

System House

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UK Subsidiaries were World Stars in 1998

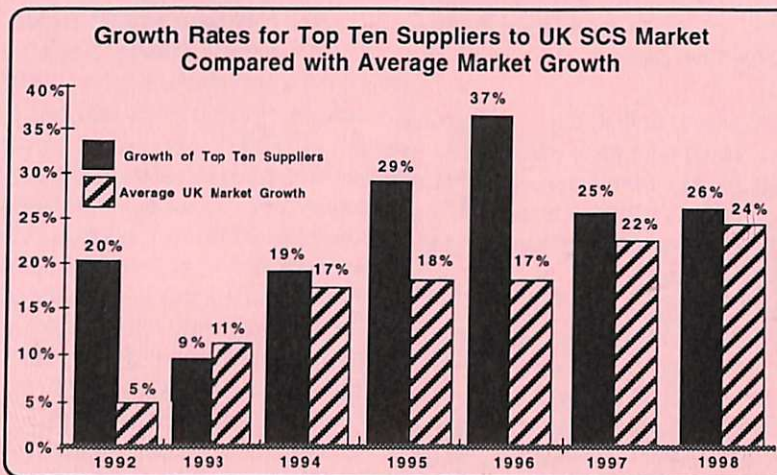
For practically every year of the 1990s, we reported "*The big getting bigger and bigger*" as the UK growth rates of the very largest SCS companies exceeded average market growth. They achieved this by a combination of organic growth, acquisitions and major outsourcing wins. That gap narrowed sharply in 1997 and 1998. But growth of 26% against an industry growth of 24% is pretty exceptional anyway. For many years there have been no UK-owned SCS companies in the Top Ten list of UK SCS providers, but UK subsidiaries have been the star performers for a number of US and French companies. **EDS UK** had topped the £1 billion mark in 1998, making the UK the best performing country for EDS - which put in a decidedly lacklustre performance overall.

How many of the 5,200 EDS employees set to lose their jobs will come from the UK remains to be seen. Recent outsourcing wins, plus the EDS/MCI deal which means SHL Systemhouse activities in the UK moving to EDS, will further boost revenues in 1999. But EDS is now joined by **IBM UK** in the £1 billion club. IBM Global Services in the UK was, again, the best performer in IBM worldwide. Revenues are expected to grow 30% in 1999 as recent "mega" outsourcing deals (e.g. C&W) kick in. Indeed IBM could well rival EDS for the #1 position in the UK - just as IBM has assumed that crown worldwide.

But the star award this year must surely go to **Cap Gemini UK** in Alwyn Welch's first year as CEO. The 54% growth boosted UK revenues to nearly £600m. The fastest growth was in outsourcing - up 67% at £360m - where the £400m/10 year deal signed in early 1998 with British Steel clearly helped. Their second largest area - systems

integration - also grew by 55% to £182m. The UK results were reflected at the group level too. Indeed, Cap Gemini shares have been amongst the hottest on the Paris Bourse and continue to receive rave notices from leading analysts. Conversely, at the headline level, **Sema's** UK revenues declined. This was because of its sale of BAeSema. The continuing UK business grew by 25%.

But the strong UK growth was not experienced by all the players. Services growth at **Compaq/Digital** (combined for the first time) was lacklustre. Indeed, in the wake of CEO Eckhard Pfeiffer's departure this month, many analysts cited Compaq's inability to capitalise on Digital's services operations. Maybe the only answer now is to spin out Compaq Services.



Perhaps one of the continuing lessons of this year's Top Ten is the product/services divide. The fastest growth has come from the conventional services providers. Indeed, even at IBM it wasn't until they acquired Data Sciences that IBM really got their services act together in the UK. *Perhaps ICL and Syntegra should have followed that path too.*

Footnote

Hopefully most readers are by now aware of the "methods" we used to obtain these figures. Most of them are "exclusive" to us for the reason that they are solely Holway estimates

rather than official figures. We are most grateful to everyone who has unofficially helped us to get them as accurate as possible. However, the very fullest revenue (and in most cases profit) analyses of the Top Ten - plus another 400 - leading players on the UK SCS scene are contained in the upcoming 1999 Holway Report. See enclosed brochure or p12.

Software and Computing Services							
Top Ten Suppliers of Software and Computing Services to UK Market in 1998							
Note: Excludes hardware, operating software and own hardware maintenance and associated support							
Note: Revenue relates to Financial Year ending in 1998 - NOT Calendar Year 1998							
1998 Rank	Company	Nationality	1998	1997	1997 Rank	1998	Growth 1997/98
1	EDS UK	US	£765m	£1,000m	1	£1,270m	27%
2	IBM - UK SCS	US	£600m	£800m	2	£1,100m	38%
3	ICL - UK SCS	Jap	£575m	£620m	3	£750m	21%
4	CAP Gemini (UK)	FR	£320m	£386m	6	£596m	54%
5	Andersen Consulting UK	US	£350m	£445m	5	£545m	22%
6	Computer Sciences Corp (CSC) UK	US	£323m	£380m	7	£500m	32%
7	Microsoft UK	US	£260m	£343m	8	£450m	31%
8	Oracle UK	US	£234m	£335m	9	£440m	31%
9	Sema Group	UK/FR	£361m	£476m	4	£419m	-12%
10	Compaq/Digital UK (SCS)	US	£160m	£270m	15	£310m	15%
Strictly © 1999 Richard Holway Limited			Overall growth	25%			26%

News from the IT Staff Agencies

Our views on the prospects for the UK IT staff agency sector are well known. Basically, we believe that any even minor downturn in demand for IT (which everyone agrees will happen post Y2K), will have a magnified effect on this sector. Share prices and valuations have crashed in the last twelve months. Some blame us directly. But we have to say "the chickens are now coming home to roost..." A miscellany of results and announcements to illustrate the point...

Parity to distance itself from its IT staff agency activities?

PARITY

Parity shares were down 3% at 683p this month on news of a new holding company and a 3-for-1 share issue. Parity will separate its IT staff operation from its high quality solutions (consulting) business. As we have reported before, Parity Solutions with its £155m revenue and profits of £13.6m, would command a value at least equal to Parity's current market value of £337m all on its own. IT services companies (like Admiral, Logica etc.) have average P/Es of 37 and average PSRs of 3.2. On both criteria, Solutions on its own would be worth more than £337m. Conversely IT staff agencies have average P/Es of 15 and average PSRs of just 0.75.

So the new Parity structure allows, at first, these valuations to be more transparent but could ultimately allow Parity to sell its Resources operation. At, say, a valuation of 75% of its £135m annual revenue, that's c£100m. which, with the comments on Solutions above, makes the valuation of the whole of Parity currently look decidedly light.

IT Staff Agency Glotel for IPO?

Glotel (an IT staff agency - better known under their Comms & PC People brand) is contemplating an IPO via a placing by HSBC "in the next few weeks". Glotel expects revenues of £101m and profits of £44m in the year to 31st Dec. 99 - up from £67m in FY1998. Indeed, Glotel is another example of the incredible growth in IT staff agency companies. Revenues in FY94 were just £8m! On the basis of our research, Glotel would be lucky to gain a valuation of much more than £50m.

Quantica warns of downturn

It was only nine months ago in Jun. 98 that IT staff agency Quantica came to AIM at 124p. They currently stand at just 42p. A statement issued this month warned of a downturn in

their training business resulting in "trading profits being weighted towards the second half".

SBS Group reports little growth in contractor numbers

SBS Group (an IT staff agency) was an AIM IPO in Jun. 97 at 100p. They have done well; but fell 6% to end April on 185p. Latest interim results for the six months to 28th Feb. 99 show revenues up 150% at £28.3m. 53% (£15m) was from the UK - 35% from Cont. Europe and the rest from USA. PBT was up 158% at £1.4m and EPS doubled to 9.6p. Operating margins were a pretty industry average 5.5% - down a tad on last year. However, much of the growth was due to acquisitions. The JCC acquisition in Mar. 98 doubled their size and they also acquired Quest Recruitment in Jun. 98 Even so "organic growth was a healthy 42.5%".

Clearly, these results are good. But we always expected good results for 1998/99. Perhaps as an indication of the future, the number of contractors on assignment increased very little - from 602 in Aug. 98 to 627 now. But SBS reports "unusually strong demand" and believes "the outcome for the second half will be entirely satisfactory".

Harvey Nash reports "sudden weakening"

IT staff agency Harvey Nash has boosted PBT by 70% to £8.87m on sales up 88% to £104.85m in the year to 31st Jan. 99. Diluted EPS was up from 12.33p to 19.29p. MD David Higgins confirmed that there had been "a sudden weakening in the latter part of 1998" but market conditions have started to recover "although cautiously". He expected companies to take a cautious view of IT investment in 1999 as the millennium approaches.

Harvey Nash shares actually rose 6% in April to end on 328p. An IPO in May 97 at 175p, they are still showing a healthy premium. However they were 450p just a year back.

Lorien warns again

Chairman Bert Morris had the unpleasant task of delivering further bad to Lorien shareholders at their AGM. Following on from the earlier profits warning, the level of restructuring "is even greater than anticipated" and now expects PBT of "considerably less than the £4.8m reported last year". He confirmed that their IT resourcing activities had experienced "a slowdown in growth". Lorien shares fell another 11% in Apr. to 130p - a far cry from their 12-month high of 800p.

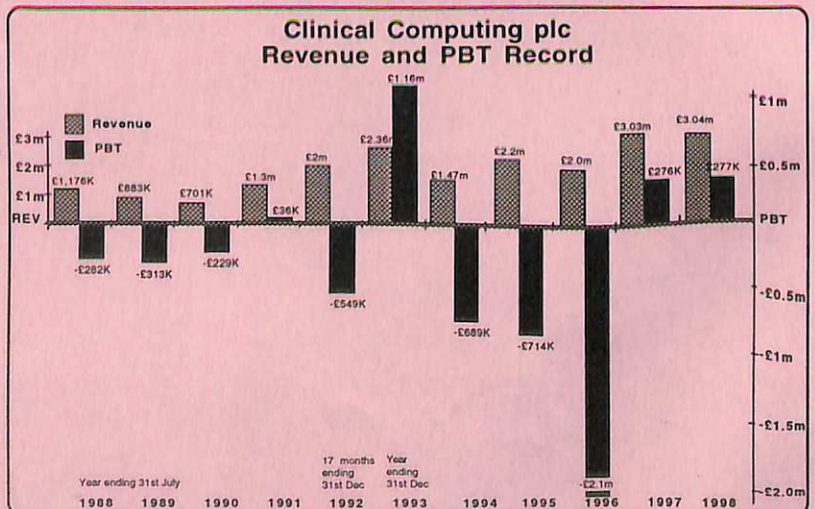
And then there is MSB...see next page.

Clinical Computing - a new issue disaster story....

In Sep. 98, Clinical Computing (management systems for clinical departments) issued a profit warning that they had "reduced expectations" due to a decline in product orders. It was therefore no surprise when they announced their full year results to 31st Dec. 98. Revenue was static at just £3m as was PBT at £277K. The bulk of their revenue, £2.4m or 77%, comes from the US with only £634K from the UK.

