
| From 1st Jan 95                                     | +256.77%            | +103.29% |               |                |                | +55.55% |
| From 1st Jan 96                                     | +136.82%            | +68.92%  |               | 12.93%         |                | +39.92% |
| From 1st Jan 97                                     | +99.76%             | +51.31%  |               | 10.31%         |                | +24.44% |
| From 1st Jan 98                                     | 76.23%              | 21.35%   | 78.49%        | 8.54%          |                | 17.44%  |
| From 1st Jan 99                                     | 35.70%              | 5.94%    | 23.44%        | 34.32%         |                | 31.18%  |

**ECsoft** (down 32%), **SBS** (down 29%), **Admiral** (down 22%), **Gresham** (down 21%), **Lorien** (down 18%), **MSB** (down 16%) and **Diagonal** (down 13%).

**Dialog** was down 26% on last month's profits warning, continuing debt worries and the rumours that always seem to surround Dan Wagner.

## More IPOs....

### RDL Group

We have to confess that even with our massive c2,500 company database we had never heard of IT staff agency **RDL Group** until they floated on AIM this month.

**RDL** were established way back in 1992 and tend to focus on "premium" skills such as Oracle and SAP. They have grown rapidly recently, virtually doubling in size between 1996 and 1998. Latest figures give 1998 revenue of £15.7m and a PBT of £1.1m. They currently have c210 contractors on site with c110 on the "premium" business. These "premium" contractors generated 74% revenue and 72% of total profits. They have a wide range of clients such as Virgin Atlantic, Railtrack, Tate & Lyle and the BBC etc. **RDL** floated at 90p, valuing the group at £10.1m - somewhat less than had originally been anticipated. They ended the month at 96p - a premium of 6%. The company raised a net £810K for working capital and for possible acquisitions in order to increase their geographical coverage.

### MBA Michael Bailey Associates

**MBA Michael Bailey Associates** chose the EASDAQ route this month. They secured a valuation of € 57.6m - not bad given they made revenue of € 28m and PBT of € 2.65m in year to 31st Aug. 98. However, H1 FY00 produced revenue of € 21.1m and PBT of € 1.9m. Although operating in the UK, **MBA**'s main market is Benelux.

### Freeserve

There's probably been more column inches devoted to the **Freeserve** IPO this month than any other IT stock. As we have included every other ISP in our coverage - but not content or information suppliers - we will include **Freeserve** in our SCS Index.

We won't repeat the story. But the headlines are that **Freeserve** had revenue of just £2.7m and a loss of £1m in the seven months to May. The initial price of 150p implied a value of £1.5 billion - rising to 238p/£2.4b by end of July. The good news is that **Freeserve** has put a real bomb under UK's attitudes towards both the internet and related stock. The bad news is that a hiccup here could also affect other UK SCS companies with little or no internet exposure.



