System House

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

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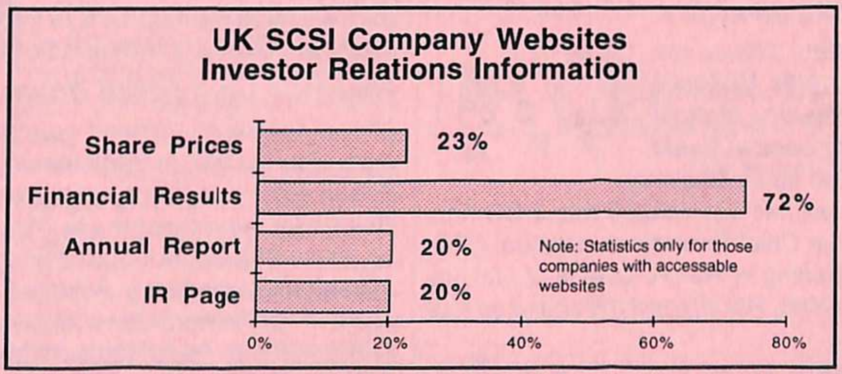
Does your Website DETER Investors?

We were toying with the title *"**Website Shock Horror - We Name and Shame!**"* for this review of how well UK SCSI companies provide useful information for investors and shareholders on their websites. You may, therefore, correctly assume that the answer is *"not very well at all"*.

Why we think this subject is worth talking about is partly inspired by the excellent presentation by NASDAQ president John Wall at the recent Regent Associates conference, and partly by the recent DTI initiative (FT 9th Feb. 99) encouraging small capitalised companies - a sector which seems to be having a hard time attracting funds - to lift their game with investor relations (IR). According to the FT article, *"institutional investors have traditionally taken little interest in companies valued much below £300m"*. That covers 85% - yes 85% - of the 100 or so listed UK SCSI companies. We are already seeing the impact - e.g. just look at Rebus (p13), which is going private again. And we think the situation is set to worsen as markets become more global and there is a wider choice of high-capital 'bluechips' for investors to sink their funds.

Four of the Best UK SCSI IR Sites	
Cadcentre	cadcentre.co.uk
Computacenter	computacenter.co.uk
Dialog	dialog.com
Logica	logica.com
Honourable Mention	
Druid	druid.com
Sema	sema.com
Trace	traceplc.co.uk
Benchmark IR Sites	
BP	bpamoco.com
SmithKline Beecham	sb.com
ICI	ici.com
Microsoft	microsoft.com

As we have said many times before, the 'professional' investment analyst community in the UK - with very few honourable exceptions - really doesn't understand the SCSI market or is prepared to invest in "smaller companies". The recent frenzy in the so-called "internet" stocks, however, shows the influence of the private investor. So, perhaps, UK SCSI companies should take a closer look at wooing the private investor community, particularly the "tech savvy" types, who are now able to "deal direct" over the internet with the likes of **Schwab**.



So how do you reach the technology-aware private investor? Well, an obvious starting point is through your website. This is where we now start much of our own research and have often been very disappointed with what we find. We have just trawled through the websites of everyone of the c100 listed UK SCSI companies to find out what information they provide to attract investors and retain shareholders. Amazingly, one company (MSB) doesn't even have a website. Another six could not be located using any of the search engines (like Yahoo). We had to 'phone the company to find the address. Riva's HQ did not know their web address and directed us to their IT dept.

"Quality" IR Websites
IR button on home page
Share price ("current" & history)
Annual Report (2+ years)
Financial Results (4+ periods)
Corporate Activity (M&A, JV, etc)
Press Releases (esp. LSE statements)
Financial Calendar (AGM, Dividends)
Financial Presentations
IR Contacts
Extra Brownie Points
Downloadable files

We then devised a simple scoring system to gauge how "investor friendly" these websites are. We took our cue from those sites singled out by Investor Relations Magazine in their annual UK and US awards (see 'Benchmark IR Sites' chart). The key things we were looking for were:

1) Did the website have a page called 'investor relations' or 'shareholder information' and was it easily found?

2) Was there any information about the company's share price performance?

3) Were there any details on the company's financial results?

4) Was there a full copy of the company's annual report(s)?

Unbelievably, **nearly 30% of the websites we visited failed all four tests** - there was essentially no investor or financial information available on them at all.

On the "bright" side, 20% of UK SCSI websites did have a "button" referring to investor information - the trouble was, only four (see '**Four of the Best**' chart) of those actually passed the other three tests.

We were particularly disturbed about the variability of investor information provided. Of the 20% that "published" their annual report on the web, about half only gave the most recent edition (the maximum was 3 years). The quality of other financial data was very hit and miss. Most companies usually gave at least one period's (i.e. 6 months) results - right up to seven periods in one case. But you had to look for it. Sometimes the results were in the 'financial' section of the website, sometimes they were in the press release pages.

And of the 23% that gave share price information, the vast majority did it by linking to someone else's website (usually Yahoo or Hemmington Scott) - but that wouldn't guarantee that the prospective investor would return to the 'host' site afterwards!

So if you want to see how the job should be done, just look at one of the 'Benchmark' sites - we reckon BP and Microsoft in particular have it well sorted - and look at the tips in the 'Quality IR Website' chart.

It seems to us that a relatively modest investment in website design and content could bring big paybacks in attracting investors.

We will keep watching your websites!!

Excellent results from Torex

Torex has completed its transformation into a "pure" SCS company describing themselves as *"a systems integrator and third party hardware maintainer"*.

Comparisons with previous results are difficult as last year's figures included revenues from their tool hire activities - now sold. Headline figures for the year ending 31st Dec. 98 show revenue up only 4% at £21.8m but on continuing activities up 45%. Similarly PBT went down from £7.3m (including exceptional gains on disposals) to £3m in total but almost doubled on continuing business. EPS overall decreased 58% but if items such as goodwill amortisation, aborted acquisition costs and profits from disposals are excluded, actually rose 28%.

Torex Medical was the star performer. Helped by the acquisitions of Alcotech Computers and Ambridge Business Systems in 1997 and Hollowbrook in Oct. 98 they more than doubled their size in 1998 to become one of the top three suppliers to the UK GP market with an estimated 18% market share. This division also made *"a substantial contribution to group profits after losses in 1997"*.

Torex Retail *"had a satisfactory year"* and acquired Quota which has extended their activities into the leisure and hospitality sectors.

The newly created **Services Division** provides maintenance and support to Medical and Retail. Another of Torex's many recent acquisitions, Computer Marketing Services in Dec. 98, has now been integrated into this division.

Chairman Chris Moore said *"1998 was a very exciting year for Torex, both in terms of financial performance and strategic development"*. Initially we were worried that Torex might spread themselves too widely, but we would like to think that our robust conversations have led them to *"stick to the knitting"* . If they continue to do so Torex will have our strong support. The shares rose 49% in the month to end on 154p.

Management shake up at JBA

In last month's *System House* we expressed doubts on Alan Vickery's future at JBA after the string of profit warnings and a share price in freefal Well he has survived so far as Chairman (now non-exec. only) but has lost his CEO role. COO Ken Briddon takes over the Chief Executive's position. CFO David Williams is departing in March. Losses of c£6.5m are now expected in FY98. *We suspect the shake up has not gone far enough.*

Profit warning from MDIS

MDIS issued a rather mild profit warning under the more upbeat heading *"MDIS property transaction to save £2m p.a."* They are undertaking a series of linked property transactions which will result in a further write-off of c£2m but will then make estimated annual £2m savings.

In their trading update they then went on to say that operating profits (before exceptionals) will be higher in FY98 but lower than expectations of c£7.2m. *"In common with other companies in the RERP sector, MDIS' Glovia business experienced reduced growth in H2"*. However, orders were up 25% in Public/Corporate and HR activities Naturally these pronouncements had an immediate effect on the share price which fell c10% immediately and the price never recovered to end the month on 40p - down 12%.

Buoyant Compel

Old established **Compel** is *"one of the UK's leading providers of integrated managed desktop services to major end users"*. In other words they are a reseller like Computacenter - and proud of it. Results for the six months to 31st Dec. 98 are impressive. Revenue increased 40% to £121.6m, PBT was up 36% at £5m with EPS up over 28%.

Chairman and CEO Neville Davis is *"pleased to report yet another strong set of results.... The Group enters the second half in a strong position; the Board is confident about the prospects for this period and beyond"*. Growth is all organic as the new acquisition of loss making Info' Products was only completed in Jan. 99. *"All businesses performed well; each has grown its profits and revenues with both existing and new customers"*.

The shares ended the month up 2% on 454p.

Comment. Although Compel (like Computacenter) do not separate services revenue from reseller revenue, we now tend to think this doesn't really matter. We are a fan of Compel with their long term relationships with mainly blue chip customers. The Info' acquisition will provide Compel with the necessary critical mass - and they are in the fastest growing sector - desktop services and integration - of the marketplace.

MSW Technology disappoints

MSW (personnel records database product MAPS and consultancy services) has announced its "maiden" interim results since they floated in Nov. 98 at 97p. In the six months ending 30th Nov. 98, although revenue went up 26% to £1.36m, the previous PBT of £77K was turned into a loss of £140K. This *"reflects the significant changes taking place within the group"* according to Chairman Robert Drummond (of Vega and Triad "fame" - we will say no more). Drummond went on to say that the potential growth for MAPS was *"outstanding"* and he anticipates *"some notable contacts"*. Let's hope so.

But the shares went up 14% in the month to end on 144p - a 48% premium to the recent float price.

Revenue up, profits down at Macro 4

After a decade of *"missed opportunities"* at **Macro 4** we must allow the new management team under CEO Ronnie Wilson some time to turn things round.

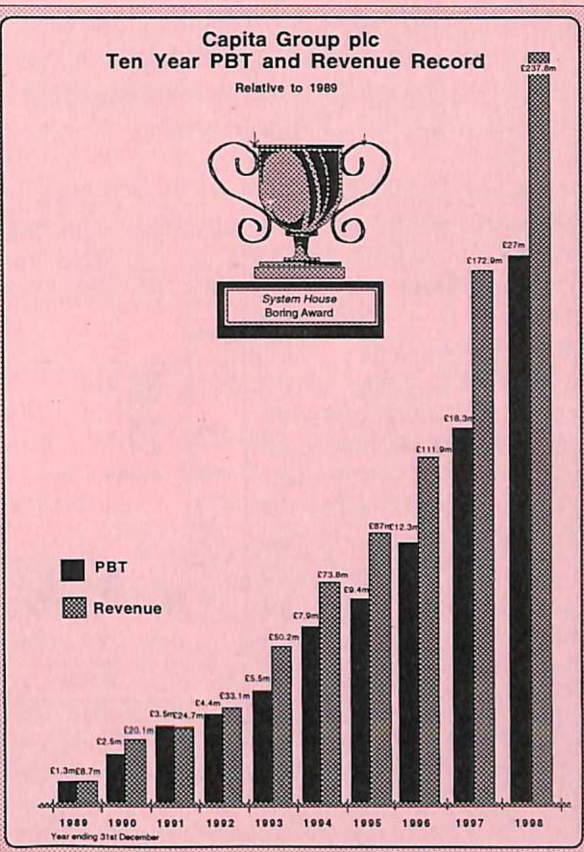
Results for the six months to 31st Dec. 98 show revenue up 8% to £13.2m, but both PBT and EPS were down by 4% and 6% respectively. At least the increasing revenue is a very welcome sign after a period of virtually static or even falling turnover. As systems software for IBM mainframes accounts for 80% of business, this can hardly be considered a growth area. Wilson now intends to concentrate on its open systems range which only accounts for some 14% of total revenue.

Acquisitions are not ruled out. Indeed Macro 4 made one this month by using part of their legendary (but dwindling) cash mountain to buy US **INSYNC Software** for a maximum of \$6m (£3.65m) payable over 5 years, subject to reaching sales targets. The initial payment is only £730K. INSYNC made £13K on sales of just £346K in 1998.

Due in part to the rise in revenue and in part to the build up of orders for software, the market on the whole liked the news and the shares immediately jumped 17% on the day. The share price continued to rise and ended the month up 41% on 630p. Analysts have left unchanged their profit forecast for the year at c£10m.

Stunning results from "boring" Capita

Capita's results for the year ending 31st Dec. 98 were pretty stunning. We never had the slightest doubt that they would retain their ***Boring Award***. First the headline figures. Revenue for the year rose 38% to £237.8m with PBT advancing 48% at £27m - that's a 11.4% margin, which in the outsourcing business is the very best. EPS increased 38%. Record contracts worth £270m were secured during the year - up 63% over 1997 - and this augurs well for the future. The bulk of the new business came from central and local government with £178m of new contracts - Capita now provide services to over 350 local authorities. And further new contracts have just been obtained - £10m/5year with Railtrack and a Capita-led consortium with Microsoft and Granada for a £230m scheme to provide IT training for teachers in the UK.



Business Services was one again the star performer with revenue up 44% to £200m and profits by 54% to £22.7m. The smaller **Property Services** division *"also made excellent progress"* with revenue increasing 12% to £37.6m and profits up 20% to £4.3m. Capita has now restructured into five major business units all reporting to a single operating board:

- Systems and Strategic Services deals with IT, consultancy, comms and training;
- Customer Services covers customer and admin. service contracts;
- Human Resources;
- Software Services focuses on local authority and education markets;
- Property Services is an integrated property services consultancy.

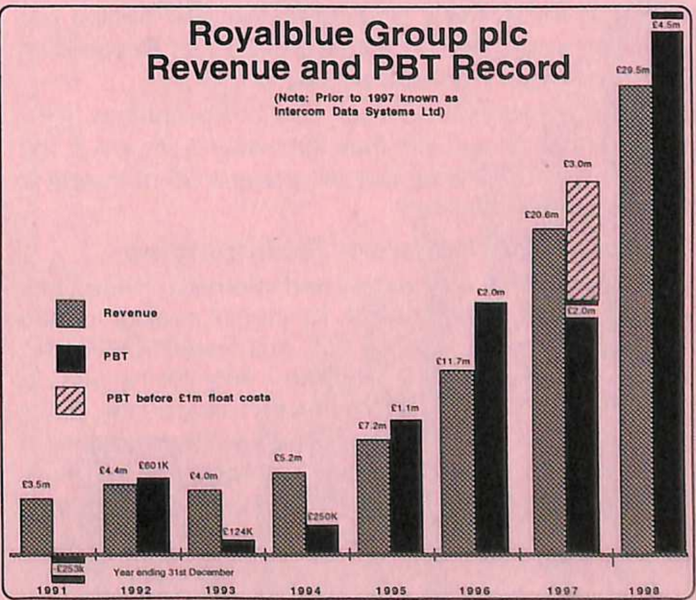
Chairman Rod Aldridge *"is confident that shareholders will be very satisfied with Capita's results for 1999"*.