According to Chairman M Gordon & CEO J Richardson "We are growing our Group from its position as the leading provider of dialysis software to that of a provider of state-of-the-art solutions across an entire healthcare organisation. We are totally focused on this challenging task". Challenging indeed. They both admit that progress is slow and that they are taking a "long term" view of the company's future. At least they do have over £2.3m cash in the bank to help progress. Let's hope they are able to launch new products in 1999 and are able to expand into new markets.

Comment. Clinical is a classic new issue disaster story. They were launched at 124p in Feb. 94 and then suffered three years of quite appalling results. At least they are now making some profit. They desperately need to increase sales and then try to get back the trust of investors. The share price rose 30% in April to end on 44p - but still a far cry from the placing price.



Until 1998, IT staff agency **MSB International** had prospered to say the least. They were a new issue onto the main market at 190p in May 96. Their growth (all organic) was superb and the share price rocketed to over £10 in 1998. Indeed, despite our misgivings, Chairman David Sugden just six months back talked about "evidence of the continuing buoyancy of the IT contractor recruitment market" and in Dec. 98 said that although "September and October were slow months, trading in November and December has seen a return to growth in the contractor base". "Notwithstanding the more difficult trading conditions in the City of London, MSB has been experiencing increasing revenues month on month throughout the second half of the year". Well don't say we didn't warn you, so no howls of surprise please.

In Mar. 99, MSB put out a profits warning. Although MSB announced revenues for the year ended 31st Jan. 99 up 49% at £191m, as forewarned, PBT was DOWN 10.6% at £8.1m with EPS similarly down 10% at 27.0p. This profit reduction was due to a £986K interest charge – double that for the prior year – and a £3.5m "restructuring charge". Some £2.4m of these exceptional charges went mainly towards reorganising the sales force – they have already shelled out £1.5m in severance pay to just five managers – and £1.1m to cover a failure to sublease a refurbished vacant floor at their previous premises. But that was only part of the problem. Their Technical Support Division suffered badly as contractor numbers began to decline in Apr. 98 - indeed they were down 5.5% on the year to c1,100 contractors - and turnover for this division 'only' grew 23%. Basically, the Division was victim to bad management, leading to a 'dog-eat-dog' culture that had consultants poaching each others' clients - hence the "restructuring". In contrast, turnover for their Systems & Programming Division increased 74% and the number of contractors rose 9.1% to c1,300

Ahhh - but that was not all. Antiquated (i.e. not Y2K compliant) financial systems and inadequate manual timekeeping procedures had caused trade debt to soar over 60% to £42m. David Sugden commented that "Much has been written about the trends in the UK IT contracting market, particularly the possible effects of recession and Y2K. Neither of these currently appear as significant medium or long-term drivers... **Some commentators** (Ed: We wonder who?) are **rightly** pointing to the rapid evolution of this very young market sector which has experienced dramatic growth since its emergence in the early 1990s. Over the period, MSB has established an unrivalled organic growth record within the IT recruitment sector, achieving 91% compound growth over the last five years".

MSB is upgrading its infrastructure and moving into value added services. This investment will have "an inevitable adverse effect on profits in the year to 31st Jan. 2000". Their newly opened Manchester office "will lose c£500K in 1999". The decline in contractor numbers in Technical Support Division should be turned around in Q399. They are now on the lookout for acquisitions, especially in Germany and Benelux. "Our intention is to report to shareholders as soon as possible that the business has been repositioned for soundly-based long term growth". **Comment.** We don't need to tell you that MSB's problems are not of the 'quick fix' variety. Not only did they misjudge how quickly the IT contractor market would fall flat, their internal systems and processes were not up to the job - victim to the success of their meteoric growth. As MSB acknowledged "major corporate transformations are never without risk". MSB ended Apr. 99 at 238 - up 39% and just a 25% premium on their issue price.



Note - The 1999 Holway Report contains a detailed review of the market sizing, lead players, valuation and outlook for the IT staff agency sector

...Disaster at Delcam too

Delcam (developer and supplier of CAD/CAM software products) was a new AIM issue in Nov. 97 at 260p. Like **Clinical** (see p2), theirs is another new issue disaster story. In their latest results for the year ended 31st Dec. 98, revenue fell 6% to £13.7m and the previous PBT of £504K was transformed into a loss before tax of £1.4m. These figures include a provision of £914K to cover potential overseas bad debts and some restructuring. The "unexpected severity of the recessions in the Far East" and the "collapse of the economy in Russia" are blamed. Mind you sales in the US "experienced a slowdown" - we didn't think this market was in recession or on the point of collapse! Likewise "loss of confidence" in the UK impacted on sales. Delcam now say that Q199 management figures indicate a return to profit following a "marked improvement" in H298 with sales in the period up on the comparable Q198.

Tom Kinsey had adopted a new brand of Chairman's statement. "We expect the improvement in sales performance to continue into the second quarter and for the rest of the year. Much will depend on there being reasonable stability in overseas markets and no further downturn in the UK market. Assuming no deterioration in these areas, we are cautiously optimistic".

Delcam's share price performance has been pretty disastrous since the float. After being decimated to just 29p last November, they have recovered to end the month on 84p - a hefty discount to the IPO price.

Syan Ltd - a London IPO soon?

Syan, "The Specialists in AS/400 Outsourcing and Automation" has grown rapidly over the last few years although is focused "on being margin driven as distinct from revenue driven" (we do hope that this comment does not come back to haunt them in the future as it has others!).

In their record year to 31st Dec. 98, revenue increased substantially from just £6.7m to £17.6m - but this was mainly due to the change in the IBM relationship. In Mar. 98 they changed from being an IBM Business Agent to an IBM Reseller, so hardware is now passed through their books. Profits increased over three-fold to £2.5m - a really excellent 14.3% margin. Chairman Jeff Trendell said "The market for quality IBM mid-range outsourcing solutions was very buoyant in 1998 and is likely to continue to grow in 1999... Prospects for 1999 in all operating divisions are encouraging... The Board is considering a full listing on the London Stock Market so as to further enhance the company's market credibility and to assist in growing the business by acquisition".

Solid revenue growth at JBA Holdings

All our recent reviews of **JBA** (ERP software) have been on the negative side after a rash of profit warnings and a share price in freefall. After all we had to strip them of their coveted *System House Boring Award* last year. They have now had a management shake-up too. Although the latest results for the year ending 31st Dec. 98 show the previous PBT of £5.2m turned into a pretax loss of £1.7m (but they still have to pay £5.7m tax due to exceptionals), at least the positive news is that revenue increased 32% to £291.5m. Revenue on continuing activities rose a lower, but still acceptable, 25% to £214.7m. Of course the overall picture is clouded by a number of factors:-

Gross profit was only slightly down at £70.1m. Continuing ops in 98 lost £15.4m (profit £6m before), exceptional gains in 98 were net £12.8m (from the sale of discontinued businesses) against a net exceptional loss of £115K before. And we gather that, although not shown separately, JBA also wrote off one-off non recurring costs of £8m in the year arising from a review of a number of existing contracts.

JBA's Professional Services revenue from each region "was very strong" and each country "exceeded budget". Software Products revenue performance "was far more patchy" with large corporate deals "proving elusive". Some of their specialised industries "were relatively flat" with the exception of Apparel, Footware, Automotive and Electronics where there was "substantial growth". For the future, JBA intends to concentrate on added value services such as Business Process Optimisation and Internet

Trading Systems. Geographically again JBA had mixed fortunes; USA where the absence of a President (now resolved) caused "a negative impact", Asia Pacific made "good progress" with sales 33% up despite the economic climate, Eastern Europe "revenues almost doubled and profits trebled", Northern Europe "UK profits fell below forecast" but the region "has a large order book entering 1999", Central Europe "poor performance" but now has a new MD, Western Europe (mainly France) "performed very well with a strong order book" and finally South Africa "disappointing" and is "under review".

Chairman (still) Alan Vickery said "In line with most ERP vendors, 1998 was a very disappointing year for JBA. Traditionally December has always been a very good month... in fact it was poor with a £17m shortfall in the expected product revenues of £40m... Despite this, some very positive things did happen in 1998. Overall ERP revenues were up 27%... The balance sheet is strong.. We therefore have the comfort of knowing we have the resources to follow through with vigour on our 1999 budget".

The big plus for JBA, and one of the main reasons for the part recovery in the share price, is current trading. "The cumulative results for January & February are very pleasing with revenues ahead 24% to £26m... Overall the trading position although a loss, as Q1 is always weak, is a million ahead of budget... A combination of cost control and management focus on our key areas leads me to be confident about JBA's prospects in 1999" according to the new CEO Ken Briddon. The shares have recovered somewhat but are still down so far in 1999 by 22% at 144p - and don't forget they had a high of over £12.50 in 1998.

Analysts in general were split. WestLB Panmure thinks they need to move to a new service model with "more fervour" and they have doubts that JBA has a long term future without achieving the necessary critical mass. But Nomura thinks "there is the makings of a recovery" but "there is a danger that the ERP market could fall further still". Time will tell.

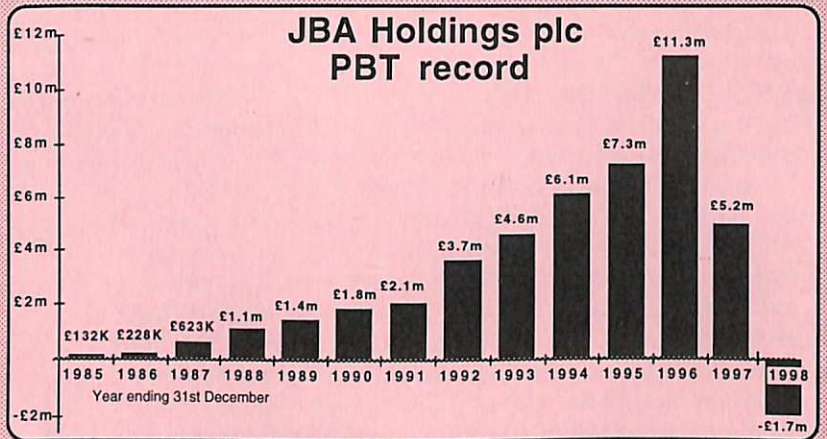
Preliminary results from Xpertise Group

Xpertise is a UK training company with operations in the North West, Midlands and the North East. They were formed via a shell company, **Dalkeith Inns**, who acquired **Expertise Group** for £4.15m in Jan. 99 through a reverse takeover from **Datrontech**. Results (May 98 to Jan. 99) show losses of £31K with no revenue as the takeover took place on the last trading day.

Chairman Clive Richards commented that "The group is continuing to see a strong demand for training services... the company is committed to expand organically both from its current locations and new geographic areas whilst continuing to seek suitable acquisition opportunities in IT training and related businesses".

Voss Net

AIM-quoted **Voss Net** provides internet consulting services. Results for year to 31st Dec. 98 show revenues down a tad at just £574K and losses doubled to £244K. But as an internet stock, you will not be surprised to learn they have a market valuation of £4.6m.