## System House SCSI Share Prices and Capitalisation

|                          | FTSE IT Index? | SCS Cat. | Share Price 31-Jul-99 | Capitalisation 31-Jul-99 | Historic P/E | PSR Ratio Cap./Rev. | SCSI Index 30-Jun-99 | Share price move since 31-Jul-99 | Share price % move in 1999 | Capitalisation move since 30-Jun-99 | Capitalisation move (£m) in 1999 |
|--------------------------|----------------|----------|-----------------------|--------------------------|--------------|---------------------|----------------------|----------------------------------|----------------------------|-------------------------------------|----------------------------------|
| Admiral                  | Yes            | CS       | £7.18                 | £459.20m                 | 27.0         | 3.12                | 33161.67             | -21.80%                          | -38.41%                    | -£136.00m                           | -£279.40m                        |
| AFA Systems              |                | SP       | £1.23                 | £22.20m                  | Loss         | 27.44               | 1020.83              | 0.00%                            | £6.30m                     | £8.50m                              |                                  |
| AIT Group                |                | CS       | £4.01                 | £81.40m                  | 44.2         | 4.66                | 2660.00              | 0.50%                            | 74.35%                     | £3.50m                              | £34.70m                          |
| Anite Group              | Yes            | CS       | £0.53                 | £130.30m                 | 16.9         | 0.72                | 305.56               | 1.44%                            | 32.50%                     | £13.50m                             | £32.00m                          |
| Axon                     |                | SP       | £2.75                 | £134.20m                 | 98.2         | 6.70                | 1585.71              | -0.90%                           | 57.14%                     | -£0.70m                             | £48.80m                          |
| Azlan Group              | Yes            | R        | £0.70                 | £74.40m                  | 27.2         | 0.22                | 336.96               | -10.32%                          | 13.01%                     | -£14.00m                            | £8.50m                           |
| Baltimore Technologies   |                | SP       | £10.00                | £302.00m                 | Loss         | 30.56               | 7384.62              | 38.89%                           | 132.56%                    | £65.70m                             | £224.00m                         |
| Bond International       |                | SP       | £1.13                 | £16.10m                  | 24.8         | 1.83                | 1653.85              | 4.65%                            | 19.68%                     | £1.50m                              | £3.30m                           |
| Cadcentre Group          |                | SP       | £1.87                 | £31.00m                  | 16.2         | 1.74                | 905.00               | 3.04%                            | -26.43%                    | £0.50m                              | -£11.10m                         |
| Capita Group             |                | CS       | £6.96                 | £1,473.00m               | 68.3         | 6.04                | 59144.14             | 5.94%                            | 25.20%                     | £80.00m                             | £338.00m                         |
| Cedar Group              |                | SP       | £1.23                 | £44.50m                  | 18.7         | 1.93                | 1042.86              | 12.33%                           | 27.46%                     | £5.10m                              | £12.20m                          |
| CFS Group                |                | SP       | £1.65                 | £26.20m                  | 14.6         | 2.38                | 1672.22              | 9.63%                            | 65.83%                     | £1.50m                              | £10.40m                          |
| Clinical Computing       |                | SP       | £0.38                 | £9.54m                   | 34.5         | 3.14                | 286.29               | 7.04%                            | 4.11%                      | £0.63m                              | £0.38m                           |
| CMG                      | Yes            | CS       | £17.18                | £2,202.00m               | 53.8         | 4.96                | 11448.28             | 3.49%                            | 12.66%                     | £91.00m                             | £249.00m                         |
| Compel Group             | Yes            | R        | £4.23                 | £133.90m                 | 17.4         | 0.64                | 3012.00              | 12.22%                           | 6.16%                      | £14.50m                             | £20.10m                          |
| Computercenter           | Yes            | R        | £4.83                 | £854.00m                 | 17.9         | 0.54                | 727.61               | -1.03%                           | 9.66%                      | £39.80m                             | £75.20m                          |
| Comino                   |                | CS       | £3.19                 | £43.40m                  | 21.0         | 2.33                | 2450.00              | 0.16%                            | 53.73%                     | £1.80m                              | £15.80m                          |
| DCS Group                | Yes            | CS       | £5.20                 | £125.80m                 | 24.4         | 1.14                | 9766.67              | -11.26%                          | -3.70%                     | -£19.40m                            | £1.10m                           |
| Delcam                   |                | SP       | £0.84                 | £4.93m                   | Loss         | 0.36                | 321.15               | 0.00%                            | 79.57%                     | -£0.17m                             | £2.19m                           |
| Diagonal                 | Yes            | CS       | £2.96                 | £231.10m                 | 38.2         | 3.29                | 4979.52              | -13.58%                          | -22.82%                    | -£23.40m                            | £37.60m                          |
| Dialog Corporation       |                | CS       | £0.69                 | £104.60m                 | 56.1         | 0.61                | 845.45               | -25.81%                          | 18.97%                     | -£44.70m                            | £16.80m                          |
| DRS Data & Research      |                | SP       | £0.22                 | £7.70m                   | Loss         | 1.14                | 250.00               | -19.09%                          | 74.51%                     | -£1.47m                             | £3.29m                           |
| Druid Group              | Yes            | CS       | £9.85                 | £227.50m                 | 34.0         | 5.60                | 3836.36              | -6.64%                           | -25.24%                    | -£22.00m                            | -£74.20m                         |
| ECSoft                   | Yes            | SP       | £6.55                 | £71.40m                  | 11.8         | 1.15                | 535.42               | -32.30%                          | -64.59%                    | -£34.10m                            | -£130.30m                        |
| Electronic Data Proc     |                | CS       | £0.69                 | £18.10m                  | 11.3         | 1.57                | 2036.13              | 3.76%                            | 2.22%                      | £0.20m                              | £0.40m                           |
| Eidos                    |                | SP       | £31.10                | £572.20m                 | 18.4         | 2.53                | 20850.00             | 49.16%                           | 230.85%                    | £223.20m                            | £411.50m                         |
| FI Group                 | Yes            | CS       | £3.83                 | £872.90m                 | 65.4         | 3.82                | 8358.98              | 17.33%                           | 16.44%                     | £151.30m                            | £213.30m                         |
| Financial Objects        |                | SP       | £2.70                 | £96.10m                  | 25.5         | 4.44                | 1034.78              | 13.45%                           | 10.20%                     | £11.40m                             | £8.80m                           |
| Flometrics Group         |                | SP       | £2.63                 | £6.83m                   | 17.8         | 0.99                | 2365.38              | -14.63%                          | 69.35%                     | -£1.17m                             | £2.80m                           |
| Freeserve                |                | CS       | £2.38                 | £2,395.80m               | n/a          | n/a                 | 2365.38              | 58.33%                           | 58.33%                     | £885.80m                            | £885.80m                         |
| Gresham Computing        |                | CS       | £0.97                 | £41.90m                  | 14.5         | 4.82                | 1311.83              | -20.49%                          | -4.43%                     | -£8.70m                             | £6.20m                           |
| Guardian IT              | Yes            | CS       | £6.13                 | £313.60m                 | 67.4         | 10.56               | 2215.69              | 8.41%                            | 28.95%                     | £26.90m                             | £70.40m                          |