Comment. Is there ever a wrong time to invest in ***System House* Boring Award** winners? Some say that the share prices are too high - well that was said a year ago and they have risen another 59% in the last twelve months. We can't predict share prices, but Capita looks well set to continue its Boring performance well into the new millennium.

And even better results from Royalblue Group

Royalblue is involved in two main sectors; Financial Trading Systems (FTS) and Customer Interaction Software (CIS). They were a new float in Jun. 97 at 170p. Since then their financial record has been excellent, and according to CEO John Hamer *"Royalblue's performance beats Capita on every count"*. This comment was as a direct result of our challenge to other quoted SCS companies to ***"Beat that"*** when we reported Capita's results on our Hot News page.

In the year ending 31st Dec. 98, overall revenue increased 43% to £29.5m (nearly all organic), PBT went up 50% to £4.5m with EPS up 43% (if you strip out the c£1m float costs). *Is anyone likely to beat that in FY98?* What we love about Royalblue is their revenue split and market. Both of their main market areas are growing strongly with above average growth potential and with revenue from maintenance 16%, licences 40% and associated services 40% with repeat business about 25% of the total, the split is just right. And anyway, they could turn all their product revenue into services if they so wished. The UK still represents about 80% of turnover - but it's overseas (particularly the US) which holds the real potential.



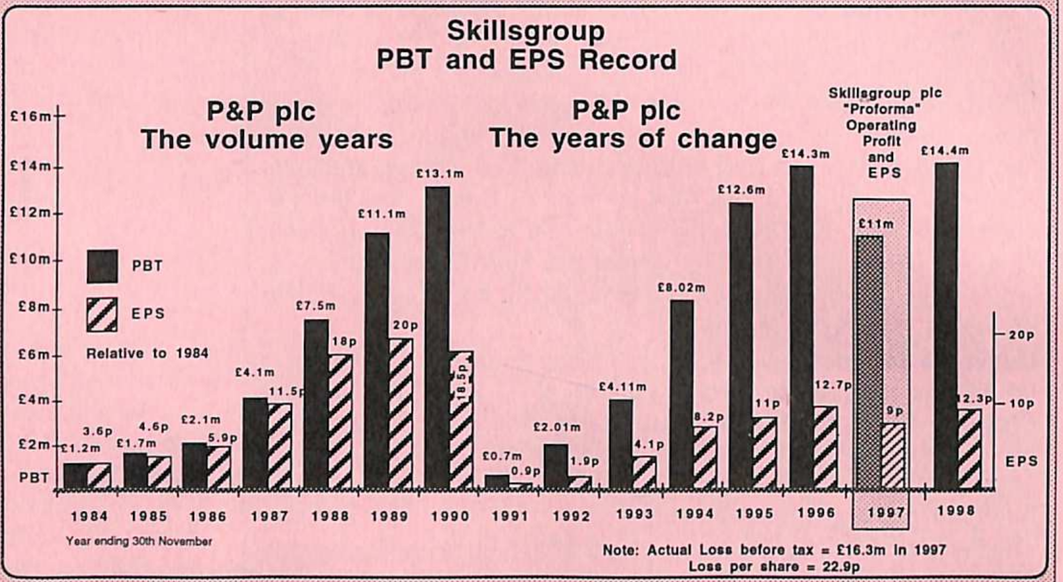
FTS, with its main *Fidessa* product and related services, had revenues up 41% at £15.7m (53% of the total) and good growth was reported in the UK (up 30%) and the US (up 85%). CIS grew revenues 63% to £11m (37% of the total) and again the UK did well with a rise of 35% (to £8.9m) but overseas revenue went up seven-fold. CIS has products such as HelpDesk and SupportCenter. The other 10% revenue comes from call centre systems which is now incorporated into CIS.

The outlook looks equally bright, again with mainly organic growth as Hamer does not expect acquisitions. *"Our aims for 1999 are to further expand the UK business and to build on the initial success overseas"*.

Comment. Royalblue is the sort of company we like. They have great international potential in about the best market sector - Customer Relationship Management - you can imagine. *Let's hope they get the backing of UK investors to enable them to stay British.* The shares increased 29% this month to end on 521p.

Skillsgroup now profitable - and looking out for acquisitions

As you can see from our chart, **Skillsgroup** has had two business lives - once as distributor/reseller P&P and now as services company Skillsgroup. Mind you the transition has not been easy - *it never is!* But it now really looks as if Skillsgroup has finally arrived.



In the year to 30th Nov. 98, although overall revenue fell 45% to £208m due to various disposals (*"The sale of non-core businesses is now complete"*), revenue on continuing operations went up 16% to £162.3m. Last year's loss of £16.3m has been turned into a PBT of £14.4m. (Note - the previous loss included exceptional costs of £27.9m and this year's profits includes exceptional gains of £1m.)

Skillsgroup now has two main operations. **QA** and **Acuma.** QA operates within the resource management sector and increased revenues 25% to £99.7m and operating profits by 41% to £9m. Acuma (enterprise solutions) increased profits 32% to £4.1m on revenue up 5% to £62.6m. It's pleasing to see that in both cases operating margins went up, reflecting the higher value added business of Skillsgroup. The cash position is strong with over £34m in the bank. Chairman David Southworth hopes to make an announcement on acquisitions in the *"enterprise solutions consultancy and technical training arenas"* in the next few months. This should move Skillsgroup even further up the value chain. Indeed, they are now the sort of high quality SCS company we really like. The shares ended the month up 13% at 253p.

Yet more losses at Recognition...

The very least you can say about **Recognition Systems** is that they are consistent - and by this we mean they consistently make losses higher than revenue. The group supply integrated campaign management systems.

In the latest results for the year ending 30th Sep. 98, revenue increased marginally to £788K with losses very slightly down at £2.27m. They have now raised £3m from 3i in a 11-for-20 rights issue at 9p. May we remind you (and any long suffering shareholders) that Recognition joined the main market in May 96 at 70p.

But we have always had a soft spot for Recognition. They deserve to succeed with their innovative software in the fast growing CRM field. *But will it take a US company to realise its true potential?*

... and at JSB Software Technologies

JSB (networking, connectivity and Internet software) has announced its interim results for the six months to 30th Nov. 98. Revenue was £1.76m and losses £373K. No comparative figures are available - only the full year to May. 98 with revenue £3.4m and PBT of just £6K. JSB's main revenue stream comes from MultiView (putting a Windows like front on legacy systems) but the more exciting product is SurfCONTROL, which allows control to be exercised in the workplace over Internet access.

These results were *"ahead of expectations"* with further losses expected in H2, but a *"breakeven"* position is forecast for FY2000.

JSB came to the main market in Jun. 98 at 200p. Despite being an "internet" stock, they don't appear to have been caught up in the frenzy. They ended the month up 6% at 248p - just a 24% premium to the launch price less than a year ago.

ECsoft Group does well

In the year to 31st Dec. 98, **ECsoft** has increased revenues by 41% to £62.2m, PBT almost doubled at £4.1m, with EPS up 45%. That's a tasty 13% margin. Organic revenue growth was a high 32% - the only acquisition during the year was of Level-7 which contributed £3.8m revenue and £744K to operating profits. President and CEO Terje Laugerud is *"pleased to report an excellent set of results... the key to ECsoft's continuing success lies in the sustainability of our business model".*

Comment. We are a fan of ECsoft's long term relationship business model. They have now hired core members of Digital's e-commerce team to help ECsoft address e-commerce projects for *"major customers".*

ECsoft has had a good reception since they decided to re-list on London in Jul. 98 at £18.07 (they had undertaken their original IPO on NASDAQ). The shares ended the month on £19.18p, a premium of 6% to the London listing price. *Please other Euro/UK companies take note... you can get a better result paying at home than away.*

ISP Internet Technology is profitable!

We never thought we would be able so soon to report that an Internet company had actually made a profit. We were wrong. The UK's largest ISP, **Internet Technology Group** has reported a first-time profit of £55K on £11m revenues in the year ending 31st Oct. 98. Not much profit, but a profit all the same. Last year they lost £2m on revenues of £3.8m. Mind you that's only the headline figures - a closer examination shows a somewhat different picture. Their operating losses did fall from £3m to £973K but it was only due to an exceptional gain of £1.2m from disposals that this nominal profit was declared. Still mustn't be churlish - business is certainly growing well.

See p11 for details of ITG acquisitions this month.

SEMA GROUP

Reshaped Sema pleases

According to CEO Pierre Bonelli *"1998 was an intense and pivotal year, in which Sema Group, whilst delivering very strong performances, has reshaped itself to concentrate on its chosen high growth markets. Accelerating growth in the second half, the strong order book and the strong cash position are indicators of potential future expansion".*

"Reshaping" is usually used as an excuse for poor performance, but Sema's results for the year ending 31st Dec. 98 were very pleasing. Total revenue increased 11% to £1.25 billion, with PBT (including exceptionals) up 53% at £97.8m and EPS up 52%. The exceptional profit was a net £21.4m from the disposal of BAeSema so even the "ordinary" PBT of £77.1m was at the high end of market expectations. Revenue from continuing operations (and excluding BAeSema) was up 21% overall (and a higher 24% in H2) with operating margins now 9.1% (was 8.2%). Sema had a very healthy £57m net cash in the bank at the year end against net borrowings of £16m last time.

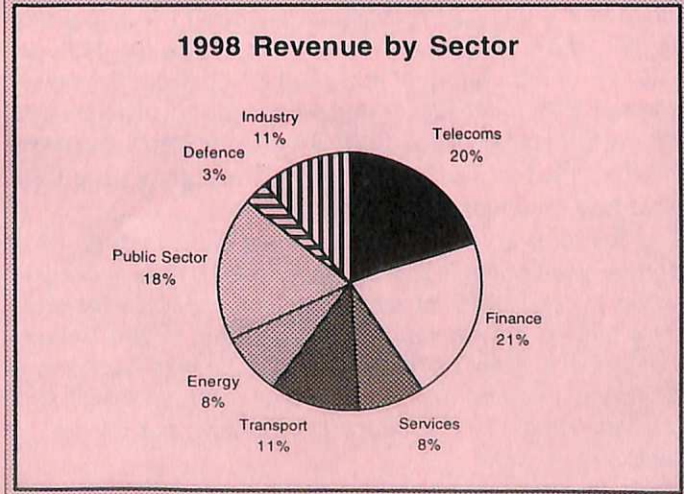
Highlights of the year included the Olympic Games, Société Générale and BAMS systems integration and outsourcing contracts, the e-commerce strategic partnership with BroadVision and the increasingly strong position in the telephony arena. As can be readily seen from the charts, revenue by sector, activity and country is well spread and balanced.

The UK is now far and away the largest country by revenue and, indeed has outgrown France once again. However, by profit France, at £26.9m/8.1% margin, outstrips the

Sema Group - Revenue by Country of Origin			
	1998	1997	1997/98
UK	**£419.2m**	**£336.7m**	**25%**
France	£330.8m	£290.8m	14%
Sweden	£149.2m	£128.7m	16%
Spain	£66.7m	£43.5m	53%
Italy	£63.8m	£58.3m	9%
Others	£144.5m	£115.8m	25%
Discontinued etc	£76.2m	£156.3m	-51%
Total	**£1,250.4m**	**£1,130.1m**	**11%**

UK with £26.3m/6.3% margin.

The sale of BAeSema has reduced revenues from Defence to just 3% - it was as high as 24% as recently as 1995. The group is looking to the fast growing telecomms



sector as its prime area for investment and growth, and although now standing at c20% of total revenue *"will continue to increase"*. The company estimate that they already hold 16% of the world market in mobile telephony systems.

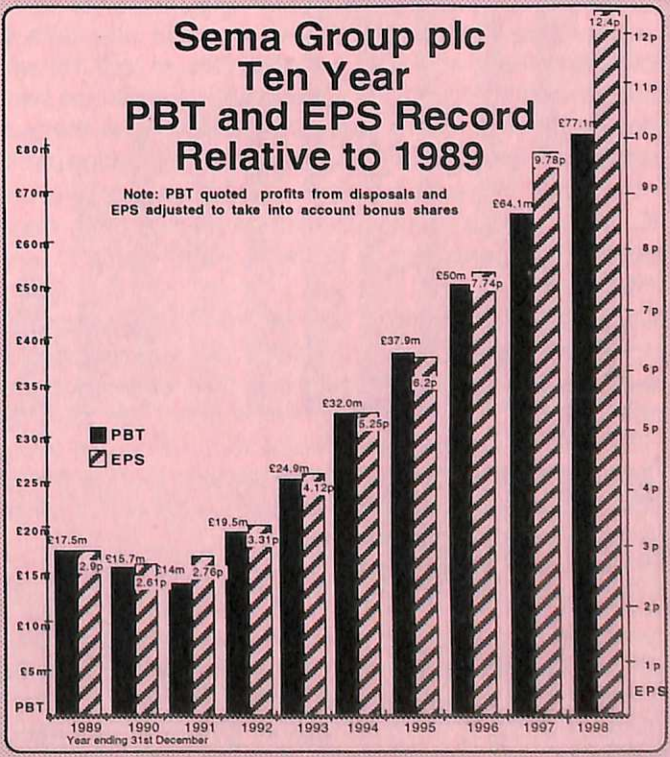
Outsourcing produced a 7.0% margin compared with 8.1% in systems integration. Although growth in Products

Sema Group - Revenue by Activity			
	1998	1997	Growth 1997/98
Systems Integration	£503.6m	£410.2m	23%
Outsourcing	£539.4m	£461.6m	17%
Products	£131.2m	£102.0m	29%
Discontinued etc.	£76.2m	£156.3m	-51%
Total	**£1,250.4m**	**£1,130.1m**	**11%**

outstripped other core areas this activity recorded a loss of £3.8m. Indeed, *"it came under fire from some City analysts over its increased emphasis on producing software products*" Source - the Times 17th Feb. 99. Sema says success in software products is its key challenge.

The company also reiterated that an acquisition to bolster its US operations remained a priority and last year's capital restructuring was crucial as the new structure allows Sema to operate in the US (the Paribas holding was reduced in order that Sema was no longer classified in the US as a "banking subsidiary"). $1 billion was said to be available for such a purchase - but so far no candidate seems to have been located.