Gresham, Six acquisitions and a not-so-new COO

Gresham has just made its sixth acquisition during the last twelve months with the purchase of **SIM Group** for a maximum of £10m. This group comprises **SIM Group**, **Systems Integration Management** and **SOFTTech Tools**. Consideration is part cash, part shares with £4m deferred. Barclays are providing Gresham with a new £3m loan towards the cash element. The **SIM Group** specialise in software testing - they are a 'solutions' company - and had 1998 total revenues of £4.7m and a PBT after exceptionals of £195K.

(Note - Also interested to see Martin Greenbank appointed as COO at Gresham. He was FD at Performance Software (when Richard Holway was Chairman and Gresham's Martin Read was CEO) and was then CFO at Cyrano post the acquisition... All it now takes is for Holway to become Chairman at Gresham and the time warp is complete!)

Gresham's share price ended April down 15% at 151p.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc				Electronic Data Processing plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Sep 97	Final - Sep 98	Comparison		
PBT	£ 117,191,000	£ 147,187,000	+25.6%	PBT	£ 12,565,000	£ 11,518,000	+8.3%		
EPS	£ 17,552,000	£ 23,479,000	+33.8%	EPS	£ 1,741,000	£ 2,210,000	+26.9%		
	17.50p	24.90p	+42.3%		4.50p	5.89p	+30.9%		
AFA Systems plc				F.I. Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparison	
PBT	£ 226,000	£ 809,000	+258.0%	PBT	£ 71,200,000	£ 161,595,000	£ 108,900,000	+52.3%	
EPS	-£ 1,801,000	-£ 1,444,000	Loss both	EPS	£ 4,300,000	£ 10,670,000	£ 7,500,000	+74.4%	
	-16.80p	-11.80p	Loss both		1.66p	4.46p	2.62p	+57.8%	
AIT Group plc				Financial Objects plc					
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
PBT	£ 6,710,000	£ 13,558,000	£ 18,430,000	+27.5%	PBT	£ 15,937,000	£ 21,662,000	+35.3%	
EPS	£ 958,000	£ 2,164,000	£ 1,262,000	+31.7%	EPS	£ 2,015,000	£ 3,438,000	+70.6%	
	3.33p	7.17p	4.17p	+25.2%		7.54p	8.98p	+19.1%	
Anite Group plc				Flomerics Group plc					
REV	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
PBT	£ 78,948,000	£ 149,540,000	£ 81,101,000	+72.7%	PBT	£ 5,788,456	£ 6,910,105	+19.3%	
EPS	-£ 526,000	£ 29,347,000	£ 3,986,000	Loss to profit	EPS	£ 48,085	£ 384,123	+698.8%	
	n/a	8.90p	1.10p	Loss to profit		0.30p	10.10p	+3266.7%	
Axon Group plc				Gresham Computing plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Oct 97	Final - Oct 98	Comparison		
PBT	£ 10,353,105	£ 20,024,253	not comparable	PBT	£ 8,689,000	£ 23,063,000	+165.4%		
EPS	£ 43,496	£ 1,824,401	not comparable	EPS	£ 667,000	£ 3,003,000	+350.2%		
	0.02p	2.80p	not comparable		1.17p	5.73p	+389.7%		
Azlan Group plc				Guardian IT plc					
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
PBT	£ 140,990,000	£ 292,073,000	£ 153,711,000	+9.0%	PBT	£ 23,026,000	£ 29,693,000	+29.0%	
EPS	-£ 7,897,000	-£ 7,860,000	-£ 424,000	Loss both	EPS	£ 4,033,000	£ 6,629,000	+64.4%	
	-14.20p	-12.20p	-0.80p	Loss both		5.70p	9.00p	+57.9%	
Bond International Software plc				Harvey Nash Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Jan 98	Final - Jan 99	Comparison		
PBT	£ 6,398,027	£ 8,807,697	+37.9%	PBT	£ 5,205,000	£ 8,869,000	+70.4%		
EPS	£ 718,250	£ 935,378	+30.2%	EPS	£ 12,33p	£ 19,29p	+56.4%		
	3.54p	4.54p	+28.2%						
Cadcentre Group plc				Highams Systems Services Group plc					
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison
PBT	£ 3,249,000	£ 17,727,000	£ 8,788,000	+6.7%	PBT	£ 11,318,000	£ 25,143,421	£ 16,163,000	+42.8%
EPS	£ 841,000	£ 2,754,000	£ 1,367,000	+62.5%	EPS	£ 647,000	£ 1,383,327	£ 782,000	+20.9%
	3.26p	10.06p	4.92p	+50.9%		2.45p	5.08p	3.05p	+24.5%
Capita Group plc				ICM Computer Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparison	
PBT	£ 172,904,000	£ 237,802,000	+37.5%	PBT	£ 17,998,000	£ 35,881,000	£ 18,534,000	+3.0%	
EPS	£ 18,312,000	£ 27,019,000	+47.5%	EPS	£ 1,416,000	£ 2,702,000	£ 1,949,000	+37.6%	
	6.36p	8.78p	+38.1%		5.70p	8.70p	6.70p	+17.5%	
Cedar Group plc				ilion Group plc					
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
PBT	£ 5,320,000	£ 12,506,000	£ 7,250,000	+36.3%	PBT	£ 203,134,000	£ 240,648,000	+18.5%	
EPS	£ 1,054,000	£ 2,564,000	-£ 971,000	Profit to loss	EPS	£ 6,100,000	£ 3,243,000	Profit to loss	
	2.20p	5.30p	-2.30p	Profit to loss		15.10p	-8.80p	Profit to loss	
CFS Group plc				Intelligent Environments Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparison	
PBT	£ 8,828,000	£ 10,989,000	+80.9%	PBT	£ 2,074,000	£ 4,443,146	£ 2,627,000	+26.7%	
EPS	£ 548,000	£ 1,223,000	+123.2%	EPS	-£ 2,046,000	-£ 3,009,417	-£ 874,000	Loss both	
	4.82p	8.33p	+72.8%		-9.20p	-13.30p	-3.20p	Loss both	
Clinical Computing plc				Internet Technology Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Oct 97	Final - Oct 98	Comparison		
PBT	£ 3,025,110	£ 3,033,601	+0.3%	PBT	£ 3,979,188	£ 11,072,000	+177.1%		
EPS	£ 275,564	£ 276,581	+0.4%	EPS	-£ 1,963,293	£ 65,000	Loss to profit		
	1.10p	1.10p	+0.0%		-6.61p	0.12p	Loss to profit		
CMG plc				IS Solutions plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£ 302,992,000	£ 443,832,000	+46.5%	PBT	£ 8,748,076	£ 8,745,833	+0.0%		
EPS	£ 38,467,000	£ 57,482,000	+49.4%	EPS	£ 539,845	£ 942,384	+74.6%		
	19.10p	29.00p	+51.8%		7.42p	13.67p	+84.2%		
Comino plc				ITNET plc					
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
PBT	£ 5,087,000	£ 13,151,000	£ 8,721,000	+71.4%	PBT	£ 81,713,000	£ 105,728,000	+29.4%	
EPS	£ 830,000	£ 1,266,000	£ 1,266,000	+52.5%	EPS	£ 5,099,000	£ 7,346,000	+44.1%	
	4.89p	11.46p	6.94p	+41.9%		4.60p	6.90p	+50.0%	
Compel Group plc				JBA Holdings plc					
REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 97	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
PBT	£ 88,633,000	£ 210,003,000	£ 121,590,000	+40.4%	PBT	£ 221,737,000	£ 291,537,000	+31.5%	
EPS	£ 3,666,000	£ 9,021,000	£ 4,972,000	+35.6%	EPS	£ 5,233,000	£ 1,696,000	Profit to loss	
	8.80p	21.20p	11.30p	+28.4%		9.8p	-20.46p	Profit to loss	
Computacenter plc				JSB Software Technologies plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison	
PBT	£ 1,133,523,000	£ 1,586,233,000	+39.9%	PBT	not available	£ 3,362,000	£ 1,780,000	not available	
EPS	£ 47,099,000	£ 64,603,000	+37.2%	PBT	not available	£ 6,000	-£ 379,000	not available	
	17.50p	23.50p	+34.3%	EPS	not available	n/a	n/a	not available	
DCS Group plc				Kalamazoo Computer Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	
PBT	£ 59,777,000	£ 110,172,000	+84.3%	PBT	£ 33,801,000	£ 85,711,000	£ 32,018,000	+5.3%	
EPS	£ 4,920,000	£ 7,353,000	+49.5%	EPS	-£ 514,000	-£ 2,329,000	-£ 550,000	Loss both	
	15.29p	21.62p	+41.4%		-1.00p	-3.00p	-1.14p	Loss both	
DRS Data & Research Services plc				Kewill Systems plc					
REV	Final - Dec 96	Final - Dec 97	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	
PBT	£ 4,822,000	£ 6,765,000	+40.3%	PBT	£ 19,334,000	£ 45,088,000	£ 27,475,000	+42.1%	
EPS	-£ 1,734,000	-£ 826,000	Loss both	EPS	£ 3,100,000	£ 6,813,000	£ 3,196,000	+3.1%	
	-3.43p	-1.99p	Loss both		14.70p	30.30p	12.30p	+16.3%	
Delcam plc				Logica plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparison	
PBT	£ 14,556,443	£ 13,735,249	-5.6%	PBT	£ 216,256,000	£ 472,957,000	£ 292,392,000	+35.2%	
EPS	£ 504,036	-£ 1,418,549	Profit to loss	EPS	£ 15,517,000	£ 41,825,000	£ 25,551,000	+64.7%	
	7.10p	-23.10p	Profit to loss		3.12p	8.46p	4.88p	+56.4%	
Diagonal plc				London Bridge Software Holdings plc					
REV	Final - Nov 97	Final - Nov 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£ 44,788,000	£ 70,179,000	+56.7%	PBT	£ 11,320,000	£ 22,375,000	+97.7%		
EPS	£ 3,300,000	£ 7,314,000	+121.5%	PBT	£ 3,701,000	£ 7,365,000	+99.0%		
	13.57p	25.30p	+86.4%	EPS	9.87p	19.77p	+100.3%		
Dialog Corporation plc				Lorien plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Nov 97	Final - Nov 98	Comparison		
PBT	£ 48,082,000	£ 170,782,000	+270.6%	PBT	£ 116,980,000	£ 138,407,000	+18.3%		
EPS	-£ 20,432,000	£ 5,564,000	Loss to profit	EPS	£ 1,585,000	£ 2,549,000	+60.8%		
	-20.52p	2.90p	Loss to profit		4.50p	8.00p	+77.8%		
Division Group plc				Lynx Group plc					
REV	Final - Oct 97	Final - Oct 98	Comparison	REV	Final - Sep 97	Final - Sep 98	Comparison		
PBT	£ 6,678,000	£ 6,020,000	-9.9%	PBT	£ 120,782,000	£ 180,870,000	+49.8%		
EPS	-£ 1,783,000	-£ 3,842,000	Loss both	EPS	£ 9,805,000	£ 13,252,000	+35.2%		
	-4.10p	-7.90p	Loss both		6.83p	8.67p	+26.9%		
Druid Group plc				MMT Computing plc					
REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparison	REV	Final - Aug 97	Final - Aug 98	Comparison	
PBT	£ 14,276,000	£ 40,804,000	£ 27,834,000	+35.0%	PBT	£ 24,639,075	£ 36,838,898	+48.3%	
EPS	£ 2,404,000	£ 8,044,000	£ 4,041,000	+68.1%	EPS	£ 5,559,611	£ 10,005,754	+80.1%	
	6.77p	23.37p	11.60p	+71.3%		29.80p	51.60p	+73.2%	
ECsoft Group plc				M-R Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparison	
PBT	£ 44,225,000	£ 82,211,000	+40.6%	PBT	£ 20,820,000	£ 48,822,000	£ 24,280,000	+18.8%	
EPS	£ 4,111,000	£ 8,108,000	+97.2%	EPS	£ 3,000,000	£ 6,902,000	£ 1,380,000	-54.0%	
	34.50p	49.90p	+44.6%		3.80p	9.20p	1.80p	-52.6%	
Eidos plc				MDIS Group plc					
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
PBT	£ 21,817,000	£ 137,234,000	£ 47,586,000	+118.1%	PBT	£ 116,925,000	£ 133,074,000	+13.8%	
EPS	-£ 18,331,000	£ 16,507,000	-£ 18,928,000	Loss both	EPS	£ 221,000	£ 3,966,000	+1694.6%	
	-70.80p	59.80p	-80.63p	Loss both		0.22p	3.06p	+1290.9%	