| Harvey Nash Group        |                | A        | £3.02                 | £85.90m                  | 13.3         | 0.82                | 1814.29              | -5.04%                           | -2.74%                     | -£4.60m                             | -£1.50m                          |
| Highams Systems Servs    |                | A        | £0.48                 | £8.99m                   | 8.0          | 0.26                | 1180.56              | 11.78%                           | -44.12%                    | -£0.28m                             | -£7.02m                          |
| ICM Computer             |                | CS       | £2.37                 | £44.90m                  | 19.0         | 1.25                | 1297.22              | 1.28%                            | -6.71%                     | £0.50m                              | -£3.40m                          |
| Illion Group             |                | R        | £1.10                 | £27.60m                  | Loss         | 0.11                | 478.13               | 43.79%                           | 94.69%                     | £8.40m                              | £13.40m                          |
| Intelligent Environments |                | SP       | £0.92                 | £38.50m                  | Loss         | 5.80                | 920.21               | 5.78%                            | 105.62%                    | £11.10m                             | £24.70m                          |
| Internet Technology      |                | CS       | £1.53                 | £72.40m                  | n/a          | 6.58                | 7625.00              | 0.00%                            | -9.23%                     | £2.00m                              | £29.70m                          |
| I S Solutions            |                | CS       | £2.65                 | £12.70m                  | 19.2         | 1.45                | 1958.96              | 0.95%                            | 29.27%                     | £0.20m                              | £2.86m                           |
| ITNET                    | Yes            | CS       | £4.24                 | £298.10m                 | 55.7         | 2.82                | 1221.43              | -0.82%                           | -10.26%                    | £6.40m                              | -£34.10m                         |
| JBA Holdings             | Yes            | SP       | £2.53                 | £93.60m                  | Loss         | 0.32                | 728.13               | 117.17%                          | 36.76%                     | £43.10m                             | £25.70m                          |
| JSB Software             |                | SP       | £3.48                 | £41.20m                  | n/a          | 12.26               | 1250.00              | 39.20%                           | 69.76%                     | £12.50m                             | £21.70m                          |
| Kalamazoo Computer       |                | CS       | £0.54                 | £23.20m                  | Loss         | 0.35                | 1185.71              | 30.12%                           | 36.71%                     | £5.40m                              | £6.30m                           |
| Kewill Systems           | Yes            | SP       | £19.50                | £269.10m                 | 37.4         | 4.48                | 6462.45              | 19.27%                           | 52.94%                     | £48.00m                             | £98.30m                          |
| Logica                   | Yes            | CS       | £6.73                 | £2,667.00m               | 65.5         | 5.64                | 9107.07              | 1.13%                            | 28.71%                     | £282.00m                            | £738.00m                         |
| London Bridge Software   | Yes            | SP       | £20.98                | £646.00m                 | 106.1        | 28.87               | 9900.00              | 5.93%                            | 62.91%                     | £14.60m                             | £264.90m                         |
| Lorien                   |                | A        | £1.20                 | £23.50m                  | 5.9          | 0.17                | 1460.00              | -17.81%                          | -10.09%                    | -£5.10m                             | -£5.20m                          |
| Lynx Holdings            | Yes            | SP       | £1.35                 | £144.90m                 | 14.6         | 0.80                | 4200.00              | -19.64%                          | -31.99%                    | -£19.80m                            | -£67.30m                         |
| Macro 4                  | Yes            | SP       | £6.35                 | £125.10m                 | 19.4         | 5.16                | 2570.56              | -0.39%                           | 86.76%                     | -£0.50m                             | £58.10m                          |
| MDIS Group               | Yes            | CS       | £0.23                 | £54.10m                  | 16.5         | 0.41                | 97.12                | -7.92%                           | -49.46%                    | -£4.60m                             | -£43.80m                         |
| MERANT                   | Yes            | SP       | £2.84                 | £407.40m                 | 65.1         | 1.89                | 1202.62              | 13.86%                           | 173.91%                    | £48.20m                             | £258.80m                         |
| Microgen Holdings        |                | CS       | £2.06                 | £106.90m                 | 23.4         | 1.52                | 771.37               | 13.85%                           | 50.00%                     | £20.80m                             | £47.30m                          |
| Misys                    | Yes            | SP       | £5.47                 | £3,090.00m               | 32.7         | 5.31                | 6755.56              | 0.74%                            | 25.10%                     | -£31.00m                            | £630.00m                         |
| MMT Computing            | Yes            | CS       | £6.80                 | £82.30m                  | 13.4         | 2.24                | 4241.07              | -4.56%                           | -27.47%                    | -£3.90m                             | -£30.20m                         |
| Mondas                   |                | SP       | £0.64                 | £8.00m                   | Loss         | 8.38                | 913.33               | -7.30%                           | 25.74%                     | -£0.38m                             | £1.64m                           |
| Moorepay Group           |                | CS       | £3.00                 | £35.10m                  | 23.6         | 4.20                | 4683.09              | 8.11%                            | 30.43%                     | £2.60m                              | £8.20m                           |
| Morse                    |                | R        | £2.06                 | £251.30m                 | 27.9         | 1.16                | 932.00               | -11.80%                          | -17.80%                    | -£41.60m                            | -£54.40m                         |
| MSB International        | Yes            | A        | £1.65                 | £33.70m                  | 4.4          | 0.18                | 1034.21              | -16.03%                          | -51.47%                    | -£3.50m                             | -£35.70m                         |
| MSW Technology           |                | SP       | £1.35                 | £11.10m                  | 37.4         | 3.81                | 1350.52              | 3.05%                            | 26.76%                     | £0.20m                              | £2.37m                           |
| Netbenefit               |                | CS       | £2.26                 | £28.20m                  | n/a          | 22.67               | 1350.52              | -3.83%                           | 13.00%                     | -£1.20m                             | £3.20m                           |
| NSB Retail Systems       |                | SP       | £6.83                 | £72.90m                  | 58.6         | 8.71                | 4195.65              | 41.45%                           | 301.47%                    | £18.70m                             | £54.20m                          |
| Oxford Molecular         |                | SP       | £0.40                 | £34.80m                  | Loss         | 1.62                | 606.25               | -17.53%                          | -17.53%                    | -£8.30m                             | -£7.30m                          |
| Parity                   | Yes            | A        | £2.29                 | £339.30m                 | 25.8         | 1.17                | 34999.87             | 8.81%                            | 19.63%                     | £27.40m                             | £57.10m                          |
| Pegasus Group            |                | SP       | £2.54                 | £17.80m                  | 13.6         | 1.19                | 686.65               | 0.79%                            | 10.03%                     | £0.20m                              | -£3.40m                          |
| PhoneLink                |                | CS       | £0.36                 | £24.40m                  | Loss         | 2.44                | 241.94               | -5.33%                           | 29.09%                     | -£3.10m                             | £5.50m                           |
| Polycmaster              |                | SP       | £2.60                 | £36.60m                  | 37.2         | 3.23                | 1583.33              | 9.26%                            | 36.94%                     | £3.40m                              | £9.90m                           |