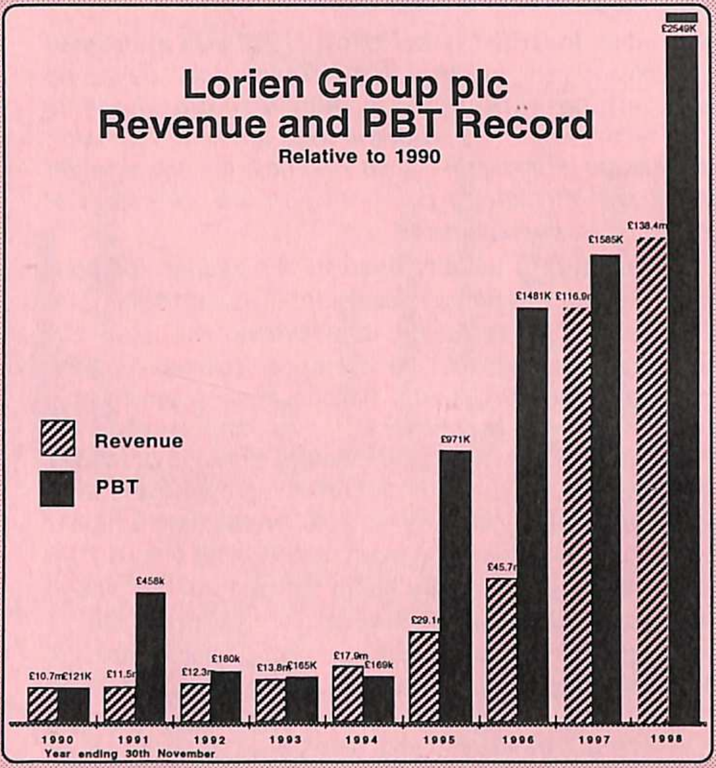
Comment - Sema seems to be following Logica along the Telecomms products/services route. It's a good one as the market is poised for explosive growth. But recent links between AT&T/IBM and MCI Worldcom/EDS show



that the marketplaces are converging. Sema (and indeed Cap Gemini) might well have to consider such partnerships/mergers/takeovers themselves to remain competitive and obtain critical mass in this huge market. The shares ended the month up 6% at 725p.

As expected from Lorien

Last November, **Lorien** issued a profit warning due in part *"to a recent market slowdown in demand for IT contractors in the financial services sector"*. This followed their earlier loss (to US Manpower Inc.) of their largest IT resourcing contract with UBS.



The results therefore for the year ended 29th Nov. 98 are no surprise. Total revenue rose 18% to £138m (revenue on continuing operations was up a similar amount to £134.6m), with PBT up 61% to £2.5m. EPS increased 77%. In the profit warning, Lorien said the PBT before exceptionals and disposals *"would be not less than £4.5m"*. They actually made a PBT before exceptionals (total cost £1m for restructuring and reorganising) of £4.8m but this was still less than the comparative 1997 figure of £5.3m. An efficiency plan has now been put in place to cut costs by 15/20% by 2000.

Lorien's business activities are - contract and permanent IT staff which accounts for the main part of their business at 68% (or £93m revenue), and the remaining 32% (£43m) for consulting. Consulting revenues (born from the 1996 acquisition of P-E International) increased 10% in the year but *"will reduce in 1999 but we are looking for improved profit margins"* - the future reduction is due to the closure of offices in Brussels and sales in Hong Kong and USA. Bert Morris, the new (reluctant?) Executive Chairman, says *"the IT market is massive and it is up to us to make the most of the opportunity. I think we can"*.

Comment. Lorien has lost two CEOs (Malcolm Coster and Mike Heeley) in quick succession. Bert Morris has a job on his hands as they have not been able to take advantage of *"the massive IT market"* in the past. Their main IT staff agency business is experiencing a slowdown in growth. It remains to be seen whether Lorien's long -suffering shareholders *"think you can"*. The shares ended the month on 173p - up a massive 53% in the month - but don't forget the shares stood at over £8 as recent as May 98.

Select continues its spectacular growth

There's no stopping UK main market and NASDAQ quoted specialist recruitment group **Select Appointments.** In the year ending 31st Dec. 98, group revenue rose 60% to £831.8m, PBT increased a higher 63% to £53.1m with fully diluted EPS up 31%. Of course, revenue has been boosted by the twelve (yes 12) acquisitions in the year which accounted for £144m revenue and operating profits of £8.2m. These acquisitions were mainly in the UK, Europe and Australasia. What's more they have made another four acquisitions so far in 1999 - *and it's only February!*

Not surprisingly Chairman Tony Martin is *"pleased to report another excellent year in which... Select continued to exceed market expectations"*. He is *"very optimistic about the group's ongoing growth prospects"* and believes *"demand for our specialist contractors will remain strong though the millennium fuelled by demand for new skills in the next technology cycle"*. Readers will know that we are not in *complete* agreement with that!

IT now represents 41.8% of worldwide revenue i.e. c£348m. And this is all from a standing start a couple of years ago . It will propel them straight into the Top 10 UK IT staff agency rankings for 1998 (they are already the UK's largest general staff agency).

Select intends to continue with its growth by acquisition policy in order to build an international staffing group and try to avoid overdependence in any one market or sector. They hope to avoid low margin markets in favour of higher margin faster growing speciality markets.

The shares ended the month on 825p - a rise of 22%.

Also spectacular growth at DIAGONAL

Diagonal is mainly a consultancy specialising in the implementation and support of SAP software. They came to the main market in Mar. 97 at 275p. Since then the share price increase has been quite remarkable and they ended Feb. on £11.25p, up 12% this month alone and up over four-fold on the float price just two years ago.

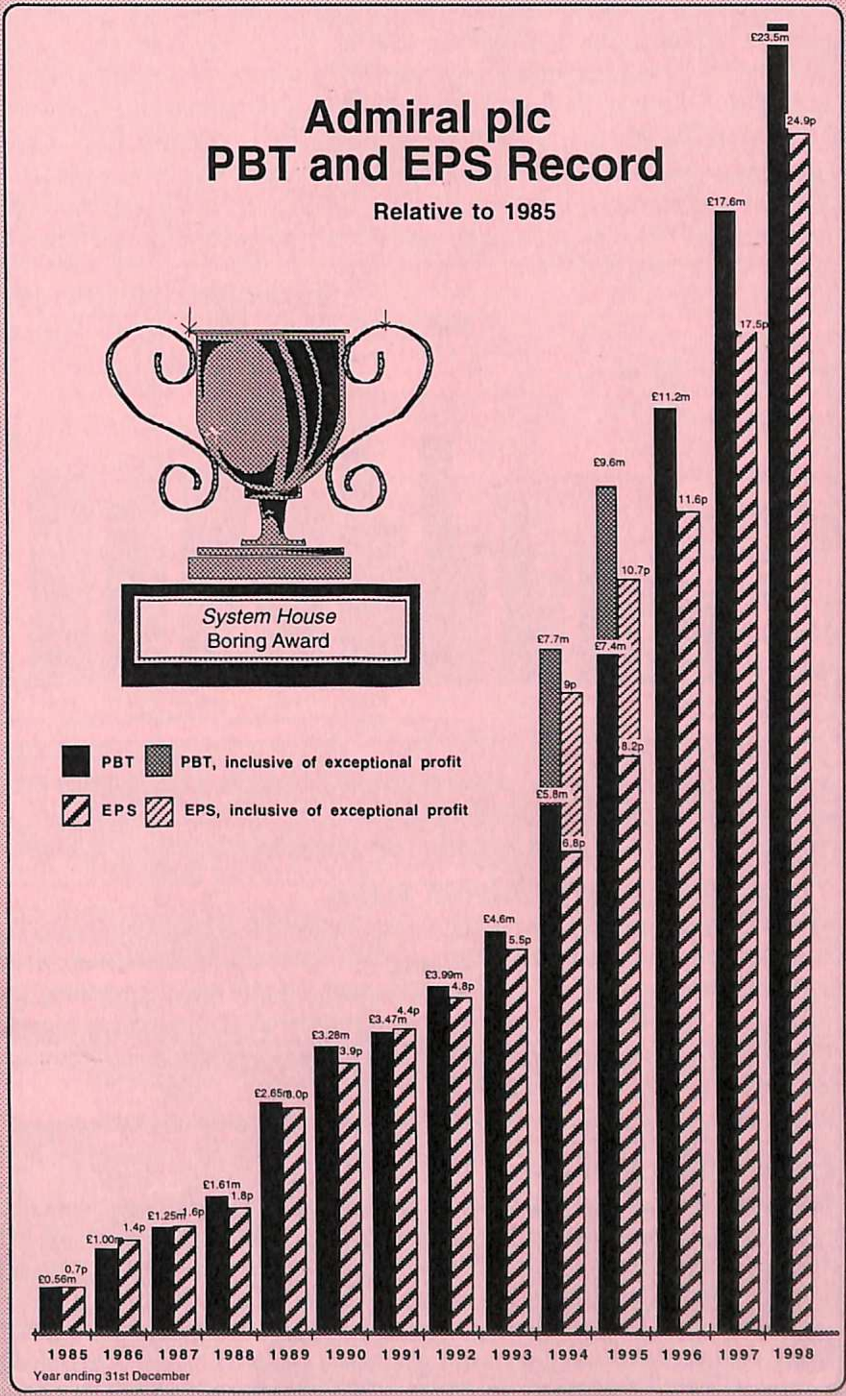
But we are not really surprised when they produce results like this. In the year to 29th Nov. 98. Revenue increased 57% to £70.2m (with SAP-related turnover up 61% at £33.1m), PBT nearly doubled to £7.4m with EPS up an 86%. Chairman Mark Samuels commented *"Despite excellent growth of 46% from our combined contract agencies, our consulting divisions did even better with a growth rate of 72%. This change of business mix helped drive up the operating profit margin from 8.7% to* (a pretty tasty) *10.4%"*. Consultancy now accounts for 44% (or c£31m) of total turnover including £7.3m from the newly formed SAP post-implementation support division and £5.4m from projects (long term AM-like contracts and more than doubled on the previous year). The contract agencies side had revenues of just under £40m.

But Samuels is a little more cautious on the future. *"Any further weakening in the UK economic climate is likely to affect the general contract agency market place resulting in a slower growth rate"*. (Compare this to the Selects Chairman's views on this page!). *"The mix of business in Diagonal ensures high utilisation of our permanent staff and we expect further strong growth from our consulting activities in 1999"*.

Admirable Admiral

The Granddaddy of the ***System House* Boring Awards** is the admirable **Admiral**. Their results for year to 31st Dec. 98 show revenues up 26% at £147m (1997: £117m), PBT up 34% at £23.6m (1997: £17.6m) *- that's a splendid 16% margin* – and EPS up 34% at 25.4p (1997: 17.8p). Year-end staff numbers rose 31% to 2475. *Now that's good...but not **excitingly** good.* Executive Chairman Clay Brendish said in his usual modest way *"It has been another year of consistent growth in keeping with our policy of steady development of Admiral"*.

UK revenues grew by a pretty *"average"* 21% to £104.9m and PBT grew by a similar 22% to £19.6m – *a 19% margin!* UK now accounts for 71% of group total (1997: 74%). 'Rest of Europe' revenues grew by 46% to £36m – because of the various acquisitions – and now make up 24% of the Group (FY97: 21%). Indeed IDS in Denmark – acquired in Jun. 98 for c£4m + c£700K deferred – did well, and its integration into Admiral's 'enterprise' structure is now under way. Revenues in 'Rest of World' rose a far more modest 9% to £6.4m.



Admiral Computing (software development and integration), the biggest division (46% of total), grew by 24% to £67.4m and is now operating on a worldwide basis. **Admiral Management Services** (IT consulting) grew 28% to £45.4m. France-based **Admiral Systems & Networks** (ASN) was up 40% at £16m. ASN was formed out of the Ares/Decylog acquisition in Mar. 96, and since Jul. 98 has also started operations in the UK. At least **Admiral Training** showed some growth (3%) on the year to £13.1m. The business is *"again growing profitably...new clients and larger contracts were secured in the second half"*.

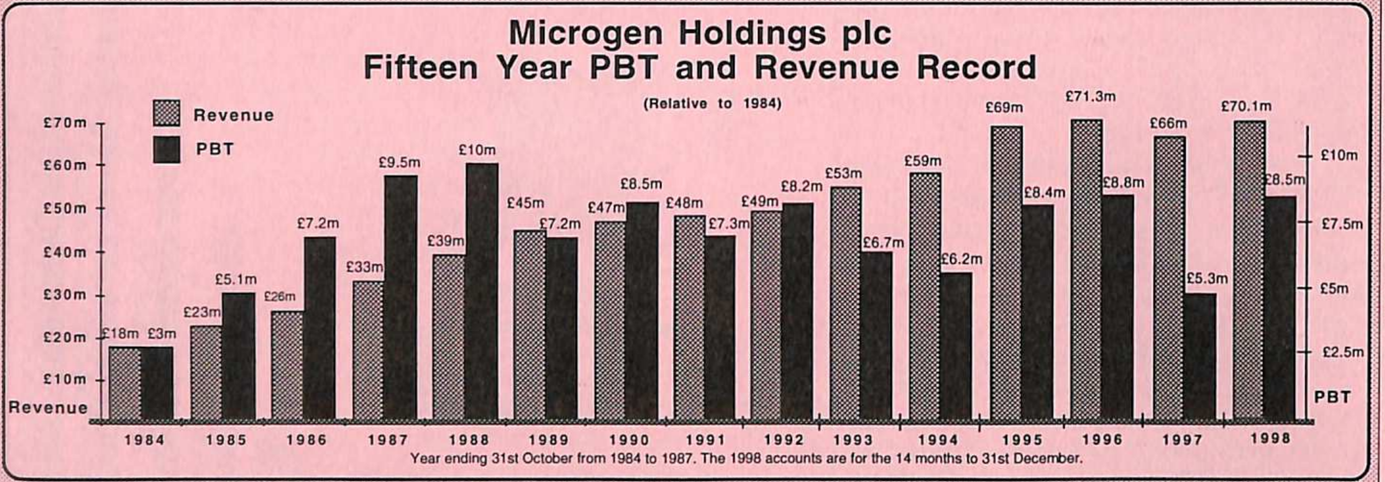
As expected, the **Finance Sector** still provides the lion's share (44%) of Admiral's business, and showed a very healthy 33% rise in revenues to £64.5m. But the real star was **Government Sector**, where revenues rose 62% to £22.3m. In contrast, Admiral's **Defence** business barely moved up 4% to £16.9m while, in a quirk of contract start/stop flow, **Commerce Sector** revenues actually *dropped* 3% to £21.6m. New clients in 1998 included Cambridge Building Society, Den Danske Bank (the largest in Denmark), various UK and European government departments and agencies, and a raft of other blue-chip names across the commercial and defence sectors. And the type of business Admiral is writing spans its full portfolio of services, with an increasing involvement in hot areas such as e-commerce and information security.