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Macro 4 plc					Royalblue Group plc				
REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
REV	£ 12,150,000	£ 24,234,000	£ 13,152,000	+8.2%	REV	£ 20,647,000	£ 29,514,000	+42.9%	
PBT	£ 5,250,000	£ 10,060,000	£ 5,024,000	-4.3%	PBT	£ 2,041,000	£ 4,543,000	+122.6%	
EPS	17.60p	33.70p	16.60p	-5.7%	EPS	3.60p	9.30p	+158.3%	
MERANT plc					Sage Group plc				
REV	Final - Jan 98	Final - Jan 99	Comparison	REV	Final - Sep 97	Final - Sep 98	Comparison		
REV	£ 97,015,000	£ 156,121,000	+60.9%	REV	£ 152,089,000	£ 191,547,000	+25.9%		
PBT	£ 15,217,000	£ 4,459,000	Profit to loss	PBT	£ 37,635,000	£ 47,635,000	+26.6%		
EPS	13.30p	-7.30p	Profit to loss	EPS	23.43p	28.85p	+23.1%		
Microgen Holdings plc					Sanderson Group plc				
REV	Final - Oct 97	Final - Dec 98	Comparison	REV	Final - Sep 97	Final - Sep 98	Comparison		
REV	£ 66,398,000	£ 70,105,000	not comparable	REV	£ 67,143,000	£ 73,589,000	+9.6%		
PBT	£ 5,324,000	£ 8,492,000	not comparable	PBT	£ 2,778,000	£ 8,592,000	+209.3%		
EPS	8.80p	2.20p	not comparable	EPS	4.70p	12.80p	+172.3%		
Misys plc					SBS Group plc				
REV	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison	REV	Interim - Feb 98	Final - Aug 98	Interim - Feb 98	Comparison
REV	£ 177,600,000	£ 447,700,000	£ 287,900,000	+62.1%	REV	£ 11,308,000	£ 35,858,000	£ 28,318,000	+150.4%
PBT	£ 32,100,000	£ 51,700,000	£ 58,900,000	+83.5%	PBT	£ 529,000	£ 1,485,000	£ 1,367,000	+158.4%
EPS	5.30p	5.82p	7.70p	+45.3%	EPS	4.80p	11.80p	9.60p	+100.0%
Mondas plc					Science Systems plc				
REV	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
REV	£ 143,075	£ 297,169	£ 223,945	+56.5%	REV	£ 18,601,000	£ 24,319,000	+30.7%	
PBT	£ 250,795	£ 484,322	£ 208,004	Loss both	PBT	£ 1,852,000	£ 2,217,000	+19.7%	
EPS	-4.10p	-7.90p	-3.40p	Loss both	EPS	6.90p	8.90p	+29.0%	
Moorepay Group plc					Sema Group plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
REV	£ 5,283,379	£ 8,365,000	+58.3%	REV	£ 1,130,086,000	£ 1,250,400,000	+10.6%		
PBT	£ 1,385,201	£ 2,043,000	+47.5%	PBT	£ 64,073,000	£ 97,800,000	+52.6%		
EPS	9.04p	12.39p	+37.1%	EPS	9.60p	14.60p	+52.1%		
Morse Holdings plc					Sherwood International plc				
REV	Final - Jun 97	Interim - Dec 98	Final - Jun 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	
REV	£ 135,343,000	£ 144,275,000	£ 216,101,000	+59.7%	REV	£ 30,038,000	£ 42,591,000	+41.8%	
PBT	£ 11,198,000	£ 9,784,000	£ 11,799,000	+5.4%	PBT	£ 3,095,000	£ 5,494,000	+77.5%	
EPS	4.60p	5.16p	3.11p	-32.4%	EPS	23.30p	36.00p	+54.5%	
MSB International plc					Skillsgroup plc				
REV	Final - Jan 98	Final - Jan 99	Comparison	REV	Final - Nov 97	Final - Nov 98	Comparison		
REV	£ 128,793,000	£ 191,345,000	+48.8%	REV	£ 378,988,000	£ 208,400,000	-44.7%		
PBT	£ 9,043,000	£ 8,068,000	-10.6%	PBT	£ 16,308,000	£ 14,400,000	Loss to profit		
EPS	30.00p	27.00p	-10.0%	EPS	-22.90p	12.30p	Loss to profit		
MSW Technology plc					Spring Group plc				
REV	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison	REV	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparison
REV	£ 1,080,000	£ 2,909,951	£ 1,380,000	+25.9%	REV	£ 119,326,000	£ 279,231,000	£ 193,301,000	+62.0%
PBT	£ 76,952	£ 503,055	£ 140,309	Profit to loss	PBT	£ 6,574,000	£ 18,109,000	£ 3,206,000	-51.2%
EPS	1.16p	6.54p	-1.82p	Profit to loss	EPS	3.05p	8.38p	0.78p	-74.4%
NSB Retail Systems plc					Staffware plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
REV	£ 3,284,464	£ 8,366,637	+154.7%	REV	£ 17,585,000	£ 22,187,000	+26.2%		
PBT	£ 837,516	£ 1,477,983	+76.5%	PBT	£ 1,772,000	£ 250,000	-85.9%		
EPS	6.50p	10.90p	+67.7%	EPS	10.70p	1.10p	-89.7%		
Oxford Molecular plc					Superscape VR plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Jan 98	Final - Jul 98	Interim - Jan 98	Comparison	
REV	£ 15,641,000	£ 21,505,000	+37.8%	REV	£ 2,568,000	£ 4,229,000	£ 2,120,000	+47.9%	
PBT	£ 250,000	£ 1,228,000	Profit to loss	PBT	£ 956,000	£ 3,516,000	£ 87,000	Loss both	
EPS	0.20p	-2.20p	Profit to loss	EPS	-10.90p	-37.30p	-0.71p	Loss both	
Parity plc					Synstar plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
REV	£ 202,072,000	£ 230,200,000	+43.6%	REV	£ 144,461,000	£ 164,425,000	+13.8%		
PBT	£ 13,488,000	£ 20,032,000	+48.5%	PBT	£ 5,660,000	£ 2,169,000	-61.7%		
EPS	20.29p	26.52p	+30.7%	EPS	3.50p	1.70p	-51.4%		
Pegasus Group plc					Systems Integrated Research plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison	
REV	£ 12,447,000	£ 14,979,000	+20.3%	REV	£ 516,000	£ 1,035,000	£ 681,000	+28.1%	
PBT	£ 1,690,000	£ 928,000	-45.3%	PBT	£ 298,000	£ 493,000	£ 302,000	Loss to profit	
EPS	29.30p	18.80p	-35.8%	EPS	-2.40p	-4.00p	0.10p	Loss to profit	
PhoneLink plc					Tetra plc				
REV	Interim - Sep 97	Final - May 98	Interim - Sep 98	Comparison	REV	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison
REV	£ 1,880,000	£ 3,206,000	£ 3,479,000	+88.1%	REV	£ 13,312,000	£ 30,286,000	£ 18,486,000	+29.7%
PBT	£ 1,742,000	£ 3,746,000	£ 1,701,000	Loss both	PBT	£ 2,608,000	£ 558,000	£ 1,525,000	Loss to profit
EPS	-3.60p	-7.80p	-3.00p	Loss both	EPS	-14.97p	-7.28p	-3.76p	Loss to profit
Policy Master plc					Torex plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
REV	£ 8,195,889	£ 11,338,405	+38.4%	REV	£ 21,029,000	£ 21,770,000	+3.5%		
PBT	£ 435,608	£ 697,390	+60.1%	PBT	£ 7,277,000	£ 2,982,000	-59.0%		
EPS	5.65p	5.86p	+3.7%	EPS	16.20p	6.80p	-58.0%		
Proteus International plc					Total Systems plc				
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison
REV	£ 211,000	£ 178,000	£ 612,000	+284.3%	REV	£ 2,017,128	£ 4,134,866	£ 1,780,868	+11.7%
PBT	£ 1,931,000	£ 4,127,000	£ 1,552,000	Loss both	PBT	£ 476,206	£ 1,019,675	£ 495,484	+4.0%
EPS	-3.37p	-7.44p	-2.27p	Loss both	EPS	3.19p	6.80p	3.32p	+4.0%
Quality Software Products Holdings plc					Touchstone Group plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	
REV	£ 28,016,991	£ 41,219,438	+47.1%	REV	£ 2,998,000	£ 6,154,000	£ 3,508,000	+17.0%	
PBT	£ 2,655,299	£ 4,604,830	+73.4%	PBT	n/a	£ 841,000	£ 460,000	n/a	
EPS	18.00p	32.60p	+81.1%	EPS	n/a	6.91p	3.30p	n/a	
Quantica plc					Trace Computers plc				
REV	Final - Nov 97	Final - Nov 98	Comparison	REV	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison	
REV	£ 5,635,000	£ 15,184,000	+169.1%	REV	£ 7,170,000	£ 14,658,625	£ 8,684,000	+21.1%	
PBT	£ 1,011,000	£ 3,460,000	+242.2%	PBT	£ 409,000	£ 1,205,166	£ 928,000	+126.9%	
EPS	1.29p	6.79p	+426.4%	EPS	2.16p	6.11p	4.47p	+106.9%	
RM plc					Triad Group plc				
REV	Final - Sep 97	Final - Sep 98	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	
REV	£ 110,176,000	£ 130,996,000	+18.9%	REV	£ 14,139,000	£ 32,161,000	£ 22,112,000	+56.4%	
PBT	£ 8,018,000	£ 10,037,000	+25.2%	PBT	£ 2,851,000	£ 6,609,000	£ 3,811,000	+33.8%	
EPS	6.20p	7.90p	+27.4%	EPS	2.00p	17.78p	3.00p	+50.0%	
Rage Software plc					Ultima Networks plc				
REV	Interim - Dec 97	Final - Mar 98	Interim - Dec 98	Comparison	REV	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparison
REV	£ 873,000	£ 3,623,000	£ 3,057,000	+250.2%	REV	£ 20,892,000	£ 38,598,000	£ 8,288,000	+65.3%
PBT	£ 350,000	£ 860,000	£ 610,000	Loss to profit	PBT	£ 424,000	£ 13,240,000	£ 633,000	Loss both
EPS	-0.13p	0.35p	0.18p	Loss to profit	EPS	0.10p	-16.20p	-0.99p	Loss both
Real Time Control plc					Vega Group plc				
REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison	REV	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparison
REV	£ 7,181,000	£ 15,880,000	£ 8,580,000	+19.8%	REV	£ 10,399,000	£ 22,457,000	£ 12,870,000	+23.8%
PBT	£ 1,477,000	£ 3,163,000	£ 1,887,000	+27.8%	PBT	£ 805,000	£ 3,081,000	£ 1,428,000	+77.4%
EPS	14.50p	30.80p	18.50p	+27.6%	EPS	3.48p	13.75p	6.00p	+72.4%
Recognition Systems Group plc					Workplace Technologies plc				
REV	Final - Sep 97	Final - Sep 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
REV	£ 773,000	£ 788,000	+1.9%	REV	£ 65,938,000	£ 82,964,000	+25.8%		
PBT	£ 2,255,000	£ 2,260,000	Loss both	PBT	£ 1,830,000	£ 3,275,000	+79.0%		
EPS	-8.10p	-6.30p	Loss both	EPS	2.17p	6.50p	+199.5%		
Riva Group plc					XKO Group plc				
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final 30 Sep 98	Comparison			
REV	£ 70,208,000	£ 80,090,000	+14.1%	REV	£ 24,000,000	not comparable			
PBT	£ 1,339,000	£ 403,000	-69.9%	PBT	£ 1,800,000	not comparable			
EPS	2.00p	-0.10p	Profit to loss	EPS	n/a	n/a			
Rolfe & Nolan plc					Zergo Holdings plc				
REV	Interim - Aug 97	Final - Feb 98	Interim - Aug 98	Comparison	REV	Final - Apr 98	Final - Dec 98	Comparison	
REV	£ 9,892,000	£ 21,714,000	£ 9,543,000	+1.5%	REV	£ 13,176,770	£ 9,843,512	not comparable	
PBT	£ 566,000	£ 2,894,000	£ 205,000	Loss to profit	PBT	£ 299,664	£ 5,173,012	not comparable	
EPS	-2.93p	-10.20p	-2.27p	Loss both	EPS	-0.90p	-25.30p	not comparable	
Romtec plc					As we go to press, Getronics has announced the acquisition of Wang Global for \$2b creating "the largest provider of computer services in Europe". Ed - not on our definitions...				
REV	Interim - Jul 97	Final - Jan 98	Interim - Jul 98	Comparison					
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					