| Proleus International    |                | SP       | £0.36                 | £26.60m                  | Loss         | 38.22               | 470.24               | -8.86%                           | 1.41%                      | -£2.60m                             | £0.30m                           |
| OSP                      |                | SP       | £5.33                 | £76.70m                  | 17.2         | 1.86                | 1348.68              | 3.90%                            | 50.00%                     | £7.50m                              | £28.40m                          |
| Quantica                 |                | A        | £0.48                 | £19.60m                  | 7.1          | 1.29                | 383.06               | 1.05%                            | 34.25%                     | £0.20m                              | £8.80m                           |
| Page Software            |                | SP       | £0.17                 | £40.20m                  | 24.4         | 11.10               | 557.69               | 13.79%                           | 100.00%                    | £3.60m                              | £20.10m                          |
| RDL                      |                | CS       | £0.96                 | £10.70m                  | 10.9         | 0.68                | 557.69               | 6.11%                            | £0.60m                     | £0.60m                              |                                  |
| Real Time Control        |                | SP       | £7.05                 | £49.40m                  | 16.7         | 2.94                | 11632.65             | 23.68%                           | 46.11%                     | £9.70m                              | £15.60m                          |
| Recognition Systems      |                | SP       | £0.16                 | £11.50m                  | Loss         | 14.59               | 207.14               | 6.90%                            | 55.00%                     | £0.40m                              | £7.81m                           |
| Riva Group               |                | CS       | £0.63                 | £21.60m                  | 14.6         | 0.27                | 270.07               | 64.47%                           | 83.82%                     | -£7.30m                             | £10.70m                          |
| RM Group                 |                | SP       | £5.89                 | £54.10m                  | 62.5         | 4.13                | 14285.71             | 17.70%                           | 26.97%                     | £81.40m                             | £120.50m                         |
| Rolfe & Nolan            | Yes            | SP       | £2.28                 | £30.30m                  | Loss         | 1.44                | 2589.29              | 4.60%                            | 30.00%                     | £1.40m                              | £7.00m                           |
| Romtec                   |                | CS       | £0.64                 | £33.7m                   | 32.0         | 0.86                | 1016.00              | 0.00%                            | -16.99%                    | £0.00m                              | -£0.68m                          |
| Royalblue Group          | Yes            | SP       | £5.53                 | £159.10m                 | 42.1         | 5.39                | 2597.06              | 25.14%                           | 64.93%                     | £35.10m                             | £66.00m                          |
| Sage Group               | Yes            | SP       | £25.65                | £3,126.00m               | 73.5         | 16.32               | 86730.77             | 13.75%                           | 63.38%                     | £378.00m                            | £1,305.00m                       |
| Sanderson Group          | Yes            | CS       | £1.69                 | £84.10m                  | 12.7         | 1.14                | 2834.04              | 1.20%                            | 9.77%                      | £0.40m                              | £1.10m                           |
| SBS Group                |                | A        | £1.13                 | £9.90m                   | 6.5          | 0.28                | 1575.00              | -28.57%                          | -43.04%                    | -£4.00m                             | -£7.50m                          |
| Science Systems          |                | CS       | £2.19                 | £37.10m                  | 24.4         | 1.53                | 1693.80              | 0.00%                            | 39.62%                     | £0.00m                              | £10.50m                          |
| Sema Group               | Yes            | CS       | £6.18                 | £2,852.00m               | 48.8         | 2.28                | 7698.11              | 0.90%                            | 4.48%                      | £143.00m                            | £128.00m                         |
| Sherwood International   | Yes            | CS       | £4.65                 | £174.80m                 | 45.7         | 4.10                | 17490.36             | -11.43%                          | 37.17%                     | -£9.40m                             | £47.40m                          |
| Skillsgroup              | Yes            | CS       | £2.76                 | £241.80m                 | 24.0         | 0.64                | 1325.11              | -6.60%                           | 52.07%                     | -£5.20m                             | £92.40m                          |
| Spring                   |                | A        | £1.63                 | £235.00m                 | 18.0         | 0.84                | 1683.33              | 7.26%                            | 11.68%                     | £8.70m                              | £24.60m                          |
| Staffware                |                | SP       | £2.48                 | £31.40m                  | 225.0        | 1.42                | 1155.56              | -4.81%                           | -7.48%                     | -£2.60m                             | -£2.60m                          |
| Superscape VR            |                | SP       | £1.14                 | £14.00m                  | Loss         | 3.32                | 611.11               | -6.20%                           | -41.34%                    | -£1.30m                             | -£9.80m                          |
| Synstar                  |                | CS       | £1.35                 | £218.60m                 | 45.3         | 1.33                | 754.55               | 8.03%                            | -18.48%                    | £17.90m                             | -£51.40m                         |
| Systems Integrated       |                | SP       | £0.37                 | £4.99m                   | Loss         | 3.99                | 291.30               | 11.13%                           | 380.65%                    | £0.37m                              | £3.95m                           |
| Terence Chapman          |                | CS       | £1.44                 | £97.80m                  | 35.8         | 4.69                | 291.30               | 6.67%                            | 6.67%                      | £6.10m                              | £6.10m                           |
| Torex Group              |                | CS       | £2.68                 | £88.20m                  | 40.2         | 4.05                | 4126.21              | 26.12%                           | 202.82%                    | £18.40m                             | £59.50m                          |
| Total Systems            |                | CS       | £0.56                 | £5.82m                   | 12.9         | 1.79                | 971.70               | 8.74%                            | -5.08%                     | -£0.48m                             | -£0.32m                          |
| Touchstone               |                | SP       | £1.28                 | £12.50m                  | 16.7         | 1.63                | 1252.38              | -2.66%                           | 12.78%                     | -£0.50m                             | £1.40m                           |
| Trace Computers          |                | CS       | £1.35                 | £19.80m                  | 16.2         | 1.35                | 980.00               | 10.20%                           | 10.20%                     | £1.80m                              | £1.80m                           |
| Triad Group              | Yes            | CS       | £2.96                 | £74.50m                  | 12.8         | 1.51                | 2388.89              | -8.37%                           | -44.51%                    | -£17.50m                            | -£59.70m                         |
| Ultima                   |                | R        | £0.03                 | £5.78m                   | 14.3         | 0.40                | 67.07                | 9.09%                            | -20.00%                    | £2.00m                              | £0.62m                           |
| Vega Group               |                | CS       | £6.73                 | £120.40m                 | 36.4         | 4.15                | 5245.90              | 5.08%                            | 73.55%                     | £15.50m                             | £58.00m                          |
| Workplace Technologies   |                | CS       | £1.63                 | £57.90m                  | 15.3         | 0.70                | 914.29               | 1.87%                            | -17.26%                    | £0.70m                              | £0.80m                           |
| KKO                      |                | CS       | £1.36                 | £31.70m                  | n/a          | 1.12                | 933.33               | -2.86%                           | n/a                        | -£0.90m                             | £17.20m                          |