Looking forward, Admiral's order book at the end of 1998 stood at £65m (1997: £55m) and cash balance rose 41% to c£25m. Not surprisingly, Brendish is *"actively seeking top quality companies to join the Admiral Group. Europe remains our prime focus"*.

Admiral's record is superb. Its success is intimately tied to constant investment and improvement in its business processes and a 'quality' culture that is driven unrelentingly from the top down. Every IPO we get involved with wants to set Admiral as its role model. Not only that, but Brendish is a shining example of the kind of CEO that embodies the very best that the UK can produce...and he plays a role in the industry much wider than just Admiral. But, as with all Boring companies, investors – and some analysts – will always say *"but the shares are too high already"*. That attitude has never been correct in any time in the last 12 years for Admiral. We doubt if it's true today either. ***Quality will out.*** We were a little surprised by the market's immediate reaction to the results (which were smack on brokers's forecasts) as the share price dropped 110p - but this fall was only about the same as the previous day's rise. The shares ended the month on £12.40p - down 3% this month but up 6% this year so far.

A year of dramatic change at Microgen

The decline in the COM market has caused much trouble for **Microgen.** The last year has indeed been *"a year of dramatic change".* In Jul. 98, ex-Dell Martin Ratcliffe became Executive Chairman (with a c10% stake) and has undertaken a thorough strategic review . Basically Microgen now concentrates on Managed Information Services and Business Process Outsourcing - both of which *"are now operating profitably"* According to Ratcliffe *"the restructuring of the group is effectively complete and the respositioning of Microgen as an IT services company is progressing well".* The published results for the 14 months to 31st Dec. 98 bear witness to the changes that have taken place. Overall revenue fell on a pro rate basis to £70.1m but turnover on continuing operations rose from £28.3m (one year) to £35.7m. They made an operating loss of £2.9m in the period after restructuring (£970K) and surplus property (£2.6m) costs which were more than offset by profits on discontinued operations of £4.1m. But after net exceptional capital profits on disposals of £11.3m they declared a PBT of £8.5m. 97% of continuing revenue now comes from the UK and their historic exposure to the declining COM market *"has been substantially reduced as a result of the disposals of the German and Nordic operations and the outsourcing of the COM production in the UK".* Microgen now have a much strengthened balance sheet with over £20m free cash and they now plan selective acquisitions.



Comment. Having closely followed Ratcliffe's search for a suitable MBI opportunity, we liked his strategic proposals and the new emphasis. It has obviously taken some time to implement, but now that we are assured that both the new divisions are profitable, FY99 should be a much better year. The shares ended the month down 3% on 123p.

Trace sharply up at interim stage

Trace Computers has continued its revival with a good performance at the interim stage. In the six months to 30th Nov. 98, revenue increased 21% to £8.7m with PBT more than doubled to £928K. EPS was also up over 100%. We just hope it is sustainable as Trace has had a nasty habit of reviving and then dropping back again.

Chairman John Perry commented *"Trace is now at an interesting stage of development... Much has been achieved in the past two years but we recognise that there is no room for complacency. The board is currently studying alternative strategies to accelerate growth".*

Hear, hear... Trace needs a sustained period of growth in both revenue and profits.

Excellent interims from Logica

Yet another of the SCS majors produced a set of excellent financial results - although from **Logica** it is now nothing more than we would have expected. Results for the six months to 31st Dec. 98 show revenue increased 35% to £292.4m, PBT up a quite superb 67% at £26m (and note that's an 8.9% margin) with diluted EPS up 56%. Indeed Logica are now on an annual run rate of c£615m after their various acquisitions and organic growth. As can be seen from the chart, the UK has now reached the magic 10% target .

Telecomms was the star performer with revenue up 59% to £75.6m and is now Logica's largest sector at 29% of total revenues - followed closely by Finance which grew 30% to £74.9m. Energy (£48.9m) and Industry (£43.9m) are the next largest.

CEO Martin Read said *"The acquisitions we made in the period - Aethos, DDV Group, Carnegie Inc., Quaestor & FCC Folprecht will further strengthen Logica's global network and market offerings. Trading conditions remain positive".*

Comment. After speaking to Martin Read, we see further small to medium acquisitions in the next period - in particular Logica needs a presence in Germany. As Logica moves further up the value chain *"the UK's 10% margin is just the start".* Logica seems well positioned to become a highly valued UK-owned world player - and the reality is exciting. Brokers now anticipate £52/£60m for the full year and market reaction was positive to the results. Despite a "wobble" when the results were announced, the share price rose 3% in Feb. to end on 643p.

Logica plc. 1998 Interim revenue and profits by location

	Revenue	Increase	Op. profit	Increase	Margin
UK	£ 132.7m	26%	£ 13.3m	55%	10.0%
Europe	£ 90.9m	58%	£ 7.3m	108%	8.1%
North America	£ 31.4m	43%	£ 1.2m	38%	3.8%
Asia Pacific/Middle East	£ 7.9m	-40%	-£ 0.2m	-174%	-2.9%
Ireland	£ 29.5m	61%	£ 3.0m	82%	10.3%

Footnote - We were delighted (well, we were one of the judges!) to see Logica get the M&A Deal of the Year Award at the SBN Gala Dinner on 24th Feb. 99. Well deserved. But sponsors **Regent Associates** wouldn't let any of their own deals go forward. Much to the chagrin of **Sage** who rather thought their acquisition of US **State of the Art** should have won!

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 117,191,000		£ 147,187,000	+25.8%
PBT	£ 17,552,000		£ 23,479,000	+33.8%
EPS	17.50p		24.90p	+42.3%

AFA Systems plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 62,000	£ 226,000	£ 113,000	+82.3%
PBT	-£ 855,000	-£ 1,801,000	-£ 1,064,000	Loss both
EPS	-8.56p	-16.80p	-8.88p	Loss both

AIT Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 6,710,000	£ 13,556,000	£ 8,430,000	+25.6%
PBT	£ 958,000	£ 2,164,000	£ 1,262,000	+31.7%
EPS	3.33p	7.17p	4.17p	+25.2%

Anite Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 78,948,000	£ 149,540,000	£ 81,101,000	+2.7%
PBT	-£ 526,000	£ 29,347,000	£ 3,986,000	Loss to profit
EPS	n/a	8.90p	1.10p	Loss to profit

Azlan Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 140,990,000	£ 292,073,000	£ 153,711,000	+9.0%
PBT	-£ 7,897,000	-£ 7,860,000	-£ 424,000	Loss both
EPS	-14.20p	-12.20p	-0.80p	Loss both

Bond International Software plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,865,000	£ 6,396,027	£ 4,320,000	+50.8%
PBT	£ 179,000	£ 718,250	£ 284,000	+58.7%
EPS	0.88p	3.54p	1.37p	+55.7%

Cadcentre Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 8,249,000	£ 17,727,000	£ 8,798,000	+6.7%
PBT	£ 841,000	£ 2,754,000	£ 1,367,000	+62.5%
EPS	3.26p	10.06p	4.92p	+50.9%

Capita Group plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 172,904,000		£ 237,800,000	+37.5%
PBT	£ 18,312,000		£ 27,020,000	+47.6%
EPS	6.51p		9.01p	+38.4%

Cedar Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 5,320,000	£ 12,506,000	£ 7,250,000	+36.3%
PBT	£ 1,054,000	£ 2,564,000	-£ 971,000	Profit to loss
EPS	2.20p	5.30p	-2.30p	Profit to loss

CFS Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 3,702,000	£ 6,828,000	£ 3,155,000	-14.8%
PBT	£ 276,000	£ 813,000	£ 161,000	-41.7%
EPS	2.07p	8.29p	1.23p	-40.6%

Clinical Computing plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 1,376,000	£ 3,025,110	£ 1,664,000	+20.9%
PBT	£ 78,000	£ 275,564	£ 205,000	+162.8%
EPS	0.30p	1.10p	0.80p	+166.7%

CMG plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 140,704,000	£ 302,992,000	£ 194,151,000	+38.0%
PBT	£ 15,117,000	£ 38,645,000	£ 24,051,000	+59.1%
EPS	7.40p	19.30p	12.20p	+64.9%

Comino plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 5,087,000	£ 13,151,000	£ 8,721,000	+71.4%
PBT	£ 830,000	£ 1,950,000	£ 1,266,000	+52.5%
EPS	4.89p	11.46p	6.94p	+41.9%

Compel Group plc

	Interim - Dec 97	Final - Jun 98	Interim - Dec 97	Comparision
REV	£ 86,633,000	£ 210,003,000	£ 121,590,000	+40.4%
PBT	£ 3,666,000	£ 9,021,000	£ 4,972,000	+35.6%
EPS	8.80p	21.20p	11.30p	+28.4%

Computacenter plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 558,917,000	£ 1,133,523,000	£ 775,746,000	+38.8%
PBT	£ 22,095,000	£ 47,099,000	£ 31,332,000	+41.8%
EPS	8.00p	17.40p	11.40p	+42.5%

DCS Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 23,742,000	£ 59,777,000	£ 46,480,000	+95.8%
PBT	£ 2,036,000	£ 4,920,000	£ 3,053,000	+50.0%
EPS	6.48p	15.68p	9.34p	+44.1%

DRS Data & Research Services plc

	Final - Dec 96		Final - Dec 97	Comparision
REV	£ 4,822,000		£ 6,765,000	+40.3%
PBT	-£ 1,734,000		-£ 826,000	Loss both
EPS	-3.43p		-1.99p	Loss both

Delcam plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 7,065,514	£ 14,556,443	£ 6,479,637	-8.3%
PBT	£ 372,410	£ 504,036	-£ 675,577	Profit to loss
EPS	4.40p	7.40p	-9.60p	Profit to loss

Delphi Group plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 276,914,000		£ 344,809,000	+24.5%
PBT	£ 12,853,000		£ 11,719,000	-8.8%
EPS	28.13p		28.19p	+0.2%

Diagonal plc

	Final - Nov 97		Final - Nov 98	Comparision
REV	£ 44,788,000		£ 70,179,000	+56.7%
PBT	£ 3,302,000		£ 7,314,000	+121.5%
EPS	13.57p		25.30p	+86.4%

Dialog Corporation plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 14,037,000	£ 46,082,000	£ 88,752,000	+532.3%
PBT	£ 2,013,000	-£ 20,432,000	£ 6,989,000	+247.2%
EPS	0.90p	-20.52p	4.10p	+355.6%

Division Group plc

	Final - Oct 97		Final - Oct 98	Comparision
REV	£ 6,678,000		£ 6,020,000	-9.9%
PBT	-£ 1,783,000		-£ 3,842,000	Loss both
EPS	-4.10p		-7.90p	Loss both

Druid Group plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 22,066,000		£ 40,604,000	+84.0%
PBT	£ 5,004,000		£ 8,044,000	+60.8%
EPS	13.94p		23.87p	+71.2%

ECsoft Group plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 44,235,000		£ 62,211,000	+40.6%
PBT	£ 4,111,000		£ 8,108,000	+97.2%
EPS	34.50p		49.90p	+44.6%

Eidos plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 21,817,000	£ 137,234,000	£ 47,586,000	+118.1%
PBT	-£ 18,331,000	£ 16,507,000	-£ 18,928,000	Loss both
EPS	-70.80p	59.80p	-80.63p	Loss both

Electronic Data Processing plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 12,565,000		£ 11,518,000	-8.3%
PBT	£ 1,741,000		£ 2,210,000	+26.9%
EPS	4.50p		5.89p	+30.9%

F.I. Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 71,200,000	£ 161,595,000	£ 108,900,000	+52.9%
PBT	£ 4,300,000	£ 10,670,000	£ 7,500,000	+74.4%
EPS	1.66p	4.46p	2.62p	+57.8%

Financial Objects plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 7,899,000	£ 15,937,000	£ 10,275,000	+30.1%
PBT	£ 1,111,000	£ 2,015,000	£ 1,589,000	+43.0%
EPS	3.46p	7.31p	3.79p	+9.5%

Flomerics Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,335,584	£ 5,786,456	£ 2,938,163	+25.8%
PBT	-£ 416,188	£ 48,085	-£ 268,699	Loss both
EPS	n/a	0.30p	n/a	n/a

Gresham Computing plc

	Final - Oct 97		Final - Oct 98	Comparision
REV	£ 8,689,000		£ 23,083,000	+165.4%
PBT	£ 667,000		£ 3,003,000	+350.2%
EPS	1.17p		5.73p	+389.7%

Guardian iT plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 23,026,000		£ 29,693,000	+29.0%
PBT	£ 4,033,000		£ 6,629,000	+64.4%
EPS	5.70p		9.00p	+57.9%

Harvey Nash Group plc

	Interim -Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 23,767,000	£ 55,796,000	£ 44,861,000	+88.8%
PBT	£ 2,111,000	£ 5,527,000	£ 4,074,000	+93.0%
EPS	5.26p	13.36p	9.79p	+86.1%

Highams Systems Services Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 11,318,000	£ 25,143,421	£ 16,163,000	+42.8%
PBT	£ 647,000	£ 1,383,327	£ 782,000	+20.9%
EPS	2.45p	5.08p	3.05p	+24.5%

ICM Computer Group plc

	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparision
REV	£ 17,998,000	£ 35,881,000	£ 18,534,000	+3.0%
PBT	£ 1,416,000	£ 2,702,000	£ 1,949,000	+37.6%
EPS	5.70p	8.70p	6.70p	+17.5%

ilion Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 88,389,000	£ 203,134,000	£ 125,601,000	+42.1%
PBT	£ 4,030,000	£ 6,100,000	£ 1,158,000	-71.3%
EPS	11.00p	15.10p	3.50p	-68.2%

Intelligent Environments Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,074,000	£ 4,443,146	£ 2,627,000	+26.7%
PBT	-£ 2,046,000	-£ 3,009,417	-£ 874,000	Loss both
EPS	-9.20p	-13.30p	-3.20p	Loss both

Internet Technology Group plc

	Final - Oct 97		Final - Oct 98	Comparision
REV	£ 3,974,188		£ 11,012,000	+177.1%
PBT	-£ 1,963,293		£ 55,000	Loss to profit
EPS	-6.61p		0.12p	Loss to profit