UK M&A

Parity has bought **TMS Information Solutions** (intranet management systems) for £6.6m cash. TMS has warranted FY99 revenues of £11.3m and PBT of £840K.

Microgen has acquired **Kaisha Technology** (leading independent business intelligence consultancy) for an initial £18.2m (part cash, part loan notes, part shares) with a deferred £2.4m on profit targets to Dec.00. Kaisha has 127 employees and FY98 revenues of £7.69m with operating profit of £1.87m.

Riva has disposed of its Spanish subsidiary **Riva Sistemas de Informacion** (software and services for retail in-store applications). Sistemas made a FY97 loss of £345K on £2m revenue and further losses in 1998. Consideration is 1 Peseta (yes, that high!) together with a number of trading agreements etc. There will be a charge to Riva (as announced last January) of c£1m which also covers the proposed sale of their Danish subsidiary.

GE Equity, the VC arm of GE Capital, has invested £4m in software firm **Intrinsic**.

Easynet Group has acquired a 42% minority stake in its French subsidiary, **Easynet SA** for a maximum of £11.77m in shares.

CMG has bought Belgian **Softguide Groep** for an initial £12.7m with a further payment of about £3.5m once CMG has been able to "gain insight" into Softguide's books. Softguide has 100 staff and had 1998 revenues of £6.1m with PBT of £2.2m.

Radius Retail (software for retailers) has been acquired in an MBO from owners **Sudair**. No consideration known.

Cadcentre has completed the transaction with **AEA Technology** in which Cadcentre will integrate and develop the 3D technology and clients bases on revised terms.

Protek (UK based networking) has acquired Norwegian telecom software developer **Nera TMN** from **Nera Telecommunications** for an undisclosed sum. Nera has 50 staff.

Quantica (recruitment and training) has bought **DDI Consultancy** for an initial £30K with up to a further £15K depending on performance. DDI specialises in contract placement of telecomms professionals. See also p2.

Schroder Ventures has bought 73% of old established Swedish software developer **AU-System Group** for \$135m (£85m). AU had 1998 revenues of \$54m.

JSB Software has added to its Net Filtering products with the acquisition of US **Kansmen Corp.** for up to \$5m. Kansmen broke even last year on revenues of \$1.3m and has an installed base of 700 users. JSB is raising £5m in a placing of shares on a 1-for-4 basis at 230p to "invest further in chosen markets".

Cedar Group has raised £1.8m in a placing at 110p per share.

US **Unicomp Inc.** has acquired IBM AS/400 application developer **Carlton Software Products** in an undisclosed all cash transaction.

Troubled component based modelling and management tools provider **Select Software Tools** is at the early stages of merger talks with US **Base Ten Systems Inc.**

Following the reverse takeover of **Xenon Training** by **Dalkeith Inns** in January this year, Dalkeith has now changed its name to **Xperts Group plc**. See also p.4.

BT and **United News** have injected £12m into their free ISP venture **LineOne UK**.

The **Symbian** consortium have bought out **Origin UK's** Advanced Technology Group to develop their software and microprocessor designs. No terms disclosed.

US middleware company **Peerlogic** has acquired **ICL's** i500

Mergers and Acquisitions - continued

directory business on undisclosed terms. About 40 staff will transfer.

ilion has announced that it is in bid talks with a number of interested parties. Earlier it was announced that Dutch investment group **Finance IT (FIT)** had amassed a c11.8% stake after buying Wayne Channon's (original founder of ilion) stake. ilion's competitor, **Landis**, also has some involvement. ilion shares ended April up 26% at 101p.

We missed it, but in Mar. 99 **Experian** bought Argentinian **Fidelitas** (business information and credit risk) to add to their purchase in Jul. 98 of Argentinian **ADDO Sistemas de Decision** (risk management and solutions). No consideration for either deal known. **VirtualInternet.net** has acquired **Net Searchers** for £250K. 3i has invested Euro 32m and acquired a majority stake in Dutch Issue **Information Technology B.V** via a Euro 91m leveraged buy out. **Royalblue** will acquire a 12% stake in Swedish **HD Tools AB** for c£33K.

We were considering including **Acorn** as a SCS company (well, that's their new FTSE classification). Now they have effected a restructuring via an offer from Morgan Stanley which will unlock the considerable value of the **ARM** holding. The deal values Acorn at £270m or 279p a share - a 14% premium on the previous closing price. Acorn founded, backed and hold 24.2% of the equity of **ARM**. Acorn reported an operating loss of £10m on revenue of £11.5m in the year to 31st Dec. 98. French **GFI Informatique SA** has acquired a 60% stake in **Excellence in Computing Solutions (ECS) UK** - no consideration disclosed.

Diagonal has acquired Leeds-based IT document management consultancy **MFT Computer Holdings** for £4.85m (£3.87m cash, rest shares). MFT had revenue of £2.6m and PBT of £300K to 31st Mar. 98.

SKILLSGROUP It has taken nearly ten years for **P&P** to move from being a distributor/reseller into the SCS operation known as **Skillsgroup** today. But the last two months has seen more positive acquisition activity than at any time. In Mar. 99 Skillsgroup acquired **The Knowledge Centre** (training) for £3.8m max. and **Pontis Consulting** (max. £34m). This month their QA subsidiary has bought **Cap Gemini's UK** education and training division for £32.5m. This turns QA into the UK's largest training group as the Cap Gemini division had 1998 revenues of £16.5m and PBT of £3.2m. **Comment.** This firmly and at last positions Skillsgroup as a high quality SCS company. Investors have taken a long time to realise the changes. But since these acquisitions, the share price has advanced 58% in 1999 to date - although they fell 10% this month to end on 286p.

Cap Gemini buys and sells

Cap Gemini used the proceeds from the Skillsgroup sale - and some of what Geoff Unwin famously called his "skirmish chest" - to acquire US **Beechwood** "one of the leading US IT services companies for the telecomms operators market" for \$200m. Beechwood employs 400 people and has "forecast 1999 revenue of \$80m". This purchase makes Cap Gemini the "leading provider of management consulting and IT services for telecom operators in the US with >750 consultants and revenues of \$130m". In total Cap Gemini will now have US revenue of \$643m and 4000 staff. Looks a good purchase.

In a filing accompanying the Beechwood purchase, Cap Gemini said it expected H1 revenues to be up 19% at FFr14.9 billion with operating profits up 30% at FFr1.44b - i.e. pretty close to the magic 10% profit margin.

Smaller Stocks beat Bigger Brothers

For the second consecutive month, the "larger" SCS stocks have been hit. The five largest in the weighted FTSE IT (SCS) Index were all down - **Misys** -6%, **Sema** -20%, **Sage** -7%, **CMG**-6% and **Logica**-6% - contributing to a 9% fall in the FTSE IT (SCS) Index. Conversely out unweighted SCS Index was up 1%.

The smaller stocks did well - even the Resellers rose 11%, with the ultimate "hope over experience" penny stock - **Ultima** - up 63%. **ilion** rose 26% on bid talks as was **MSB** (up 38%) on "unfounded" bid talk rumours.

At the other end of the scale **ECsoft** dived 43% as a rather

End April 99	Move since 1st Jan 98	Move since 1st Jan 99	Move in April 99
System Houses	84%	+18%	-3%
IT Staff Agencies	-2.8%	-1.3%	-2%
Resellers	15%	+23%	+11%
Software Products	6.4%	+40%	+4%

overdone reaction to Q1 results below expectations. **M-R Group** also fell 25% as doubts emerged over the Lason takeover. Lorien issued another profits warning and their shares fell another 24%. **Computacenter** was off 22% as a reaction to all the bad news at **Compaq** this month.