Note: Main System House SCSI 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 CSI 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

# MISYS

Misys results for the year to 31st May 99 were largely as expected, coming slap in the middle of analysts forecasts. Revenue increased 30%

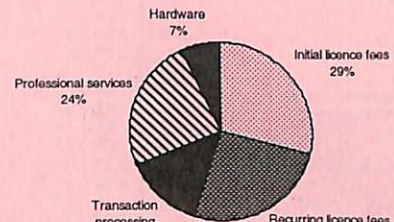
to £582m. Organic growth was 23%. UK revenues were up 25% (spot on the industry average) at £133m. Europe was up 34% at £106m. US up 84% (as a result of the Medic acquisition and its organic growth) at £208m and now exceeds the UK for the first time.

Operating profit was up from £100m to £132m, with "adjusted PBT" (i.e. excluding losses on disposal and

The Banking and Securities Division was the star performer posting operating profits up from £69m to £98m - out of a grand total of £132m. But that's the rub. Misys warned of evidence of order deferral within the Banking & Securities sector due to "regulatory bodies discouraging change to core systems in the run up to the millennium" and that the second half of this year would be a "slower trading period". Healthcare (US Medic) seems to have performed very well but Insurance was flat. Analysts cut profit forecasts for FY00 by 10%+ to c£141m. As a result, the share price

divided but then recovered later in month. Misys also recorded a reduction in new licence orders. On the other hand, Misys