IS Solutions plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 4,086,000	£ 8,750,000	£ 4,198,000	+2.7%
PBT	£ 247,000	£ 539,845	£ 404,000	+63.6%
EPS	4.40p	8.63p	5.68p	+29.1%

ITNET plc

	Final Dec 97		Final - Dec 98	Comparision
REV	£ 81,713,000		£ 105,728,000	+29.4%
PBT	£ 5,099,000		£ 7,346,000	+44.1%
EPS	4.60p		6.90p	+50.0%

JBA Holdings plc

	Interim - Jun 97	Final Dec 97	Interim - Jun 98	Comparision
REV	£ 88,102,000	£ 221,737,000	£ 126,133,000	+43.2%
PBT	-£ 1,297,000	£ 5,233,000	-£ 4,456,000	Loss both
EPS	-2.56p	10.12p	-8.35p	Loss both

JSB Software Technologies plc

	Interim Nov 97	Final - May 98	Interim - Nov 98	Comparision
REV	not available	£ 3,362,000	£ 1,760,000	not available
PBT	not available	£ 6,000	-£ 373,000	not available
EPS	not available	n/a	n/a	not available

Kalamazoo Computer Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 33,801,000	£ 65,711,000	£ 32,018,000	-5.3%
PBT	-£ 514,000	-£ 2,329,000	-£ 550,000	Loss both
EPS	-1.00p	-3.00p	-1.14p	Loss both

Kewill Systems plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 19,334,000	£ 45,088,000	£ 27,475,000	+42.1%
PBT	£ 3,100,000	£ 6,813,000	£ 3,196,000	+3.1%
EPS	14.70p	30.30p	12.30p	-16.3%

Logica plc

	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparision
REV	£ 216,256,000	£ 472,957,000	£ 292,392,000	+35.2%
PBT	£ 15,517,000	£ 41,825,000	£ 25,551,000	+64.7%
EPS	3.12p	8.46p	4.88p	+56.4%

London Bridge Software Holdings plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 11,320,000		£ 22,375,000	+97.7%
PBT	£ 3,701,000		£ 7,365,000	+99.0%
EPS	9.87p		19.77p	+100.3%

Lorien plc

	Final - Nov 97		Final - Nov 98	Comparision
REV	£ 116,930,000		£ 138,407,000	+18.4%
PBT	£ 1,585,000		£ 2,549,000	+60.8%
EPS	4.50p		8.00p	+77.8%

Lynx Group plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 120,752,000		£ 180,870,000	+49.8%
PBT	£ 9,805,000		£ 13,252,000	+35.2%
EPS	6.83p		8.67p	+26.9%

MMT Computing plc

	Final - Aug 97		Final - Aug 98	Comparision
REV	£ 24,639,075		£ 36,698,698	+48.9%
PBT	£ 5,554,611		£ 10,005,754	+80.1%
EPS	29.80p		51.60p	+73.2%

M-R Group plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 39,430,000		£ 46,822,000	+18.7%
PBT	£ 5,604,000		£ 6,902,000	+23.2%
EPS	7.30p		9.20p	+26.0%

MDIS Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 56,029,000	£ 116,925,000	£ 63,005,000	+12.5%
PBT	-£ 3,910,000	£ 221,000	-£ 387,000	Loss both
EPS	-3.82p	0.22p	-0.16p	Loss both

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Macro 4 plc

	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparision
REV	£ 12,150,000	£ 24,234,000	£ 13,152,000	+8.2%
PBT	£ 5,250,000	£ 10,060,000	£ 5,024,000	-4.3%
EPS	17.60p	33.70p	16.60p	-5.7%

Merant plc

	Interim - Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 41,349,000	£ 97,015,000	£ 58,642,000	+41.8%
PBT	£ 5,171,000	£ 15,217,000	£ 10,057,000	+94.5%
EPS	4.50p	13.00p	8.30p	+84.4%

Microgen Holdings plc

	Final - Oct 97		Final - Dec 98	Comparision
REV	£ 66,398,000		£ 70,105,000	not comparable
PBT	£ 5,324,000		£ 8,492,000	not comparable
EPS	8.80p		2.20p	not comparable

Misys plc

	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparision
REV	£ 177,600,000	£ 447,700,000	£ 287,900,000	+62.1%
PBT	£ 32,100,000	£ 51,700,000	£ 58,900,000	+83.5%
EPS	5.30p	5.82p	7.70p	+45.3%

Mondas plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 143,075	£ 297,169	£ 223,945	+56.5%
PBT	-£ 250,795	-£ 484,322	-£ 208,004	Loss both
EPS	-4.10p	-7.90p	-3.40p	Loss both

Moorepay Group plc

	Interim - Jun97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,731,603	£ 5,283,379	£ 3,[illegible]31,393	+16.5%
PBT	£ 886,148	£ 1,385,201	£ 1,1[illegible]1,281	+28.8%
EPS	5.69p	9.04p	7.14p	+25.5%

MSB International plc

	Interim - Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 54,893,000	£ 128,793,000	£ 90,403,000	+64.7%
PBT	£ 3,714,000	£ 9,043,000	£ 5,474,000	+47.4%
EPS	12.10p	29.00p	18.30p	+51.2%

MSW Technology plc

	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparision
REV	£ 1,080,000	£ 2,909,951	£ 1,360,000	+25.9%
PBT	£ 76,952	£ 503,055	-£ 140,309	Profit to loss
EPS	1.16p	6.54p	-1.82p	Profit to loss

NSB Retail Systems plc

	Interim -Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 1,547,000	£ 3,284,464	£ 3,413,000	+120.6%
PBT	£ 454,000	£ 837,516	£ 749,000	+65.0%
EPS	4.00p	6.90p	4.60p	+15.0%

Oxford Molecular plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 6,168,000	£ 15,641,000	£ 7,383,000	+19.7%
PBT	-£ 677,000	£ 256,000	-£ 2,195,000	Loss both
EPS		0.20p		Loss both

Parity plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 90,625,000	£ 202,078,000	£ 134,987,000	+49.0%
PBT	£ 5,678,000	£ 13,506,000	£ 8,754,000	+54.2%
EPS	8.90p	20.91p	11.90p	+33.7%

Pegasus Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 5,567,000	£ 12,447,000	£ 7,410,000	+33.1%
PBT	£ 810,000	£ 1,698,000	£ 632,000	-22.0%
EPS	12.80p	29.30p	6.80p	-46.9%

PhoneLink plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 1,850,000	£ 3,206,000	£ 3,479,000	+88.1%
PBT	-£ 1,742,000	-£ 3,746,000	-£ 1,701,000	Loss both
EPS	-3.60p	-7.80p	-3.00p	Loss both

Policy Master plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 3,956,000	£ 8,745,000	£ 5,054,000	+27.8%
PBT	£ 204,000	£ 459,000	£ 164,000	-19.6%
EPS	1.65p	3.70p	1.32p	-20.0%

Proteus International plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 21,000	£ 178,000	£ 612,000	+2814.3%
PBT	-£ 1,931,000	-£ 4,127,000	-£ 1,552,000	Loss both
EPS	-3.37p	-7.44p	-2.27p	Loss both

Quality Software Products Holdings plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 13,431,000	£ 28,016,991	£ 18,135,000	+35.0%
PBT	£ 180,000	£ 2,655,299	£ 1,285,000	+613.9%
EPS	1.40p	20.20p	9.40p	+571.4%

Quantica plc

	Final - Nov 97		Final - Nov 98	Comparision
REV	£ 5,635,000		£ 15,164,000	+169.1%
PBT	£ 1,011,000		£ 3,460,000	+242.2%
EPS	1.29p		6.79p	+426.4%

RM plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 110,170,000		£ 130,996,000	+18.9%
PBT	£ 8,018,000		£ 10,037,000	+25.2%
EPS	6.20p		7.90p	+27.4%

Rage Software plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 6,758,000		£ 3,623,000	-46.4%
PBT	-£ 15,430,000		£ 860,000	Loss to profit
EPS	-6.30p		0.35p	Loss to profit

Real Time Control plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 7,181,000	£ 15,880,000	£ 8,590,000	+19.6%
PBT	£ 1,477,000	£ 3,163,000	£ 1,887,000	+27.8%
EPS	14.50p	30.80p	18.50p	+27.6%

Rebus Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 40,676,000	£ 87,730,000	£ 48,230,000	+18.6%
PBT	£ 2,941,000	£ 8,390,000	£ 3,881,000	+32.0%
EPS	1.96p	5.72p	2.69p	+37.2%

Recognition Systems Group plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 773,000		£ 788,000	+1.9%
PBT	-£ 2,255,000		-£ 2,260,000	Loss both
EPS	-8.10p		-6.30p	Loss both

Riva Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 32,661,000	£ 70,208,000	£ 36,199,000	+10.8%
PBT	£ 190,000	£ 1,339,000	£ 349,000	+83.7%
EPS	0.30p	2.00p	0.70p	+133.3%

Rolfe & Nolan plc

	Interim - Aug 97	Final - Feb 98	Interim - Aug 98	Comparision
REV	£ 9,692,000	£ 21,714,000	£ 9,544,000	-1.5%
PBT	-£ 569,000	-£ 894,000	£ 205,000	Loss to profit
EPS	-2.93p	-10.20p	-2.27p	Loss both

Romtec plc

	Interim - Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 2,490,000	£ 4,217,440	£ 1,860,000	-25.3%
PBT	£ 130,000	£ 310,718	£ 30,000	-76.9%
EPS	1.90p	4.10p	-0.30p	Profit to loss

Royalblue Group plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 20,647,000		£ 29,514,000	+42.9%
PBT	£ 2,041,000		£ 4,543,000	+122.6%
EPS	3.60p		9.30p	+158.3%

Sage Group plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 152,089,000		£ 191,547,000	+25.9%
PBT	£ 37,635,000		£ 47,635,000	+26.6%
EPS	23.43p		28.85p	+23.1%

Sanderson Group plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 67,143,000		£ 73,589,000	+9.6%
PBT	£ 2,778,000		£ 8,592,000	+209.3%
EPS	4.70p		12.80p	+172.3%

SBS Group plc

	Final - Aug 97		Final - Aug 98	Comparision
REV	£ 17,914,000		£ 35,856,000	+100.2%
PBT	£ 687,000		£ 1,485,000	+116.2%
EPS	8.50p		11.80p	+38.8%

Science Systems plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 8,793,000	£ 18,601,000	£ 12,107,000	+37.7%
PBT	£ 1,155,000	£ 1,855,000	£ 1,245,000	+7.8%
EPS	4.30p	6.80p	4.70p	+9.3%

Sema Group plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 1,130,086,000		£ 1,250,400,000	+10.6%
PBT	£ 64,073,000		£ 97,800,000	+52.6%
EPS	9.60p		14.60p	+52.1%

Sherwood International plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 13,069,000	£ 30,036,000	£ 18,090,000	+38.4%
PBT	£ 1,025,000	£ 3,095,000	£ 1,846,000	+80.1%
EPS	7.90p	22.80p	13.20p	+67.1%

Skillsgroup plc

	Final - Nov 97		Final - Nov 98	Comparision
REV	£ 376,969,000		£ 208,400,000	-44.7%
PBT	-£ 16,308,000		£ 14,400,000	Loss to profit
EPS	-22.90p		12.30p	Loss to profit

Spring Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 119,326,000	£ 279,231,000	£ 193,301,000	+62.0%
PBT	£ 6,574,000	£ 18,109,000	£ 3,206,000	-51.2%
EPS	3.05p	8.38p	0.78p	-74.4%

Staffware plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 7,701,000	£ 17,585,000	£ 9,641,000	+25.2%
PBT	£ 549,000	£ 1,772,000	£ 231,000	-57.9%
EPS	3.30p	10.80p	1.30p	-60.6%

Superscape VR plc

	Final - Jul 97		Final - Jul 98	Comparision
REV	£ 3,106,000		£ 4,220,000	+35.9%
PBT	-£ 5,961,000		-£ 3,516,000	Loss both
EPS	-69.60p		-37.30p	Loss both

Systems Integrated Research plc

	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparision
REV	£ 516,000	£ 1,035,000	£ 661,000	+28.1%
PBT	-£ 296,000	-£ 493,000	£ 32,000	Loss to profit
EPS	-2.40p	-4.00p	0.10p	Loss to profit

Systems International Group plc

	Interim - Jun 97		Interim - Jun 98	Comparision
REV	£ 6,350,000		£ 12,400,000	+95.3%
PBT	£ 728,000		£ 1,570,000	+115.7%
EPS	n/a		n/a	n/a

Tetra plc

	Final - May 97		Final - May 98	Comparision
REV	£ 22,358,000		£ 30,286,000	+35.5%
PBT	£ 2,096,000		-£ 558,000	Profit to loss
EPS	7.10p		-7.28p	Profit to loss

Torex plc

	Final - Dec 97		Final - Dec 98	Comparision
REV	£ 21,029,000		£ 21,770,000	+3.5%
PBT	£ 7,277,000		£ 2,982,000	-59.0%
EPS	16.20p		6.80p	-58.0%

Total Systems plc

	Interim - Sep 97	Final -Mar 98	Interim - Sep 98	Comparision
REV	£ 2,017,128	£ 4,134,866	£ 1,780,866	-11.7%
PBT	£ 476,206	£ 1,019,675	£ 495,484	+4.0%
EPS	3.19p	6.80p	3.32p	+4.0%

Touchstone Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 2,998,000	£ 6,154,000	£ 3,508,000	+17.0%
PBT	n/a	£ 841,000	£ 460,000	n/a
EPS	n/a	6.91p	3.30p	n/a

Trace Computers plc

	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparision
REV	£ 7,170,000	£ 14,658,625	£ 8,684,000	+21.1%
PBT	£ 409,000	£ 1,205,166	£ 928,000	+126.9%
EPS	2.16p	6.11p	4.47p	+106.9%

Triad Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 14,139,000	£ 32,161,000	£ 22,112,000	+56.4%
PBT	£ 2,851,000	£ 6,609,000	£ 3,816,000	+33.8%
EPS	2.00p	17.78p	3.00p	+50.0%

Ultima Networks plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 20,892,000	£ 38,598,000	£ 8,286,000	-60.3%
PBT	-£ 424,000	-£ 13,240,000	-£ 833,000	Loss both
EPS	0.10p	-16.20p	-0.99p	

Vega Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 10,399,000	£ 22,457,000	£ 12,870,000	+23.8%
PBT	£ 805,000	£ 3,081,000	£ 1,428,000	+77.4%
EPS	3.48p	13.75p	6.00p	+72.4%

Workplace Technologies plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 30,752,000	£ 65,938,000	£ 39,977,000	+30.0%
PBT	£ 986,000	£ 1,830,000	£ 1,317,000	+33.6%
EPS	1.21p	2.17p	2.41p	+99.2%

Xavier Computer Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 7,805,000	£ 16,252,000	£ 9,059,000	+16.1%
PBT	£ 501,000	£ 743,000	£ 723,000	+44.3%
EPS	0.38p	0.79p	0.52p	+36.8%

Zergo Holdings plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 5,400,000	£ 13,176,770	£ 7,700,000	+42.6%
PBT	£ 78,000	£ 296,664	-£ 3,070,000	Profit to loss
EPS	-0.23p	-1.00p	-13.35p	Loss both

QSP shares soared this month as they caught the Internet bug after announcing a link with Extensity to provide both budget forecasting and expense claim processing via Intranets.