30-Apr-99	SCSI Index	FTSE IT (SCS) Index	FTSE 100	FTSE AIM	FTSE SmallCap
		5147.44	1665.70	6552.20	955.70
					2570.00
SCSI Index = 1000 on 15th April 1989					
Changes in Indices	SCSI Index	FTSE 1.00	FTSE IT Index	FTSE AIM Index	FTSE Small Cap
Month (27/3/99 - 23/4/99)	+1.26%	+6.73%	-9.42%	+11.21%	+7.34%
From 15th Apr 89	+414.74%	+219.06%			
From 1st Jan 90	+459.44%	+177.40%			
From 1st Jan 91	+627.17%	+203.29%			
From 1st Jan 92	+392.64%	+162.81%			
From 1st Jan 93	+223.01%	+130.18%			+85.25%
From 1st Jan 94	+208.31%	+91.67%			+37.53%
From 1st Jan 95	+243.35%	+113.74%			+47.16%
From 1st Jan 96	+127.91%	+77.60%		0.24%	+32.37%
From 1st Jan 97	+92.25%	+59.09%		-2.09%	+17.72%
From 1st Jan 98	69.60%	27.59%	66.57%	-3.66%	11.10%
From 1st Jan 99	30.60%	11.38%	15.19%	19.22%	24.10%

System House SCSI Share Index is Ten Years Old

We established our share index in mid-April 89 and started to publish it from the very first edition of *System House* back in November 1989. Set initially at 1000, it is unweighted (which we think is a fairer reflection of the way investors invest) rather than the weighted FTSE IT Index introduced in Jan. 98. All new IPOs join at 1000 and leavers depart at their takeover price - or zero if they go bust.

The *System House* SCSI index had risen by 408% to 5076 in the 10 years to mid-April 1999. That's twice the 216% rise in the FTSE100 in the same period.

Until 1993 the best performing share had been MERANT (was Micro Focus). But, for reasons explained before, this excellent performance went into reverse - in a rather stunning manner. It then recovered in an equally stunning manner as US buyers identified Micro Focus as a company which would benefit from the Year 2000 problem. Then it dived again, in part as a result of the Intersolv acquisition.

The Number One position was then taken over by Parity which held it until last year when it reached 43000 (i.e. its share price had risen by over 42-times in the last five years since Philip Swinstead and his team took over IT agency Comac). But the problems of the UK IT agency sector hit Parity too - even though <50% of their revenues come from this sector.

So, as the SCSI Index celebrates its tenth birthday, it is with immense pleasure that we announce, this year for the first time, each of the Top Three slots are taken by **System House Boring Award** winners.

The Top Three are:

- 1 - Sage - up 85-times,
- 2 - Capita - up 63-times,
- 3 - Admiral - up 42-times.

Parity slips to 4th place with a still impressive 34-times increase followed by a far from "boring" company Eidos - computer games - with a 19-times increase. RM (14x), Sherwood (14x), CMG (11x), DCS (10x) and RTC (9x) complete the Top Ten.

Ultima (was Microvitec) gets the wooden spoon - with a 93% decline in its share price in the ten years. But that's not really fair either as that dubious award should really go to Enterprise, EIT, Ferrari, Headland, Memory, OmniMedia, On Demand, PPL, Virtuality and Wakebourne who all left the SCSI Index at zero when the receivers (or their equivalent) were appointed!

Where will the SCSI Index be on its 20th Birthday in 2009?

We suspect that it will be a similar story. SCS stocks will outperform the FTSE100 by at least 2-to-1 and the best performers will be the existing - and new (CMG, FI Group, Logica and Misys are possible award winners in 2001) - *System House Boring Award* winners. But you might find that rather too Boring and go for internet stocks instead - indeed the Top Four risers in the last 12 months (i.e. mid-April 98 - mid-April 99) all had internet connections. (Systems Integrated +207%, Zergo +200%, Internet Technology +150% and Gresham +135%). *But we doubt if any of them will ever get a Boring Award.*

Don't forget *..there is never a wrong time to invest in a Boring company.*



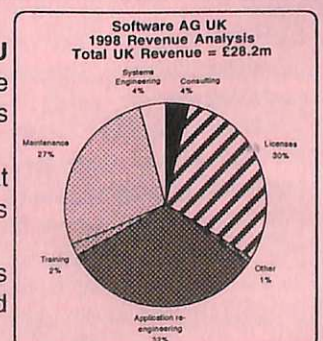
Software AG in Frankfurt IPO

It's been a stunning month for IT/SCS IPOs in Germany. **Easy Software AG**, **CPU Softwarehouse AG**, **NSE Software AG** and **RealTech AG** were amongst those swelling the ranks of the Neuer Markt. Why can't the UK's AIM market match the success of Germany's secondary market?

But the biggest float was on the main Frankfurt SE where **Software AG** issued 16.7m shares at Euro 30 (the bottom of the indicative range). Software AG is a world class development tools supplier through its Adabas database management system and Natural.

Software AG had announced record results for FY98 with sales up 9% to DM626m and earnings up 35% at DM87m. About 30% of revenues come from product licences; the rest is divided equally between maintenance and professional services.

Software AG UK ended the year to 31st Dec. 98 with revenues of £28.2m and PBT of £4.4m - i.e. a very healthy 16% margin. Like its parent, 30% of revenues come from product licences but professional services represents c43%. Its most notable recent UK contract win was BskyB's subscriber management system. In Dec. 98 Software AG sold its UK IT staff agency **QVF** to **Logical Holdings**. The stated reason for the Frankfurt IPO was to raise the funds required for acquisitions and we have been warned to expect a *major* UK acquisition before the year is out.