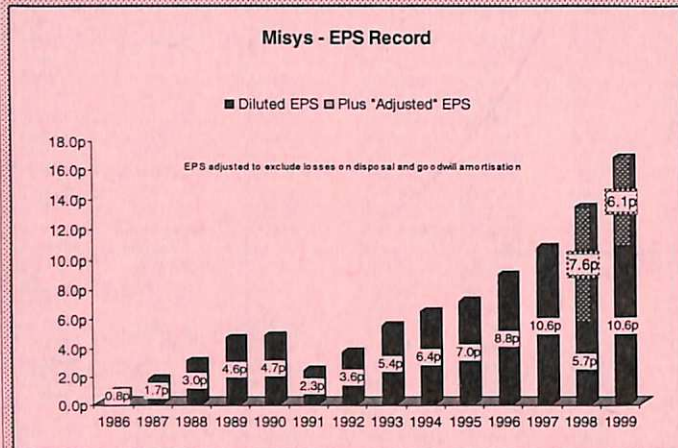
Misys now makes two-thirds of turnover from recurring revenues and professional services



was a bit unfair to itself. Initial licence fees now represent just 29% of total revenues whereas recurring licence fees, transaction processing and professional services provide the bulk of the revenues. Indeed MKI recorded a 73% increase its Professional Services revenues.

Misys has also announced plans for substantial investment in a new internet-based retail financial services business - clearly a competitor for the about to be launched eXchange. It's also defensive as Kevin Lomax said "there will only be one definitive financial services portal and we intend to be it". But this takes Misys into a whole new consumer oriented ball-game.

Misys now has some great, high quality, recurring, services-oriented revenues. We just wish they would both stick to and stress those bits rather more. If they did perhaps they too would get the ratings that companies like FI Group, Sema and others with high recurring revenues attract.



goodwill amortisation) up 39% at £124m. "Proper" PBT is up from £51.7m to £91.4m. The PBT has been struck after exceptional losses on disposals (inc. goodwill written back)

|                        | Revenue      |              |            | Operating Profit (pre goodwill amortisation) |             |            |
|------------------------|--------------|--------------|------------|--|-------------|------------|
|                        | 1999         | 1998         | Growth     | 1999   | 1998        | Growth     |
| Banking and Securities | £329m        | £250m        | 32%        | £98m   | £69m        | 42%        |
| Healthcare             | £170m        | £83m         | 105%       | £29m   | £13m        | 123%       |
| Insurance              | £50m         | £47m         | 6%         | £14m   | £14m        | 0%         |
| Internet Services      |              |              |            | £2m  | £2m         |            |
| Group                  |              |              |            | £6m  | £3m         |            |
| <b>TOTAL</b>           | <b>£549m</b> | <b>£380m</b> | <b>44%</b> | <b>£133m</b>                                 | <b>£91m</b> | <b>46%</b> |

of £37m in FY98 and £30m in FY99. "Adjusted" EPS up 26% at 16.7p and the dividend up 15% at 2.03p. Net debt has been slashed from £135m to £49m.

## Great results from royalblue

royalblue Group (financial trading systems and customer interactive software) has announced a great set of results for the six months to 30th Jun. 99. Revenue went up 35% to £17.9m, PBT increased 51% to £2.7m with diluted EPS up 49%. Overseas revenue has grown from virtually zilch three years ago to £5m - 28% of the total.

Chief Executive John Hamer said "Order levels are comfortably ahead of last year's equivalent figures and provide little evidence of any Y2000 slowdown... royalblue is well positioned to make further progress".

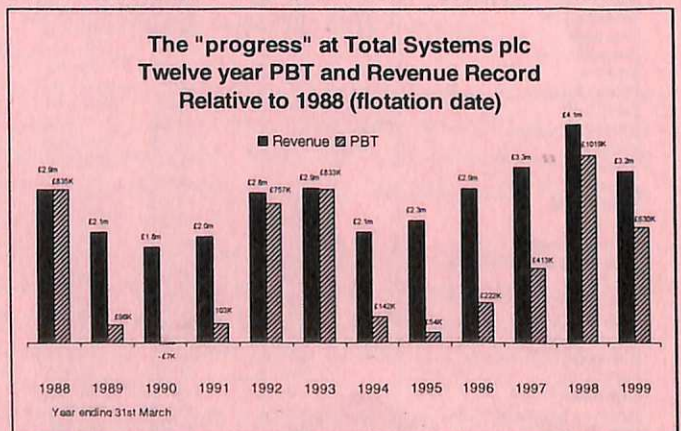
**Comment.** We have always had a high regard for royalblue and John Hamer. royalblue is exactly the kind of company the UK needs and is grasping the overseas potential. Hamer, who debated the product v services issue with us at the SBN conference, is now thinking of selling fidessa on a service provision basis in the US - rather than by way of a one-off licences. *Great idea!* Perhaps they are one of the few "millennium proof" companies. The shares ended the month on 553p, up 25%.

## The totally sad story at Total

Total Systems was a new IPO in 1988 at 85p. They ended July on 56p. Why? Well according to Chairman Terry Bourne (who was there in 1988) it's not Total's fault. In the past, he has put the blame fairly and squarely with their customers for not having the necessary foresight to buy their products. Now "the impact of Y2K has been much more severe than expected, particularly in the insurance sector".

Results for the year to 31st Mar. 99 show revenue down 22% to £3.3m, PBT dropped 38% to £630K with EPS down 36%. But Bourne is full of confidence in the future.

"The future is full of potential... we will pursue the opportunities for growth and expansion with enthusiasm". Let's hope he has more success in the new millennium than during the last decade or so.