UK M&A

AT&T has bought **Olivetti & Oracle's Research Lab** at Cambridge for £30m and will invest a further £4.5m a year in R&D.

Macro 4 has made a rare acquisition, buying US **INSYNC Software** for up to a maximum of $6m (£3.65m) payable over five years, subject to sales targets being achieved. INSYNC have products complementary to Macro 4.

Electronic management group **Dicom** announced an internet alliance with US telecoms company, **GTE**. Any mention of the internet nowadays pushes up share prices and Dicom immediately put on 30%. They increased slightly more to end on 230p.

AIM quoted **ITG Group** (telecomms and hardware sales - see review p4) has acquired **Computers for Ireland** (hardware and related services) for an initial £IR8.75m (£7.65m), part cash, part shares. A further £2.96m is payable on profits to Apr. 99. A week later they bought **Computercall Ltd** (credit card services) for an initial £2.48m + £600K dependent on the awarding of a couple of key contracts.

Select Appointments (see also p6) has made yet more acquisitions. This time they have bought 85% of fast growing **Beresford Blake Thomas** (UK supplier of contract staff) for £4.5m and a 70% stake in **OfficeHelp** (Finland staff agency) for c£700K.

Sanderson Group has acquired the remaining 49% shares of **Management Software** it did not own for 1.35m Sanderson shares plus a further 500K shares under the terms of the original acquisition agreement.

Dialog has sold two small subsidiaries, **Carl Corp.** and **Uncover Co.** to **Ward Shaw** for c£1.37m. In addition they announced that the group was to be realigned into three new operating divisions. Directors Derek Smith and Graham Burrows are leaving and Angus Carroll is joining as VP Worldwide Marketing and Strategy.

Gresham Computing has acquired certain assets and IPRs of **Automated Solutions Inc.** (US software testing specialist) for c£1.65m. ASI made $252K PBT on revenue of $1m in 1998. Gresham also said it was raising £3.1m in a placing at 140p. Later in February, Gresham also bought certain assets and IPRs of two Australian software companies, **Ozease Pty** and **International Software Services Pty** for a max. of £1.32m - part cash, part shares.

Kewill has bought US **JobBOSS Software** (ERP software for SMEs) for $18.4m (c£11.2m). JobBOSS had 1998 sales of $12m, profits of $2m and 110 staff. This is Kewill's third major US buy in the last 18 months.

VC **Apax Partners** have invested $12m in Europe's leading auction site, **QXL**. Fast growing QXL has an annual run rate now of $10m and is growing at 20/30% per month. *The press release doesn't mention profits however....*

Rage has signed a worldwide publication and development deal with **Microsoft** to build the new soccer game "Striker". Rage's shares went up 7% this month especially after the announcement that Rage *"will achieve a significant increase in profit in FY99 of not less than £3.1m".*

"Super" **Sage** is to acquire US **Peachtree Software Inc.** (accounting software for small businesses) from **ADP** for $145m (£88m). Sage is raising £66.6m before expenses in a placing at £19.10 through BT Alex Brown with the balance from their own cash resources. Peachtree had revenues of $52.5m and made a profit of $6m in the year to Jun. 98. ADP had, in fact, planned to float Peachtree on NASDAQ last October but abandoned the idea due to market conditions at the time. Seems to us a perfect fit with State of The Art and Sage's other US activities.

Close Brothers Corporate Finance is to buy a majority stake in the continental European operation of **Hambrecht & Quist** (HQEM), the US securities house specialising in high-tech. companies. This purchase is especially significant as HQEM is not only *"a leading specialist in private placements and IPOs for European growth companies"* but was pretty much exclusively engaged in IT on the Neuer Markt, Nouveau Marche and EASDAQ.

Clydesdale Bank has purchased 20% of Edinburgh software house **Pilgrim Systems** in a deal which values Pilgrim at more than £8m. The shares were bought from Chairman & CEO Jim Cummings, who still retains 77.7%.

Voss Net has placed shares raising £125K for working capital. They have also entered into an agreement with charity Free Computers for Education to provide free Internet access for school children. **Questor** has made a £1.75m equity investment in **Harness Software** *"the leading software and services provider to the electrical wire harness industry"* (We doubt if any would dispute that!)

Distributor **Memsolve**, with £4m debt, has called in the receivers. **Pearson** has sold its **Extel** financial data arm to **Primark** (who own Datastream in the UK) for £19m.

CMG has acquired **Partner Consult** - a Hamburg-based IT consultancy and systems developer - for £8.2m in cash. PC made PBT of £700K on revenue of £10.7m in the year to 30th Sep. 98.

BTG plc (a restaurant group) has acquired **Crestport Ltd** (a developer of restaurant reservation systems) for £250K in shares. Crestport had revenue of £208K and profits of £30K in the six months to 31st Oct. 98.

Morse is set to acquire **Partner Systems** - a SUN VAR in France.

Ex-MD of Firstpoint, Jim Stoddart, has bought **Prove It 2000** from the receivers. Expect much bigger announcements from Stoddart soon.

IT consultancy **Michael Bailey Associates** is considering an EASDAQ IPO.

Sports Internet plc is coming to AIM in a placing to raise £1.95m. Their strategy is *"to acquire businesses with specialist expertise in the operation of sports elated websites and in betting and gaming activities"*. It's a new company - so no track record to worry anyone about.

3i has invested £1m in **OST Business Rules Ltd**, which develops enterprise application software.

MMT Computing has purchased the remaining 12% of **Cortex Computer Systems.**

Warburg Dillon Read placed 12.5m shares in **Guardian IT** at 600p on behalf of VCs ECI and other directors. They had planned to place only 7.5m but demand was so high that they added another 5m. *Pretty impressive given that Guardian IT was an IPO less than a year back in Mar. 98 at 255p.*

Sage has acquired **Taxsoft** and its parent company, **Quantec Holdings**, for £10.5m. Taxsoft produces mainly corporate tax computation software which sells predominately to accountants. Taxsoft had 1998 revenues of £4.8m and made operating profits of £900K. Yet another example of Sage's *"stick to the knitting"* acquisition policy.

The biggest IT deal ever?

EDS has acquired the IT arm of **MCI Systemhouse** for $1.65 billion. That's the headline but it's only part of an even bigger deal where the parties are to swap assets worth $17 billion, take on 13,000 staff and exchange outsourcing contracts. EDS will outsource the bulk of its voice and data comms services to **MCI WorldCom** in a deal valued at between $6b/$8.5b over ten years. In return, MCI WorldCom will outsource major portions of its computer applications development and maintenance services and virtually all its infrastructure services to EDS. This is valued at between $5b/$7b over 10 years.

Comment. This is not only about the biggest IT services deal ever but will have a significant effect on the industry, both in the UK and worldwide. Readers will no doubt recall the Syntegra/Systemhouse deal when the BT/MCI deal failed. Don't also forget the previous IBM/AT&T deal - pretty similar but smaller. *The world is changing fast. If you can't run fast and strong... God help you.*

In FY98, EDS has announced an increase of 10.9% in revenue to $16.89 billion with net income up just 1.8% at $743m. EPS rose a similar low 1.4% in the year. There were exceptional charges of $190.5m in the period.

Safetynet in MBO

Safetynet, one of the UK's leading disaster recovery services companies, has been acquired in a £85m MBO backed by 3i. Profits of £4.6m on revenues of £20.4m are expected this year. Evidently plans to float the company last year were scuppered by the stock market fall. The MBO is through newly formed **Safetynet Group**, with a 20% stake from 3i and 25% Reuters. CEO Paul Barry-Walsh will hold 55% after buying out co-founder Hearson.

Text 100 to move to main market

Many readers use **Text 100** for their PR. Indeed **Microsoft UK** is their largest client. Text 100 has reported PBT up 9% at £1.35m on revenues up 46% at £16m in the year to 31st July 98. They now intend to move from OFEX to the main market.

Software AG to join Frankfurt market

Software AG has confirmed its IPO on the Frankfurt main market - probably in mid-April. The IPO is expected to raise £500m and will be *"Europe's largest ever software IPO"* according to the FT 18th Feb. 98.

Software AG produce ERP software - like SAP - and is well known for its Adabas and Natural products. They reported revenue up 9% at DM626m and PBT up 35% at DM87.3m in the year to 31st Dec. 98. Licence sales were up 18% at DM188m and Professional services up 15% at DM218m. Which clearly means that maintenance revenues fell to DM214m.

Tiny Keystone Software raises £1.5m

AIM-quoted **Keystone Software** has raised £1.5m in a placing at 10p per share. Keystone provides systems for practice management at professional firms like solicitors, accountants, consulting engineers etc.

In the period to 30th Nov. 98, Keystone reported revenues to £903K (double that of the year to 31st Mar. 98). A loss before tax of £1.54m was reported (FY98 = £751K). Start up costs in UK and the termination of a contract with Ashurst Morris Crisp were blamed. But *"the order book and prospect list are at their highest ever level"*.

A little disappointing at ICM

Old established **ICM Computer Group**, *"a leading provider of IT services and computer based solutions"*, came to the market in May 98 priced at 180p per share. Whilst the full year results to Jun. 98 were excellent, we are a little disappointed in their interims for the six months to 31st Dec. 98. Total revenue rose by only 3% (although continuing operations rose a higher, but still quite modest 7%), with PBT increasing a much more respectable 38% at £1.9m. Evidently the small revenue increase is due to *"the deferral of two large IT solutions contracts into the second half"*. For that reason it was the solutions (i.e. products) bit that let them down with flat revenues of £10.6m. Services revenue increased 15% to c£7m with business continuity up 31% to £1.7m. To be fair to ICM, extra start-up costs were incurred in their new Business Continuity Centre in Manchester.

However the order book was up 40% in Q4 and the board, under CEO Barry Roberts is *"confident"* in its goal of building *"long term sustainable and profitable business relationships"*.

The shares ended the month on 266p - up 7% and a premium of 48% to the float price less than a year ago.

Easynet to join the main market

Internet service provider **Easynet** floated on AIM in Feb. 96 at 100p. Their results for the year ending 31st Dec. 98 show that they are in profit for the first time (quite an achievement for an ISP) as they made £143K on revenues of £16.9m. The previous year they lost £1.3m on turnover of £7.4m. The company operates in the UK, France and Germany and intend to grow their European network in the current year.

This strong growth has made them decide to seek a main market listing some time in the future - presumably fairly shortly. *"The deregulation of the European telecomms market and the explosive growth of the Internet have provided opportunities"*. Dial-up Internet revenue grew 107% in 1998. Chairman David Rowe said *"1998 has been a landmark year... with a move into profitability in the second half"*.

The share price jumped as soon as the results were announced and ended the month up 19% at 295p.

Guardian IT produces Quality performance

Guardian IT (the UK's largest disaster recovery company) has announced its "maiden" full year results to 31st Dec. 98 since it floated in Mar. 98 at 255p. The figures are anything but a disaster with revenue up 29% to £29.7m, PBT increasing 64% to £6.6m and EPS up 58% - that's a margin of 22%. Since the MBO from ICL in 1994, they have grown organically and by a series of mainly small acquisitions. Around 96% of revenue comes from the UK. We were told by CEO Peter MacLean that the forward order book has increased 52% to £66.7m which basically means that if they obtain no more business (they obtained £3.5m new business in Jan. 99 alone) or nobody renews contracts, then revenue *still* must increase. This is exactly the sort of quality business we like. *"Further excellent progress"* is anticipated for 1999.

Even with these results, the share price fell on the day of the announcement as directors, and some VCs, sold 1.25m and 5.3m shares respectively. Mind you the shares ended the month on 588p (down 6%), but this is still an increase of over 100% in the last year.

IPO's are here again...

The most depressing consequence of the massive fall in the FTSE IT Index in Q3 1998 was the half dozen SCS companies that had gone thru' the long form reporting only to have to pull their float plans at the last minute. We saw Financial Objects coming back in December and now a another three ***Quality*** IPO are announced.

Axon

Axon Group (specialises in the implementation, support and maintenance of SAP systems for the ERP marketplace) has announced plans to float on the London main market in early March in a placing sponsored by WestLB Panmure, who are also brokers to the issue. A possible valuation of £80/£100m is now talked about. They plan to raise c£30m of which c£14m will be for company use to fund further expansion and to provide additional working capital. The remaining £16m will be realised for existing shareholders. Axon was founded in 1994 and has grown rapidly with expected sales in their fourth trading year to 31st Dec. 98 of £20m and profits of c£1.8m. The comparative 1997 figures were revenue of £10.4m and a small PBT of just £43K.

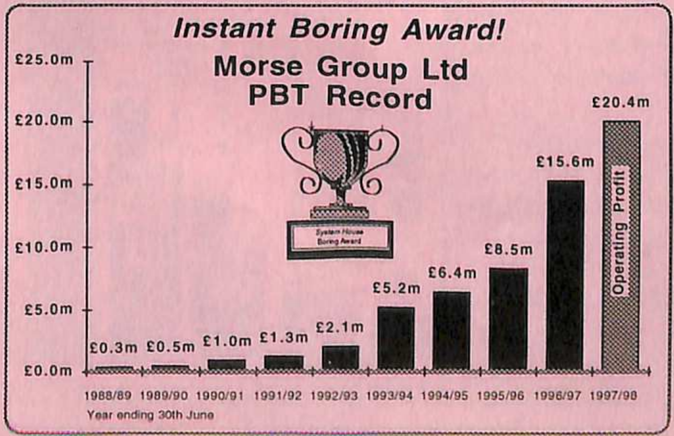
Mark Hunter, Axon's founder and CEO (who used to work for SAP (UK)) is to retain a stake of c30%. Hunter said *"The ERP software market is forecast to grow at 37% compound annually and to have a value in 2002 of $52b. SAP will continue to have a major share of this business".*

We will add Axon (and the other new issues) to our index next month.