System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	SCS Cat.	Share Price 30-Apr-99	Capitalisation 30-Apr-99	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 30-Apr-99	Share price move since 27-Mar-99	Share price % move in 1999	Capitalisation move since 27-Mar-99	Capitalisation move (£m) in 1999
Admiral	Yes	CS	£10.50	£671.00m	43.7	4.56	37950.69	-20.00%	-9.87%	-£167.70m	-£67.00m
AFA Systems		SP	£0.93	£11.70m	Loss	14.46	775.00	-0.53%	-14.29%	-£0.10m	-£2.60m
AIT Group		CS	£3.63	£73.60m	45.4	5.43	2416.67	1.40%	57.61%	£1.00m	£26.90m
Anite Group	Yes	CS	£0.44	£108.20m	16.5	0.72	257.31	-8.33%	10.00%	-£9.80m	£9.90m
Axon		SP	£2.53	£123.20m	78.7	6.15	1442.86	-5.61%	44.29%	-£7.30m	£37.80m
Azlan Group	Yes	R	£0.80	£85.10m	Loss	0.29	345.65	8.16%	29.27%	£6.40m	£19.20m
Bond International		SP	£0.89	£12.00m	20.1	1.36	1361.54	-3.28%	-5.85%	-£0.40m	-£0.80m
Cadcentre Group		SP	£1.79	£29.70m	14.9	1.68	895.00	-2.72%	-29.39%	-£0.80m	-£12.40m
Capita Group		CS	£6.58	£1,307.00m	74.1	5.50	59234.23	-7.39%	18.36%	-£98.00m	£208.00m
Cedar Group		SP	£1.21	£41.00m	22.8	3.28	1152.38	2.98%	25.39%	£1.60m	£8.70m
CFS Group		CS	£1.53	£24.20m	18.4	2.20	1694.44	-4.39%	53.27%	-£1.20m	£8.40m
Clinical Computing		SP	£0.44	£10.90m	39.4	3.59	350.81	29.85%	19.18%	£2.49m	£1.74m
CMG	Yes	CS	£16.82	£2,154.00m	43.3	4.85	11600.00	-6.30%	10.30%	-£145.00m	£201.00m
Compel Group	Yes	R	£4.41	£139.60m	18.1	0.66	3524.00	-3.93%	10.68%	-£5.70m	£25.80m
Computacenter	Yes	R	£4.53	£800.90m	16.9	0.50	675.37	-22.18%	2.84%	-£228.10m	£22.10m
Comino		CS	£2.79	£37.10m	19.1	2.82	2146.15	8.98%	34.46%	£3.10m	£9.50m
DCS Group	Yes	CS	£6.39	£148.20m	29.9	1.34	10650.00	-10.94%	18.33%	-£18.30m	£23.50m
Delcam		SP	£0.84	£4.93m	Loss	0.36	321.15	56.07%	79.57%	£1.77m	£2.19m
Diagonal	Yes	CS	£11.03	£221.60m	43.4	3.16	4009.27	-10.00%	14.55%	-£24.60m	£28.10m
Dialog Corporation		CS	£1.23	£185.60m	40.3	1.09	1113.64	7.93%	111.21%	£13.60m	£97.80m
Division Group		SP	£0.40	£27.50m	Loss	4.57	987.50	-1.86%	64.58%	-£0.50m	£10.80m
DRS Data & Research		SP	£0.15	£5.28m	Loss	0.78	138.64	-11.59%	19.61%	-£0.69m	£0.87m
Druid Group	Yes	CS	£12.58	£290.50m	42.3	7.16	4572.73	-17.54%	-4.55%	-£63.30m	-£11.20m
ECSoft	Yes	CS	£11.25	£122.60m	23.8	1.97	622.58	-43.75%	-39.19%	-£95.40m	-£79.10m
Electronic Data Proc		SP	£0.68	£17.80m	11.1	1.55	2082.06	0.00%	0.74%	£0.00m	£0.10m
Eidos		SP	£23.69	£407.50m	14.8	2.97	23690.00	19.50%	152.02%	£66.50m	£246.80m
FI Group	Yes	CS	£3.30	£662.60m	65.0	4.10	8461.54	-5.71%	0.46%	-£40.20m	£3.00m
Financial Objects		SP	£2.64	£94.10m	29.3	4.34	1147.83	-17.50%	7.76%	-£10.24m	£6.80m
Flomerics Group		SP	£2.10	£5.46m	20.9	0.79	1615.38	2.44%	35.48%	£0.13m	£1.43m
Gresham Computing		CS	£1.51	£58.70m	26.3	6.76	1618.28	-15.21%	48.28%	-£3.80m	£23.00m
Guardian IT	Yes	CS	£6.13	£313.60m	68.1	10.56	2401.96	-12.31%	28.95%	-£44.00m	£70.40m
Harvey Nash Group		A	£3.28	£92.40m	16.5	0.88	1871.43	2.83%	5.65%	£2.60m	£5.00m
Highams Systems Servs		A	£0.62	£11.60m	10.3	0.46	1708.33	-7.52%	-27.65%	-£1.00m	-£4.40m
ICM Computer		CS	£2.48	£47.00m	19.9	1.31	1375.00	-6.43%	-2.37%	-£3.30m	-£1.30m
Illion Group		R	£1.01	£25.40m	Loss	0.11	631.25	26.25%	78.76%	£5.30m	£11.20m
Intelligent Environments		SP	£0.93	£29.30m	Loss	6.60	984.04	20.13%	107.87%	£4.90m	£15.50m
Internet Technologies		CS	£1.78	£79.90m	n/a	7.26	8875.00	20.34%	5.65%	£13.70m	£37.20m
IS Solutions		CS	£2.58	£12.40m	18.7	1.42	1924.25	-15.46%	25.78%	-£2.20m	£2.56m
ITNET	Yes	CS	£3.64	£255.50m	48.1	2.42	1038.57	-5.95%	-23.07%	-£16.20m	-£76.70m
JBA Holdings	Yes	SP	£1.44	£53.30m	Loss	0.18	900.00	-0.69%	-22.16%	-£0.20m	-£14.60m
JSB Software		SP	£2.54	£24.10m	n/a	7.17	1267.50	1.81%	23.66%	£0.40m	£4.60m
Kalamazoo Computer		CS	£0.54	£23.00m	Loss	0.35	1528.57	10.31%	35.44%	£2.20m	£6.10m
Kewill Systems	Yes	SP	£14.55	£200.80m	31.2	4.45	5750.99	-0.17%	14.12%	£5.50m	£30.00m
Logica	Yes	CS	£5.96	£2,209.00m	58.6	4.67	8162.13	-5.77%	14.07%	-£128.00m	£280.00m
London Bridge Software	Yes	SP	£16.83	£503.10m	79.7	22.48	8412.50	-12.03%	30.68%	-£68.70m	£122.00m
Lorien		A	£1.30	£25.50m	6.3	0.18	1300.00	-23.98%	-11.26%	-£8.00m	-£3.20m
Lynx Holdings	Yes	SP	£1.74	£186.20m	20.2	1.03	4337.50	-11.03%	-12.59%	-£22.30m	-£26.00m
M-R Group		CS	£1.20	£67.00m	17.3	1.43	476.19	-24.76%	18.23%	-£22.00m	£10.40m
Macro 4	Yes	SP	£6.85	£134.90m	21.0	5.07	2762.10	7.03%	101.47%	£8.80m	£67.90m
MDIS Group	Yes	CS	£0.32	£73.30m	22.4	0.55	121.15	-11.27%	-31.52%	-£2.20m	-£24.60m
Merant	Yes	SP	£1.48	£211.80m	19.8	1.36	712.39	23.43%	42.51%	£40.20m	£63.20m
Microgen Holdings		CS	£1.76	£76.30m	20.1	1.09	750.00	28.57%	28.10%	£16.90m	£16.70m
Misys	Yes	SP	£5.84	£3,290.00m	36.4	7.35	7259.43	-5.58%	33.45%	-£186.00m	£830.00m
MMT Computing	Yes	CS	£8.03	£96.30m	17.3	2.62	4776.79	14.23%	-14.40%	£12.00m	-£16.20m
Mondas		SP	£0.69	£8.63m	Loss	29.06	913.33	3.01%	35.64%	£0.25m	£2.27m
Moorepay Group		CS	£2.70	£31.60m	29.9	3.78	4556.52	-1.82%	17.39%	-£0.60m	£4.70m
Morse		R	£2.35	£287.40m	31.9	1.33	940.00	-6.00%	-6.00%	-£18.30m	-£18.30m
MSB International	Yes	A	£2.38	£48.50m	7.3	0.25	1250.00	38.89%	-30.15%	£13.60m	-£20.90m
MSW Technology		SP	£1.35	£11.10m	36.3	3.81	1391.75	-2.53%	26.76%	-£0.30m	£2.37m
NSB Retail Systems		SP	£4.30	£47.30m	37.6	5.65	3739.13	5.26%	152.94%	£2.40m	£28.60m
Oxford Molecular		SP	£0.55	£47.90m	Loss	2.23	687.50	15.79%	13.40%	£6.60m	£5.80m
Parity	Yes	A	£6.83	£337.20m	26.2	1.16	37916.53	-2.50%	19.21%	-£7.90m	£55.00m
Pegasus Group		SP	£2.77	£19.40m	14.5	1.30	753.41	17.16%	-8.60%	£2.90m	-£1.80m
PhoneLink		CS	£0.39	£26.40m	Loss	8.23	248.39	35.09%	40.00%	£6.80m	£7.50m
Polycmaster		SP	£2.43	£34.30m	34.9	3.03	1620.00	-1.42%	28.23%	-£0.50m	£7.60m
Proteus International		SP	£0.45	£33.30m	Loss	187.08	535.71	-1.10%	26.76%	-£0.40m	£7.00m
Quality Software Prods		SP	£5.48	£74.50m	16.9	1.81	1440.79	2.82%	54.23%	£2.10m	£26.20m
Quantica		A	£0.42	£17.10m	6.2	1.13	338.71	-14.29%	-42.47%	-£2.90m	-£11.30m
Rage Software		SP	£0.16	£38.40m	23.3	10.61	605.77	1.61%	90.91%	£0.60m	£18.30m
Real Time Control		SP	£5.05	£35.40m	14.5	2.23	10306.12	-0.98%	4.66%	-£0.30m	£1.60m
Recognition Systems		SP	£0.17	£12.40m	Loss	15.74	239.29	3.08%	67.50%	£0.40m	£8.71m
Riva Group		CS	£0.41	£13.00m	15.7	0.16	287.84	6.58%	19.12%	£0.80m	£2.10m
RM Group	Yes	SP	£5.40	£496.30m	67.6	3.79	15428.57	-6.49%	16.50%	-£34.40m	£75.40m
Rofe & Nolan		SP	£2.10	£27.90m	Loss	1.29	2500.00	11.41%	20.00%	£2.80m	£4.60m
Romtec		CS	£0.64	£3.37m	15.5	0.80	1016.00	-7.30%	-16.99%	-£0.26m	-£0.68m
Royalblue Group	Yes	SP	£4.60	£131.10m	41.7	4.44	2705.88	-14.42%	37.31%	-£18.30m	£38.00m
Sage Group	Yes	SP	£20.88	£2,500.00m	73.9	13.05	80288.46	-7.33%	32.96%	-£112.00m	£679.00m
Sanderson Group	Yes	CS	£1.75	£86.60m	14.3	1.18	2978.72	12.90%	14.01%	£12.80m	£13.50m
SBS Group		A	£1.85	£16.30m	10.6	0.45	1850.00	1.37%	-6.33%	£0.20m	-£1.10m
Science Systems		CS	£2.18	£37.00m	24.4	1.52	1686.05	3.33%	38.98%	£1.20m	£10.40m
Sema Group	Yes	CS	£6.01	£2,776.00m	48.2	2.22	7559.75	-19.87%	1.69%	-£679.00m	£52.00m
Sherwood International	Yes	CS	£4.73	£177.70m	46.5	4.17	15741.33	8.75%	39.38%	£14.40m	£50.30m
Skillsgroup	Yes	CS	£2.86	£250.00m	25.4	0.66	1282.51	-10.34%	57.58%	-£12.50m	£100.60m
Spring		A	£1.28	£184.40m	14.2	0.66	1416.67	-11.46%	-12.37%	-£23.80m	-£26.00m
Staffware		SP	£3.25	£41.30m	300.0	1.86	1444.44	47.73%	21.50%	£13.40m	£7.30m
Superscape VR		SP	£1.57	£19.20m	Loss	4.55	790.40	4.33%	-19.12%	£0.80m	-£4.60m
Synstar		CS	£1.34	£216.90m	32.5	1.32	809.09	-1.48%	-19.09%	-£12.15m	-£53.10m
Systems Integrated		SP	£0.22	£2.98m	Loss	2.38	193.48	3.49%	187.10%	£0.10m	£1.94m
Tetra		SP	£3.25	£81.90m	32.1	2.70	2031.25	1.40%	79.06%	£1.10m	£36.20m
Torex Group		CS	£1.99	£64.70m	27.7	2.97	3854.37	15.07%	124.29%	£8.60m	£36.00m
Total Systems		CS	£0.63	£6.55m	9.0	1.58	1188.68	23.53%	6.78%	£1.25m	£0.41m
Touchstone		SP	£1.59	£15.50m	22.6	2.52	1509.52	16.12%	39.65%	£2.10m	£4.40m
Trace Computers		CS	£1.32	£19.40m	15.8	1.32	1056.00	0.76%	7.76%	£0.10m	£1.40m
Triad Group	Yes	CS	£5.18	£130.40m	25.3	4.05	3833.33	-11.54%	-2.82%	-£17.00m	-£3.80m
Ultima		R	£0.05	£6.19m	21.4	0.09	109.76	63.64%	20.00%	£2.41m	£1.03m
Vega Group		CS	£5.55	£89.90m	30.3	4.00	4549.18	-7.88%	43.23%	-£7.10m	£27.50m
Workplace Technologies		CS	£1.48	£42.90m	22.8	0.52	845.71	-15.43%	-24.87%	-£7.90m	-£14.20m
XKO		CS	£1.53	£35.50m	n/a	1.48	1016.67	n/a	n/a	n/a	n/a
Zergo Holdings		SP	£7.90	£214.90m	Loss	21.74	8102.56	-3.36%	83.72%	-£7.50m	£136.90m

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

Maiden results from...

...Science Systems - "strong progress"

Old established **Science Systems** has announced its maiden full year results since they floated on AIM in Sep. 97. They specialise in fee based development and AM services to blue chip corporates in the UK and Europe.

The results for the year ended 31st Dec. 98 were ahead of brokers forecasts with revenue up 31% to £24.3m and PBT increasing 20% to £2.2m. EPS went up 29%. Over 80% of business came from their existing client base (a very good sign) with overseas business also growing. But this overseas income has been affected adversely to the tune of net £389K due to the high value of sterling. Order intake was buoyant during 1998 and this has continued into the current financial year.

Chairman Cliff Preddy is "delighted to report continued strong progress in all areas of our business... we believe that Science Systems is well positioned to deliver further growth for the benefit of shareholders". Certainly shareholders who managed to buy at the float price of 129p have done well so far with the shares going up another 3% this month to end on 218p.

...Policy Master - "record results"

Policy Master is a leading provider of software systems to the insurance industry. They floated on AIM in Jul. 98 at 150p. In their results for the year to 31st Dec. 98, revenue increased to £11.3m with PBT at £697K. As the 1997 results only cover 11 months trading and with the new FS14 accounting procedures, comparisons are a little difficult. But the company themselves claim operating profit up 30%, revenue up 30% and EPS up 36%. We reckon that 40% of revenues are recurring (support etc.) and this, with IT training etc., means that 60% of total revenue comes from services.

Chief Executive Stephen Verrall said "1998 was a very exciting year... we are confident in our ability to grow our company. 1998 has been our best year ever for sales of new systems". We understand that "75% of new sales represented displacement of systems from our major competitors". How long will the mighty Misys allow a little outfit like Policy Master to pinch its customers? The **Swift Financial Systems** acquisition (max. £3.15m in Oct. 98) which took them into the Life and Pensions area "will make an increasing contribution to the Group's income during 1999".

Like Science Systems above, if you had bought into Policy Master when they floated, you would have seen a 62% premium as the shares ended the month on 243p. Company brokers Williams de Broe and now forecasting FY99 profits (before goodwill amortisation) of £1.4m - a prospective P/E of c24.

...Bond International - does well

Bond was a new float on AIM in Dec. 97 at 65p. They provide software for the recruitment, human resource and tourism markets. They ended April on 89p - down just 3% this month but still a premium of 37% to the IPO price.

In their maiden results to 31st Dec. 98, Bond increased revenue 38% to £8.8m with PBT up 30% at £935K. EPS was up a lower 28%. In fact they would have done better but for increased capital investment in their US subsidiary **Bond Associates Inc.** and a move to new offices restricting profit growth. But "the company is now trading more profitably with great potential for new orders".

Chairman Martin Baldwin said "We are particularly pleased that significant profit growth has been achieved despite considerable further investment in products, sales and marketing. 1999 has started well and I am confident that the group is well positioned and prepared for significant further growth".