## Tales of three, rather different, Boring Award companies

### Capita

Boring Award Winner, **Capita**, announced another set of dazzling figures with revenues up 27% at £150.2m, PBT up 35% at £14.1m and EPS up 37% at 4.59p in six months to 30<sup>th</sup> June 99. These were ahead of expectations of c£13.5m. Capita also announced a 10 year/£50m IT/payroll outsourcing contract from Norfolk CC. Although the local govt outsourcing market was "particularly buoyant", Capita has "increased penetration of the private sector which now represents over one third of group turnover". Capita described the outlook as "extremely encouraging". Shareholders "will be very satisfied with both the results for the year and the prospects thereafter". None the less, Brokers Credit Lyonnais left forecasts of £36m PBT unchanged for the full year. Shares ended the month up 6% at 696p.

### Admiral

"Not so Boring" **Admiral** announced revenues up 29% at £84.9m, PBT up 6% at £10.94m and diluted EPS up 10% at 11.2p for six months to 30<sup>th</sup> Jun. 99. It added that it now saw "no substantial improvement in profits for the rest of the year". Analyst's revised forecasts down c£700K to c£26.4m. Clay Brendish, however, said he wanted to overachieve if possible. Clay said Admiral was now "back on track" after the "blips" and fully expected that normal service would be resumed in 2000. So the Boring Award still looks safe...thank goodness. Admiral Computing and Admiral Managed Services both did well with revenue up 30%+. But Admiral Training had "a very poor first half" and produced an operating loss. So this just shows how long term revenue from the former activities can be offset by activities (like training) with shorter term order books. That's where the "Quality of Earnings" bit comes in. Staff attrition rates continued to fall - now in "single figures". But their recruitment had now been adjusted in line.

With Ceri James stepping down as COO, Brendish needs to fill the role soon. With a valuation of £459m, we are sure Admiral is back in the M&A sights off a few players. Admiral's shares dived by another 22% this month to 718p - that's about half their 1418p high in Feb. 99.

### Diagonal finds Darwin!

SAP consultancy/staff agency **Diagonal** have clearly got the message about climbing up the 'Darwinian' evolutionary value chain (don't say you missed Anthony Miller's cameo 'performance' at the CSSA Holway evening?). They're planning to move their business mix much more towards SAP implementation and support services over the next couple of years, aiming to reduce revenue from the staff agency side of their business from 56% to 30% by the end of 2000. This was the key message from Chairman Mark Samuels in his interim results statement for the six months to 30<sup>th</sup> May 99. Revenue for the period rose 'just' 17% to £37.1m, but PBT and EPS rose a healthier 43% to £4.4m and 3.7p respectively. Mind you, anyone unconvinced about the slowdown in their market should 'compare and contrast' this with last year's interims, which showed at 79% increase in revenue and 185% increase in PBT. Diagonal warned that "demand for contract staff has softened considerably ahead of the millennium". Indeed their staff agency revenue declined by 5% to £17.5m, in contrast to the consulting businesses, which boosted turnover 44%. Star performer was Diagonal's SAP support services division, which doubled revenues to £6.2m. Recent acquisition **MFT** was "looking very strong". On the staff agency side, permanent recruitment is "very strong and very profitable" with revenue up 50%. Samuels expects "a similar pattern of growth" from consulting in H2. Acquisitions are on the cards.

### Triad

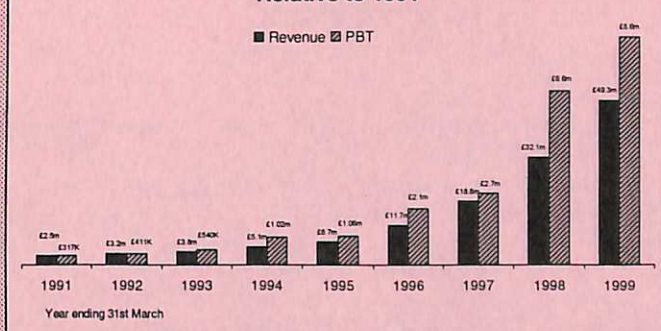
Boring Award winner **Triad Group's** results for the year to 31<sup>st</sup> Mar. 99 were good but contain warnings from "new" Non-Exec. Chairman John Rigg (co-founder, ex-Chairman and has now replaced Alistair Fulton) that "some large commercial customers are deferring the start of major new IT development work until after the end on 1999, in order to keep their desks clear for tackling unforeseen millennium problems". He went on to say that Triad would suffer from "lower average staff utilisation as major existing contracts come to a natural end and new ones come on line".

But let's be positive - revenue went up 53% to £49.3m, PBT increased 31% at £8.6m with diluted EPS up 29%.

Rigg also said that staff churn is now at extremely low levels (a sign of uncertainty in itself). Rigg said "It is entirely possible, but by no means certain, that the growth in new business proves to be extremely rapid... our business is superbly equipped to take



Triad Group plc  
Nine year PBT and Revenue Record  
Relative to 1991



full advantage of the expected major upsurge in 2000 and thereafter".

How times change. Last year then Chairman Alistair Fulton said "he did not expect the passing of the millennium to have a significant effect on Triad's future development".