Morse Holdings

Morse (UK based systems integrator with *"a leading position in the mid and high-range server reseller market")* also announced its float on the main market. Assuming a 275p float price, the IPO will value the company at c£336m - which is not bad considering it was the subject of a 3i backed MBO in Oct. 95 at just £46m! Not only will the present director/employee shareholders be pleased - so will **3i** who own 55% (their largest single investment) and also **PPM Ventures** with 20%. Some £55m new money is to be raised, most of which will be used to pay back debt leaving about £20/£30m for expansion. Acquisitions in Europe are being considered according to CEO Duncan McIntyre. In the latest full year accounts to 30th Jun. 98, Morse had revenues of £216m and operating profits of £20.5m - a modest 25 PE. In the latest interims to 31st Dec. 98, they increased revenue 54% to £144.3m with the "adjusted" operating profit up 22% to £12m. Morse's margins of 10%+ have always been the exception to the rule in their market area.

Comment. It looks to us that Morse will be the first company to achieve a ***System House* Boring Award** on the day their shares start trading. They have not had a single earnings reversal since 1988. ***A fantastic achievement.***



Synstar

Synstar (integrated services and solutions, and business continuity) floated on the main market on 26th Feb. 99 at 165p, which valued them at c£270m. The placing of c87m shares raised £144m for shareholders and the company, allowing Synstar to repay £84m debt. Synstar (or **Granada Computer Services** as they were then known) was an MBO from Granada Group in Oct. 97 for £89m plus a further £8m dividend. At the time we thought the price paid *"amazingly high"* - but we can't be right *all* the time! In FY98, Synstar had revenues of £164.4m and operating profits of £9.4m.

Footnote - Synstar shares closed the first day on 158p - a 7p discount to the placing price.

But it's Goodbye to...Rebus

Rebus "demerged" from insurance brokers CE Heath in Apr. 96 and floated at 88p with a £66m valuation. Results have been solid (but certainly not exciting) since and the share price has been pretty moribund. In our last profile of them in the Dec. 98 *System House* we commented *"we still think that Rebus might be better off as part of a larger group".* We expected a "trade sale" but in the end it was US investment groups **Warburg Pincus** and **General Atlantic Partners** (interestingly both clients of ours!) which offered 182p per share in an agreed bid which values Rebus at £172m. This was a 32% premium to the share price before the likelihood of a bid was announced - a historic PE of 32 and a prospective PE of about 25.

Comment. Both buyers have a fine reputation for long term investment in the IT industry and have the management capable of helping Rebus become a more commercially oriented business.

This is WP's 45th investment in Europe and about one fifth have been in the IT sector. Although not a SCS company as such, given the number of UK SCS companies in which US investors WP have a stake, readers will be interested to note that **Credit Suisse** has taken a 19.9% stake in the group as a whole and has acquired 100% of **WP Asset Management**

Delphi

Another UK quoted company goes with the announcement that **Delphi Group** (IT staff agency best known for its Computer People brand) is to be acquired by Swiss-based **Adecco Group** *"one of the world's largest personnel staff agencies".* The share offer price at 550p (plus a special dividend of another 15p) was a 51% premium and values Delphi at c£167m. Adecco had 1998 revenue of £5.5b, a market capitalisation of nearly £5b but only about £60m revenue was IT related. This deal should more than quadruple that in one go.

At the same time Delphi said that **Metamor Worldwide** was buying its 30.5% stake in **Decan Group** for £25.3m.

Delphi have also announced their results for the year to 31st Dec. 98. Bit academic really in the circumstances. Revenue went up 25% to £344.8m with PBT (after exceptional costs of £3.1m) down from £12.9m to £11.7m. Diluted EPS was static.

Comment. Our views on the IT staff contractor market are well known. Delphi has had more problems than most especially with their disastrous foray into the US and their dashed hopes of a NASDAQ listing. So the takeover is perhaps a blessed relief for shareholders. Interesting that Delphi was trading at 670p at the start of 1998. But all the agencies have fallen sharply in the last period. We now expect another round of consolidation in the sector - with the buyers being predominately non-UK.

Smaller SCS Companies lead winners in February

For the first time in a long while, it was the "smaller" SCS stocks which made the running in Feb. 99. The FTSE IT Index (c30 of the larger stocks) gained just 1.9% whereas our unweighted SCSI Index of >100 stocks gained 7.8%. Also, for the first time, it was the IT staff agencies which, with a 15% gain in Feb., outshone all the other sectors. The "internet effect" still means that Software Products is showing the greatest (+31%) gain in 1999 so far.

25-Feb-99	SCSI Index				4830.88
	FTSE IT Index				1778.80
	FTSE 100				6206.50
	FTSE AIM				821.20
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap				2271.30
Changes in Indices	**SCSI Index**	**FTSE 100**	**FTSE IT Index**	**FTSE AIM Index**	**FTSE Small Cap**
Month (31/1/99 - 26/2/99)	+7.81%	+5.27%	1.87%	-1.64%	+6.57%
From 15th Apr 89	+383.09%	+202.23%			
From 1st Jan 90	+425.04%	+162.76%			
From 1st Jan 91	+582.45%	+187.28%			
From 1st Jan 92	+362.35%	+148.95%			
From 1st Jan 93	+203.14%	+118.04%			+63.71%
From 1st Jan 94	+189.35%	+81.56%			+21.55%
From 1st Jan 95	+222.23%	+102.46%			+30.06%
From 1st Jan 96	+113.90%	+68.23%		-13.87%	+16.98%
From 1st Jan 97	+80.43%	+50.70%		-15.87%	+4.04%
From 1st Jan 98	59.17%	20.85%	77.88%	-17.22%	-1.81%
From 1st Jan 99	22.57%	5.51%	23.02%	2.45%	9.68%

Mondas was the largest riser - up 75% after they announced a £315K contract to build an Intranet connecting up to 20,000 users. **Riva** (+60%), **Lorien** (see p6 - up 53%) and Torex (p2 - up 49%) all put on substantial gains on results announcements. Delphi (+48%) and **Rebus** (+43%) both gain on successful bids - see p13. **JBA** was up 45% as Peter Rigby's SCH bought in.

	Move since 1st Jan 98	Move since 1st Jan 99	Move since 31st Jan 99
System Houses	242%	17%	9%
IT Staff Agencies	87%	9%	15%
Resellers	-13%	13%	4%
Software Products	121%	31%	9%

New management at **Macro 4** (p2) sent them up 41%.
At the other end of the scale, **Staffware** fell 43% after issuing a warning that profit in H2 *"will be lower than anticipated at around breakeven as a result of increased sales and marketing costs"*. **Systems Integrated** was off 35% and **Phonelink** down 27%.

New FTSE100 entrants?

Next month should see **Sema** re-entering the FTSE100. It doesn't look at this stage as if **Misys** will make it this time around. Interestingly, **Sage** (112th), **Logica** (115th), and **CMG** (116th) all look set to enter the FTSE100 in the next year. Indeed Logica thinks they will be in before then. So from zero to five FTSE100 SSCS companies. ***Our industry really has come of age!***

Quantica downbeat?

On the surface IT staff agency/recruitment company **Quantica**'s results were exceptional in its "maiden" full year figures to 4th Dec. 98. Due in no small part to acquisitions, revenue increased 269% to £15.2m, PBT went up well over three-fold to £3.5m with EPS up over five-fold. They don't come a lot better than that. But the share price fell on the day due to what were described as *"downbeat"* comments from the Chairman Tony Gartland (Times 25th Feb. 99).

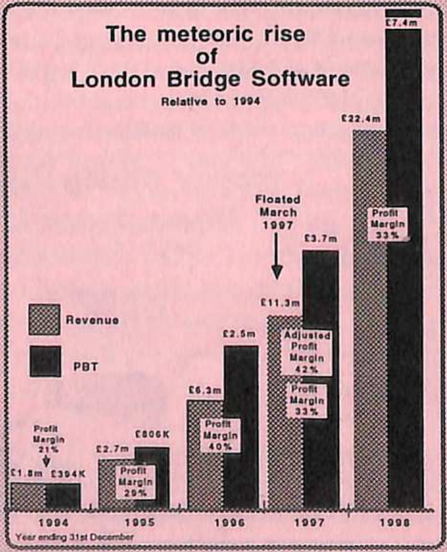
According to the official press release, Gartland said *"The group continues to trade well despite the current uncertainty in the UK climate"*. Well nothing unduly downbeat in that. He then went on to say that acquisitions made during the year have *"added major strengths to our business... have broadened the range of services.... and we expect significant profit improvements in the medium term"*. That's not too downbeat either. He finished with *"The staff share the board's confidence in the business, as many of them are shareholders"*.

Quantica came to the main market in Jun. 98 at 124p. They ended the month down 15% on 52p - a 58% discount to the float price.

London Bridge Software continues its meteoric rise

London Bridge is the *"leading international supplier of software and services for credit risk management"*. They were a new float in Mar. 97 at 200p valuing the company at £47m. Just two years on, they are valued at £498m. Their results have been nothing short of superb.

In the year ending 31st Dec. 98, both revenue and PBT virtually doubled at £22.4m and £7.4m respectively, and EPS was up just over 100%. Revenue is fairly well spread with £7m from Europe, £14.3m US and £1m RoW. But profits are uneven with Europe by far the most profitable at £4.3m, US £3.7m and losses of £569K from RoW. Both year's figures include *"founder's bonus"* of £861K (1997 = £829K) for the establishment of the Asia Pacific subsidiary. The results include four months from the Mortgage Systems Division acquired in Sep. 98 - £3.7m revenue and £800K operating profits - otherwise growth is organic. Software licences now contribute 47% of total revenue, recurring revenues 30% and implementation the remaining 23%. *Just the mix we like.* Of course the figures include nothing from their £15m Hatton Blue acquisition in Jan. 99.



On the future, Chairman Gordon Crawford commented *"1998 has been another year of significant progress in all areas of operations. The Board anticipates that the benefit of the acquisitions, which complement our existing core products, will enhance worldwide revenue and profit growth in 1999 and beyond"*.

Since launch the shares have done remarkably well and ended the month on £17.90p - up 8% in Feb. - and nearly nine-times the float price just two years ago. Brokers expect PBT of £12.7m this year. All in all a superb example of what a UK software company can really do. Despite our initial concerns, we would now promote Gordon Crawford and London Bridge as a shining example to others.