Riva Group due for a re-rating?

Old established **Riva** develops and supplies software, systems and services to the retail sector. They issued a profit warning last year due to expected losses on their overseas operations. Results for year to 31st Dec. 98 showed revenue up 14% to £80m but PBT dropped 70% to just £403K. Disposals are planned to leave just the operations in the UK, Benelux and France which together account for c£71m revenue and £2m profits. Operations in Spain and Denmark (losses £476K) are to be discontinued with expected exceptional FY99 losses here of some £800K. Riva have already closed down the Swiss operation which made operating losses this year of £710K. The exceptional hit on the current FY accounts only amounted to a net £53K as closure losses of £527K were offset by a gain of £474K from the sale of the non-strategic UK supplies business.



Basically all this means that Riva is turning itself into a software business - *about time too*. Rodney Potts (he of Coda fame) and Jane Tozer (she of Softwright) are joining as NEDs. Chairman Peter Giles expects "1999 to show a return to the trend in improving results... The year has started well and we are now able to focus on the strategic repositioning of Riva without the loss making distractions of the past".

Comment. With a recovery, a refocusing on software and NED's who really understand the software business, Riva could well be in for a re-rating. The shares ended the month up 7% at 41p.

More losses and a placing at AFA Systems

AFA was formed in 1995 when it acquired the Musketeer treasury and risk system from its S. African developers for £1.84m. In Jul. 96 they were launched on to AIM at 120p. Ever since formation, AFA has made losses and the latest results for the year ended 31st Dec. 98 are no exception. On revenue of just £809K (but up from the lowly £226K in FY97) they managed to reduce losses from £1.8m to £1.4m. Yet another "losses greater than revenue" company. Nonetheless AFA reported "the marketplace for our product is now extremely buoyant" - all they now need to do is to convert this into actual sales.

At the same time as the results were released, AFA announced that it was raising £4.53m net of expenses to fund future capital requirements. Shareholders are being offered 7 new shares for every 16 at 90p per share. Credit Lyonnais Securities is acting for AFA.

Chairman and CEO (ex of ACT) Mike Hart said "The funds being raised will enable us to take advantage of the market opportunity". The shares ended April down slightly on 93p - that's a 23% discount to the 1996 float price.

BPO Watch

1998 - A bumper year for UK Business Process Outsourcing

Our research showed that the UK outsourcing market had solid growth, climbing 24% to £4.4 billion in 1998. What's more, the annual ITNET Index on the UK outsourcing market for 1998 shows the total value of outsourcing contracts signed in 1998 actually doubled, primarily due to no fewer than eight 'mega-deals' being signed that year. This excludes last year's surprise win by Siemens Business Services (SBS) of the £1 billion 15-year BPO megadeal at National Savings as the deal wasn't actually signed till Jan. 99.

And what a great year it was too for the UK BPO market! We reckon that some £890m of BPO contracts were signed or extended in 1998 just in the public sector, adding another £150m p.a. to the market. The biggest of the 1998 BPO deals was the £305m/5 year BPO contract won by Sema Group at the DSS Benefits Agency. This deal alone represented over one-third of the value of all public sector BPO contracts. Not surprisingly, the bulk of the rest of the public sector BPO business went to the "gang of three", Capita, CSL (the outsourcing arm of Deloitte & Touche UK) and, of course, ITNET themselves.

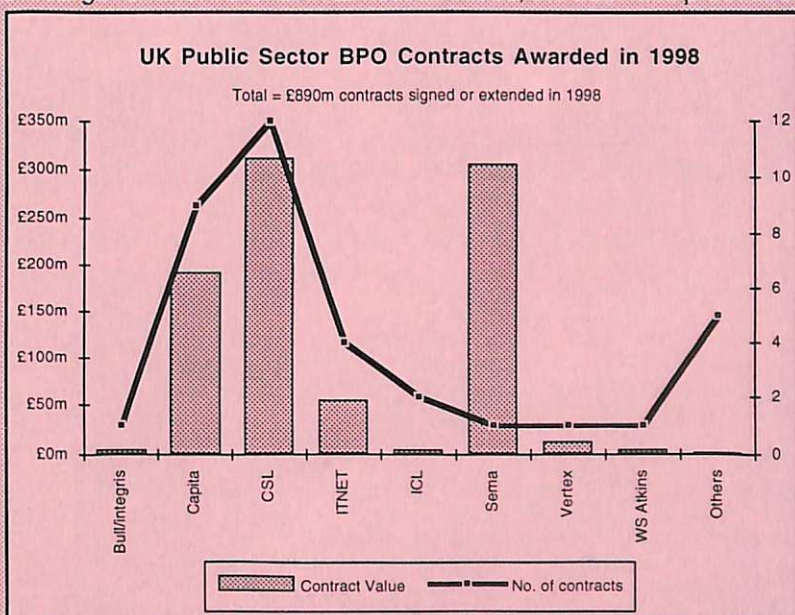
CSL ranked top in 1998, with 12 deals worth a total of some £313m, including a £130m/9 year deal at the Lord Chancellor's Department and a £78m/10 year deal at Sheffield Council. The Sheffield deal had an additional £52m worth of IT outsourcing too! Capita came second (9 deals worth £192m), while ITNET only managed to scoop 4 contracts totalling £55m - but this was solely in the local government arena. In almost all cases, the business processes outsourced were a combination of revenue collection, benefits payments and payroll services. ICL picked up a couple of token revenue services BPO contracts for a total of £4m. Given their heritage in local government, this is a pretty dismal performance.

Making their debut in the local government BPO arena was the UK-based consulting engineering and facilities management group WS Atkins (see *System House* Jan. 99). They signed their first BPO contract at Hastings Borough Council in Dec. 98, and have since gone on to sign a similar deal at East Hants District Council. Atkins also scored a BPO contract in Jan. 99 at the London Borough of Sutton, so they have truly "arrived". After all the "huffing and puffing" that went with the controversial Apr. 96 launch of Vertex, the outsourcing arm of United Utilities, we were at last pleased to see a 'real' BPO contract signed with Ealing Borough in Nov. 98. The £21m/7 year deal has Vertex managing Ealing's Benefits Administration Service. Vertex are also starting to make a splash in the commercial BPO sector with deals at Independent Energy and Littlewoods.

It's a lot trickier finding out exactly what's happening in the private sector BPO market. Three of the four US majors, EDS, CSC, and Andersen Consulting, are beavering away with "business process management" services, which seem to combine re-engineering, development, IT outsourcing and some degree of BPO under the covers. IBM is still watching from the sidelines, but we expect to see them come on stage this year with BPO offerings for HR, Purchasing, and Customer Relationship Management (CRM) - activities in which that they can reasonably claim to have a pretty good track record in their own business. Cap Gemini is playing the "quiet achiever" - they are the IT and BPO supplier behind Virgin's Trainline internet rail booking service.

Then there's our "unusual suspects", Hays and Serco. Serco just keeps on doing what Serco does best - big PFI deals, usually in fairly specialist areas like Space and Defence. Their recent partnership with Nomura International should make sure we see a lot more of them in future consortium-led PFI contracts. Since writing about Hays' ERP/logistics BPO services (*System House* Oct. 98) they have reached onwards and upwards to start building a BPO capability for the latest 'hot' application area, CRM. Hays has been on a bit of an acquisition spree of late to increase the range of their CRM services. They can now cover database management, call centres, outsourcing, billing and mailing. If Hays can actually wrap together all these bits ("get the knitting to stick"?) into some sort of cohesive service, we reckon they will have a pretty interesting CRM proposition - and one that traditional IT services companies will find hard to match. Of course, GUS subsidiary Experian is not a traditional IT services player - they are deeply into CRM, with a measure of cheque and card processing too.

What do the stars foretell for BPO in 1999? Well, SBS will have their hands full with National Savings, of course, and we look forward to seeing IBM make their entree. But as we have been saying all along, the UK BPO market "tango" has barely started, so there is plenty of opportunity for lots more competitors. Indeed, it looks like UK construction services company Amey is about to step onto the dance floor - they bought network services company IT Consel last month to add to their Amey Vectra IT consultancy. Amey reckons to bring their BPO revenues up to £100m in the next 3 years. So as we've said many times before, don't wait - now is the time to take your partners if you don't want to be left a wallflower in the UK BPO market!



Apology due to Highams...

Last month we inadvertently reported that **Highams Systems Services** (HSS) had issued a profits warning. *This was totally incorrect* as John Higham was very quick to point out as soon as *System House* hit his desk. It was in fact HW Group that put out the warning which immediately had an effect on HSS' shares. No excuses, we misread the release. Higham is confident that HSS "will meet expectations for the full year" to 31st Mar. 99 when brokers expect PBT up 16% at £1.6m. But unfortunately HSS' shares fell 8% this month to end on 62p.

...and to ITG (both of you!)

Although our reports were quite separate and accurate, PR company **GCI Focus** have asked to emphasis that **ITG Group** (AIM-quoted, Dublin-based telecomms services company) is quite different from **Internet Technology Group** (the AIM-quoted, UK-based ISP). If you think you've got a problem, GCI Focus is the PR agent to both companies!

The Ups and Downs of Zergo

Baltimore (nee **Zergo Holdings**) is a "global leader in e-commerce and enterprise Public Key Infrastructure solutions". Results for the eight month period ending 31st Dec. 98 - their new year end - show a pretax loss of £5.1m on revenues of £9.9m in the period. The company has had a roller coaster profit record since they floated on AIM in 1995 at 97p. They made just £12K PBT in 95, lost £214K in 96, went into profit in 97 with £621K and this fell to £297K in the year to Apr. 98. The losses highlight the fluctuating trend. Chairman & CEO Henry Beker commented that "The PKI market is forecast to grow rapidly over the next two years and I believe that, as we have successfully completed the integration of Zergo and Baltimore, the combined group will be well positioned to be one of the small number of leading suppliers to this market".

Due to the current losses, the share price fell 3% this month to end on 790p. The shares stood at around 180p only last October. *But they are now an "Internet" stock of course!*

the Holway Report

A very special free offer to join the networking event of the year on 15th July 99

It's that time of year again! We are deep into the writing of the 1999 Holway Report which, as in each of the previous 11 editions, will be with you early June. This year we are launching our CD-ROM version which is fully searchable and could, if you wish, be put on your company server. We attach an order form so you can reserve not only your copy but also... your place at "the networking event of the year".

On Thursday 15th July 1999, Richard Holway and Anthony Miller, will be presenting the main findings of the report to an evening seminar on behalf of the Computing Services & Software Association at London Hilton, Park Lane, London. Last year over 350 top CEOs attended what is now considered to be "the CSSA networking event of the year". The evening starts at 5.30pm (for 6.00pm) and includes drinks and a really special dinner.

A free place will be awarded to all 1999 Holway Report customers who purchase before that date. Normal price from the CSSA (Tel: 0171 395 6717 - e-mail: zoe.hemming@cssa.co.uk) is £165 + VAT for CSSA members and £215 + VAT for non-members.



Computing Services & Software Association

Software and Computing Services Industry in Europe Markets and Strategies 1998 - 2002

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