### ECsoft warns of Y2K "uncertainty"

**ECsoft** has reported operating profits down 35% at £1.7m on revenues up a pretty low 13% to £34.2m in the six months to 30<sup>th</sup> Jun. 99. PBT was unchanged, however, at £2.8m due to a massive increase in interest received as a result of the recent fund raising. The UK was "at fault" with profits plunging from £1.15m to £241K on static revenues. Profits (£1.4m) reduced marginally in Scandinavia too although revenue here was up 14% at £19.8m. ECsoft repeated their warning of "uncertainty caused by Y2K and its aftermath". Interestingly ECsoft confirmed a continued reduction in the use of freelance contractors used.

### = Smith

This month we visited Dr Tom Black, MD of a (currently) privately owned SCS company - **The Smith Group** - in Guildford. They are a top quality, fee-based consultancy/system developer. Subject of a **Candover** (currently 50% of the equity) backed MBO in June 97. 44% of revenues still come from Defence, the rest from Transport (26%), Utilities (15%) etc. Outside Defence, specialisation is CRM and Information Mobility.

Latest results just issued show revenue up a modest 15% to £16.6m in year to 31<sup>st</sup> Mar. 99 but PBT up 58% at £2.4m - i.e. a 14.5% margin. A 20% growth to revenue of £20.5m and PBT of £3.4m is expected in the current FY.

We await to see their next move. An IPO? - well they would be well received, we are sure. But they lack both mass and sizzle. On the other hand, they would make an excellent add-on for one of the larger players.

## Syntegra buys Control Data Systems

BT, through Syntegra, has at last started to splash out to further expand the merger of their Syntegra and Syncordia offshoots which will create a £1.4b business. They have acquired US systems integrator **Control Data Systems** for \$340m (£217m). CDS has 1,100 staff and revenues of \$180m with operations in Asia, Europe as well as the US. *Long overdue acquisition in our opinion.*

BT's Q1 results (to 30<sup>th</sup> June 99) reported that Syncordia and Syntegra boosted external revenues to 27% in the quarter. Unfortunately no absolute figures are given. However, the notes to the accounts show that Syntegra "only" increased its revenue by 9% to £97m in the quarter although operating profit was up from £2m to £3m. There is a "Solutions" line in the accounts which shows a 29% increase in the quarter to £244m.

We were also very pleased to learn that ADSL is to be rolled out to 400 exchanges and 6m customers by Mar 2000. This is a major leap forward. Indeed, it really could shake up the whole internet scene - as well as making ISDN a redundant option. We would like to be amongst the first users!

**Highams System Services** saw its shares fall, then rise again, this month when they told shareholders at their AGM that Y2K uncertainties had contributed to an 11% drop in the number of contractors placed with clients.

### Advance Notice IT Staff Agencies

As many of you will know from Anthony Miller's presentation on 15th July, we are close to completing a major analysis on the highly volatile and contentious IT Staff Agency market; based on in-depth interviews with the CEOs of the major players.

The report, which will cost £950, is due for publication in September.

**Please call to reserve your copy.**

### UK IT Expenditure Survey 1999

We are delighted to be able to make available to our subscribers the latest/6th edition of the survey of IT expenditure produced by **Kew Associates** in association with Computer Weekly. The report covers 20 categories of hardware and SCS spend analysed by industry sector, organisation size and region based on a detailed survey of 4,500 UK IT budget holders. The report costs £2000.

### Holway Report

It was great to see so many of you at the **CSSA Holway Evening** on 15th July 99. Truly now "the SCS Networking Event of the Year". If you didn't come but want a summary (only on CD-ROM) please drop us a line.

Also, the **1999 Holway Report** is now available. Remember this is a our heavy weight research document. Orders welcome! (see below)

### How would you like to work for us?

We are looking to appoint a senior manager to spearhead our new growth phase. You should combine SCS research expertise and management experience. Taylor-made package + share options available.

Also looking for one or more research consultants to help meet our rapidly expanding workload.

Contact Richard Holway as below.

### Apologies are due to....

.... **Guardian IT** for calling them a TPM company in our **Synstar** article last month. They are of course a business continuity and disaster recovery specialist. See also p7.

... **Cedar Group** whose interim losses were due to extra sales staff and not the Teleconnect acquisition (we were in fact correct in our latest Holway Report). We also said that they capitalised R&D - not correct either.

... **Regent Associates**. We read so many press releases that we "understandably" (according to Regent) mis-interpreted Heyde's figures after they acquired Tantus. It looked as though the figures given were for Tantus but Regent have pointed out that they actually referred to Heyde. *Regent would never allow their client Tantus to sell a company with £7m profit for just a max. of £5m!*

### Plans on Planit

We are commencing coverage of **Planit Holdings**. Planit (basically design software for retailers like kitchen design, furniture, bathrooms etc.) was a "reverse" into a packaging company (these activities have since been sold). Then in Jan. 99 they acquired **Cabinet Vision** (software for the design to manufacturing process for furniture and woodworking companies) of the US for \$6.62m.

Any comparison with previous performance are bit meaningless because of the changes, but in 18 months to 30<sup>th</sup> Apr. 99 they achieved revenue of £9.7m (£1.6m from discontinued operations) and operating profit of £2.1m.

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