System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	SCS Cat.	Share Price 25-Feb-99	Capitalisation 25-Feb-99	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 25-Feb-99	Share price move since 31-Jan-99	Share price % move in 1999	Capitalisation move since 31-Jan-99	Capitalisation move (£m) in 1999
Admiral	Yes	CS	£12.40	£845.10m	49.8	5.74	44817.96	-2.94%	6.44%	£35.20m	£106.50m
AFA Systems		SP	£1.07	£13.90m	Loss	61.50	887.50	7.58%	-1.84%	£1.40m	£0.20m
AIT Group		CS	£3.15	£66.50m	39.4	4.91	2100.00	30.71%	36.96%	£17.60m	£19.80m
Anite Group	Yes	CS	£0.44	£110.60m	16.3	0.74	254.39	6.10%	8.75%	£9.80m	£12.30m
Azlan Group	Yes	R	£0.53	£62.70m	Loss	0.21	228.26	-17.97%	-14.63%	-£5.80m	-£3.20m
Bond International		SP	£0.91	£12.40m	22.1	1.94	1400.00	-1.62%	-3.19%	-£0.20m	-£0.40m
Cadcentre Group		SP	£2.03	£33.90m	16.9	1.91	1015.00	-9.38%	-19.92%	-£3.30m	-£8.20m
Capita Group		CS	£6.79	£1,207.00m	75.3	5.08	61126.13	20.09%	22.14%	£89.00m	£108.00m
Cedar Group		SP	£1.01	£32.20m	19.1	2.57	961.90	1.00%	4.66%	-£1.30m	-£0.10m
CFS Group		SP	£1.34	£19.30m	31.4	2.83	1488.89	20.72%	34.67%	£1.70m	£3.50m
Clinical Computing		SP	£0.35	£8.41m	20.0	2.78	278.23	-15.85%	-5.48%	-£1.89m	-£0.75m
CMG	Yes	CS	£18.05	£2,177.00m	74.3	7.19	12448.28	-2.43%	18.36%	-£192.00m	£224.00m
Compel Group	Yes	R	£4.54	£149.00m	18.7	0.71	3632.00	2.25%	14.07%	£14.90m	£35.20m
Computacenter	Yes	R	£5.18	£964.60m	22.2	0.85	772.39	-13.61%	17.61%	-£95.40m	£185.80m
Comino		CS	£2.34	£31.40m	16.5	2.39	1796.15	15.31%	12.53%	£4.50m	£3.80m
DCS Group	Yes	CS	£6.25	£140.60m	35.2	2.35	10416.67	15.00%	15.74%	£14.50m	£15.90m
Delcam		SP	£0.54	£3.04m	4.1	0.21	205.77	5.94%	15.05%	£0.06m	£0.30m
Delphi Group	Yes	A	£5.57	£163.20m	19.7	0.47	2290.12	48.40%	55.66%	£53.00m	£58.10m
Diagonal	Yes	CS	£11.25	£220.10m	44.5	3.14	4090.91	12.22%	16.88%	£18.60m	£26.60m
Dialog Corporation		O	£0.69	£108.30m	Loss	2.35	622.73	-10.46%	18.10%	-£7.50m	£20.50m
Division Group		SP	£0.40	£27.50m	Loss	4.57	987.50	1.94%	64.58%	£0.50m	£10.80m
DRS Data & Research		SP	£0.13	£4.33m	Loss	0.64	113.64	-3.85%	-1.96%	-£0.17m	-£0.08m
Druid Group	Yes	CS	£15.25	£353.80m	64.2	8.71	5545.45	4.27%	15.75%	£18.90m	£52.10m
ECSoft		SP	£19.18	£222.90m	38.4	3.58	1061.15	-6.23%	3.65%	£0.00m	£21.20m
Electronic Data Proc		SP	£0.64	£16.00m	10.2	1.39	1959.58	-3.76%	-5.19%	-£1.40m	-£1.70m
Eidos		SP	£14.38	£228.80m	9.0	1.67	14375.00	22.34%	52.93%	£36.60m	£68.10m
FI Group	Yes	CS	£3.53	£712.80m	69.9	4.41	7500.00	-5.11%	7.31%	-£33.20m	£53.20m
Financial Objects		SP	£3.32	£108.10m	36.3	6.78	1441.30	9.23%	35.31%	£0.00m	£20.80m
Flomerics Group		SP	£1.60	£4.16m	26.5	0.72	1230.77	0.00%	3.23%	£0.00m	£0.13m
Gresham Computing		CS	£1.38	£47.00m	24.0	5.41	1478.49	-1.43%	35.47%	-£2.10m	£11.30m
Guardian iT	Yes	CS	£5.88	£294.40m	65.3	9.91	2303.92	-5.62%	23.68%	-£24.30m	£51.20m
Harvey Nash Group		A	£3.83	£95.90m	21.9	1.72	2185.71	26.45%	23.39%	£10.60m	£8.50m
Highams Systems Servs		CS	£0.71	£12.30m	11.9	0.49	1958.33	-6.00%	-17.06%	-£1.90m	-£3.70m
ICM Computer		CS	£2.66	£51.00m	21.3	1.42	1475.00	6.84%	4.73%	£3.80m	£2.70m
ilion Group		R	£0.84	£16.70m	10.7	0.08	521.88	39.17%	47.79%	£1.60m	£2.50m
Intelligent Environments		SP	£0.86	£25.00m	Loss	5.63	914.89	-9.47%	93.26%	-£4.40m	£11.20m
Internet Technologies		CS	£1.29	£62.20m	n/a	5.65	6425.00	35.26%	-23.51%	£32.80m	£19.50m
I S Solutions		CS	£2.55	£12.20m	29.3	1.39	1902.99	8.51%	24.39%	£0.90m	£2.36m
ITNET	Yes	CS	£4.79	£326.90m	69.4	4.00	1368.57	2.90%	1.38%	-£0.30m	-£5.30m
JBA Holdings	Yes	SP	£1.36	£48.50m	30.9	0.22	850.00	44.68%	-26.49%	£13.80m	-£19.40m
JSB Software	.	SP	£2.48	£23.70m	n/a	7.05	1240.00	5.53%	20.98%	£1.40m	£4.20m
Kalamazoo Computer		SP	£0.33	£14.40m	Loss	0.22	928.57	-19.75%	-17.72%	-£3.00m	-£2.50m
Kewill Systems	Yes	SP	£16.38	£211.10m	34.9	4.68	6472.33	11.02%	28.43%	£13.40m	£40.30m
Logica	Yes	CS	£6.43	£2,435.00m	62.4	5.15	8798.94	3.21%	22.97%	£135.00m	£506.00m
London Bridge Software	Yes	SP	£17.90	£497.80m	90.5	22.25	8950.00	8.16%	39.03%	£1.30m	£116.70m
Lorien		A	£1.73	£27.90m	21.6	0.20	1725.00	53.33%	17.75%	£5.80m	-£0.80m
Lynx Holdings	Yes	SP	£2.14	£230.90m	24.7	1.28	5350.00	15.68%	7.81%	£33.10m	£18.70m
M-R Group		CS	£1.08	£59.40m	13.2	1.27	428.57	2.37%	6.40%	£0.50m	£2.80m
Macro 4	Yes	SP	£6.30	£104.40m	19.0	4.31	2540.32	40.78%	85.29%	£16.20m	£37.40m
MDIS Group	Yes	CS	£0.40	£85.70m	21.0	0.73	153.85	-12.09%	-13.04%	-£11.10m	-£12.20m
Merant	Yes	SP	£1.21	£199.60m	17.2	2.06	581.99	3.88%	16.43%	£33.00m	£51.00m
Microgen Holdings		CS	£1.23	£56.50m	13.9	0.81	523.50	-2.78%	-10.58%	£1.70m	-£3.10m
Misys	Yes	SP	£5.97	£3,600.00m	38.3	8.04	7424.27	-6.65%	36.48%	£4.00m	£1,140.00m
MMT Computing	Yes	CS	£7.13	£90.00m	15.4	2.45	4241.07	19.25%	-24.00%	£18.30m	-£22.50m
Mondas		SP	£0.89	£10.90m	Loss	36.70	1180.00	75.25%	75.25%	£4.54m	£4.54m
Moorepay Group		CS	£2.60	£28.10m	28.8	5.32	4387.76	4.00%	13.04%	-£1.10m	£1.20m
MSB International	Yes	A	£2.24	£47.90m	6.4	0.37	1178.95	-4.48%	-34.12%	£0.10m	-£21.50m
MSW Technology		CS	£1.44	£11.90m	39.5	4.09	1479.38	13.89%	34.74%	£1.60m	£3.17m
NSB Retail Systems		SP	£2.60	£28.30m	30.3	8.62	2260.87	32.32%	52.94%	£6.70m	£9.60m
Oxford Molecular		SP	£0.37	£31.30m	Loss	2.00	456.25	-5.19%	-24.74%	-£2.20m	-£10.80m
Parity	Yes	A	£6.60	£337.20m	27.7	1.67	36666.53	11.39%	15.28%	£45.10m	£55.00m
Pegasus Group		SP	£2.30	£16.10m	10.0	1.29	626.70	-7.07%	-23.97%	-£1.20m	-£5.10m
PhoneLink		O	£0.31	£22.30m	Loss	6.96	196.77	-26.51%	10.91%	-£6.20m	£3.40m
Policymaster		SP	£2.03	£28.60m	47.0	3.27	1350.00	2.53%	6.86%	£0.80m	£1.90m
Proteus International		SP	£0.34	£25.20m	Loss	141.57	404.76	-4.23%	-4.23%	-£1.10m	-£1.10m
Quality Software Prods		SP	£4.50	£41.50m	16.0	1.48	1184.21	32.35%	26.76%	-£4.70m	-£6.80m
Quantica		A	£0.52	£23.90m	7.7	1.58	419.35	-14.75%	-28.77%	£0.10m	-£4.50m
Rage Software		SP	£0.16	£35.40m	44.3	9.78	596.15	7.08%	87.88%	-£0.60m	£15.30m
Real Time Control		SP	£5.55	£36.80m	16.0	2.32	11326.53	11.00%	15.03%	£1.80m	£3.00m
Rebus Group	Yes	CS	£1.79	£164.70m	28.2	1.88	2034.09	42.63%	57.02%	£48.60m	£59.20m
Recognition Systems		SP	£0.16	£11.60m	Loss	14.72	225.00	18.87%	57.50%	£1.81m	£7.91m
Riva Group		SP	£0.38	£11.90m	14.5	0.17	266.52	59.57%	10.29%	£4.36m	£1.00m
RM Group	Yes	CS	£6.04	£553.70m	75.6	4.23	17242.86	-2.11%	30.20%	-£6.70m	£132.80m
Rolfe & Nolan		SP	£2.01	£26.60m	Loss	1.23	2392.86	-4.96%	14.86%	-£1.50m	£3.30m
Romtec		CS	£0.69	£3.63m	16.7	0.86	1096.00	3.01%	-10.46%	£0.11m	-£0.42m
Royalblue Group	Yes	CS	£5.21	£142.50m	61.3	4.83	3064.71	29.44%	55.52%	£30.60m	£49.40m
Sage Group	Yes	SP	£20.38	£2,378.00m	72.3	12.41	78365.38	6.68%	29.78%	£163.00m	£557.00m
Sanderson Group		CS	£1.77	£83.30m	14.7	1.13	3012.77	13.10%	15.31%	£8.80m	£10.20m
SBS Group		A	£2.13	£18.70m	17.2	0.52	2125.00	4.94%	7.59%	£0.90m	£1.30m
Science Systems		CS	£2.04	£36.00m	28.0	1.94	1577.52	2.01%	30.03%	£2.10m	£9.40m
Sema Group	Yes	CS	£7.25	£3,298.00m	58.4	2.64	9119.50	6.46%	22.67%	£161.00m	£574.00m
Sherwood International		CS	£16.43	£138.20m	56.5	4.60	13687.50	22.80%	21.22%	£12.50m	£10.80m
Skillsgroup	Yes	CS	£2.53	£205.80m	26.1	0.55	1134.53	12.69%	39.39%	£21.00m	£56.40m
Spring		A	£1.65	£245.80m	18.3	0.88	1833.33	-8.33%	13.40%	-£14.50m	£35.40m
Staffware		SP	£1.50	£22.50m	17.4	1.28	666.67	-42.64%	-43.93%	-£10.70m	-£11.50m
Superscape VR		SP	£1.76	£22.50m	Loss	5.33	888.89	5.71%	-9.04%	£2.00m	-£1.30m
Systems Integrated		SP	£0.28	£3.62m	Loss	2.90	239.13	-35.29%	254.84%	-£2.08m	£2.58m
Tetra		SP	£2.45	£60.20m	Loss	1.99	1531.25	30.67%	34.99%	£13.00m	£14.50m
Torex Group		SP	£1.54	£41.90m	22.6	1.92	2990.29	48.79%	74.01%	£8.40m	£13.20m
Total Systems		CS	£0.57	£6.24m	8.2	1.51	1066.04	17.71%	-4.24%	£1.25m	£0.10m
Touchstone		SP	£1.24	£9.46m	17.9	1.54	1176.19	19.32%	8.81%	-£0.64m	-£1.64m
Trace Computers		SP	£1.47	£21.70m	17.4	1.48	1172.00	3.53%	19.59%	£0.90m	£3.70m
Triad Group		CS	£5.78	£146.20m	28.3	4.55	4277.78	19.69%	8.45%	£24.60m	£12.00m
Ultima		R	£0.04	£5.16m	17.9	0.08	91.46	0.00%	0.00%	£0.00m	£0.00m
Vega Group		CS	£5.63	£90.20m	30.7	4.02	4610.66	0.00%	45.16%	-£0.40m	£27.80m
Workplace Technologies		CS	£1.89	£54.20m	26.6	0.82	1077.14	-0.79%	-4.31%	-£0.90m	-£2.90m
Xavier Computer Group		R	£0.16	£14.10m	15.3	0.87	1600.00	12.28%	8.47%	£0.00m	-£0.40m
Zergo Holdings		SP	£7.70	£188.40m	Loss	14.40	7897.44	17.56%	79.07%	£10.20m	£110.40m

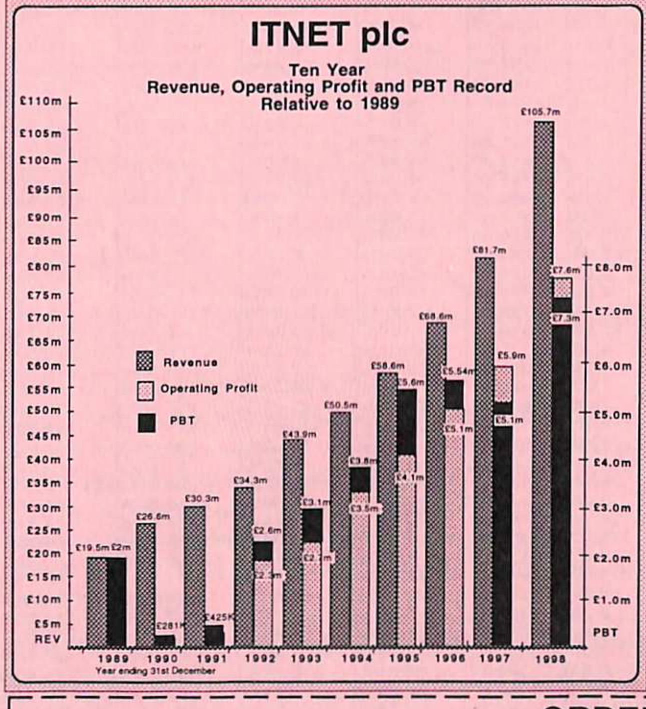
Note: Main *System House* SCS Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.

Category Codes: CS= Computer Services **SP** = Software Product **R** = Reseller **A** = IT Agency **O** = Other

ITNET lives up to expectations?

It could, it should, have been a day for celebration at **ITNET** after maiden results for the year to 31st Dec. 98 showed revenue up 29% at £105.7m, PBT up 44% at £7.35m operating profits up 28% at £7.6m and EPS up 57% at 6.9p. Unfortunately, we (like others) compared this to ITNET's brokers **Dresdner Kleinwort Benson**'s forecasts issued on 23rd Dec. 98 and found them below expectation. The shares dived 13% in early trading on the 26th Feb. A *"clarification"* was soon winging its way around the City saying this was based on proforma numbers and contained a *"mathematical error"*. DKB's Mark Loveland officially reported *"these are a good set of numbers and were ahead of our expectations"*.

They were indeed good....in parts. The "core" Infrastructure Outsourcing operation only managed an 8.7% growth to £52.3m. But the "newer" Application Management operation grew 38% to £31.1m and BPO nearly doubled to £18.2m. Anyway ITNET is a Quality act with Quality long term contracts. It may not excite but it sure is secure.



Fabulous reception for Perot

Perot Systems' IPO on the NYSE was a huge success. Launched at $16 (after several prior price hikes by the underwriters), the shares more than doubled to end the first day on $43.50 - a capitalisation of $3.65 billion (and nearly four-times revenue). Demand was totally underestimated and the 172% first day rise was the biggest one day gain on the NYSE. They ended the month on $40 a "mere" 150 % premium.

Lacklustre performance from Groupe Bull

Bull's results for FY98 are lacklustre to say the least. Revenue went up 1.4% to FFr24.9 billion with net profits down 2.4%. Profits were affected by two main factors; falling revenues in Asia, Russia and Brazil combined with lower exceptional profits of $33m (down from $60m). But exceptionals should be up again in 1999 due to the sale of the Ingenico EFTPOS terminal business. The only good news is the increase in revenues from services which went up 7.4% and now account for 44% of the total.

Better at IBM Global Services

IBM Global increased sales by 21% to $23.4 billion in 1998. They concentrate on six areas; e-commerce, logistics optimization, FM, client relationship management, business process re-engineering and the Internet.

Software and Computing Services Industry in Europe

Our latest (sixth edition) analysis of the markets and players throughout Europe is published in its entirely this month. Many of you have already ordered your copy - indeed pre-publication orders have exceeded the total for the last edition...*so you must like it!* We have included a brochure in this mailing for those companies that haven't seen the light yet.

We will carry a summary next month, but just to say that in 1998 the UK's 24% growth was the highest in Europe. Germany grew 19%, France 15%, Italy 13%, Scandinavia 15% and Holland 14%. By one of those coincidences that could only be credible because the forecasts are produced by different research companies in each country, almost every country in Europe is forecasting a 12% growth rate in 2002. *Perhaps that's what a unified Europe actually means!*

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