

System House

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

Volume 10

Number 9

Available by subscription only

ISSN 0967-2583

July 1999

Website update - we name and shame!

Since we published our first look at how well the 99 public UK SCSi companies looked after their shareholders and potential investors, (*System House* Mar. 99) the phones and e-mails have been running hot - mostly to say "we're on the case".

Well, you've had four months to make your websites more investor relations (IR) 'friendly' so we thought it would be helpful to let everyone know how you're getting on. And once again we're naming names - but this time we're including some of the 'lemons'!

More companies take IR seriously ...

First the good news - some of you have taken our messages to heart. The number of UK SCSi companies that provide absolutely no investor or financial information at all on their websites has dropped considerably from 30% in Feb. 99 to just 20% in June. What's more, 37% of your websites now have direct links to IR information on the site (20% last time), and 26% of those links are on the home page just where we think they should be - **well done!** There was also some improvement in the number of sites providing

on-line access to an annual report - now at 28% - and fully one-third of your websites now show share price information. But there was only a marginal increase in the number of companies providing details of their financial results - up just a tad to 73%.

Worthy of special mention are **Admiral** (huge improvement), **Anite** (innovative Q&A page), **Torex** (excellent integration of data from

Hemmington Scott) and **Logica**. Indeed, Logica deserves particular merit as they also won the award for "Best IR from a FTSE 250 Company" from *Investor Relations Magazine* as

well as getting the runner up prize for "Best IR Website". IR Magazine awarded Best IR Website to **British Airways** - frankly we disagree. We felt the BA site had poor design and navigation compared to some of our 'stars'. However, they did have an excellent option to display analyst presentations with full scripts that didn't require tortuous downloads - **go look and learn!!** The other UK runner-up was **ICI** - and this was totally undeserved. How can you give a gong to a company whose main 'site search' page is "still under construction"? They had a lousy

website design too, in our opinion!

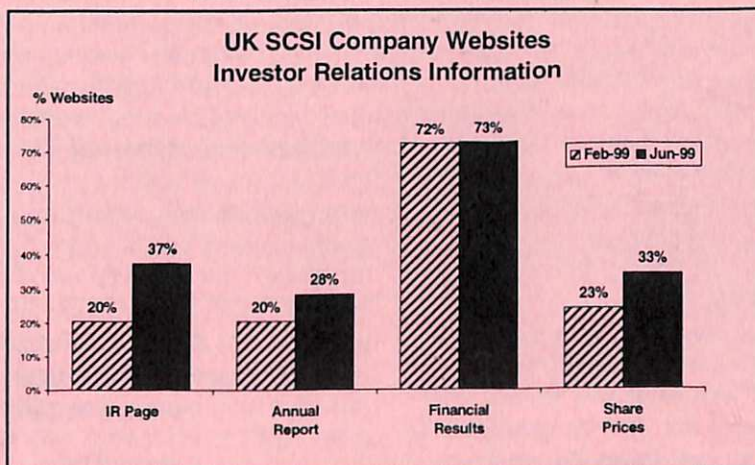
... But most are still in denial

On the other hand, most UK SCSi companies still live in 'Never Never Land'. May we remind you that over 85% of all UK SCSi

companies have a market cap. less than £300m - below which it is generally accepted you drop off the radar screen for institutional investors. Indeed, two-thirds of you are worth less than £100m, so perhaps it's time to look at improving the way you communicate with the wider investment community. Because there are some **truly dreadful** websites out there, which deserve to bring shame to their companies - as they certainly won't bring investors. Top of this list is troubled IT staff agency, **MSB International**, whose site is, you guessed, "still under construction". How a public IT company can afford not to have a presence on the Web is a total mystery - indeed there can't be many (any?) leading IT staff agencies that don't both market and recruit through their websites. Regrettably, MSB tops a long list of 'lemons'. We awarded

'nul points' to no less than 35 companies for quality and ease of use of IR information on their websites. Some of these, as we said earlier, had little if any relevant data at all. Others were so hard to navigate that many potential punters would not be able to find the key numbers. Or information took so long to download that they'd give up waiting. You can see some of our most common gripes in the 'Narks & Niggles' table.

Some of the Best UK SCSi IR Websites	
Admiral	admiralplc.com
Anite	anite.com
Logica	logica.com
Torex	torex.co.uk
Just SOME of the Worst!	
MSB International	msb.com
AFA Systems	afa-systems.com
Bond International	bondadapt.com
DRS	drs.co.uk
ECSoft	ecsoft-group.com
MDIS	mdis.com
Rage	rage.co.uk
Sage	sage.com
IR Magazine Award Winners	
Microsoft	microsoft.com
British Airways	britishairways.com
ICI	ici.com
Logica	logica.com



How the mighty fail!

We were also rather disappointed to find that it was not always the small SCSi companies that had the worst IR websites. **Sage**

should have no excuse, as a near FTSE 100 company specialising in financial software. And **Misys**, already a FTSE 100 company, are little better. Mind you, they have never been known for their analyst communication best practice! **Capita's** website was pretty tired too. So ... get cracking, folks, you've got a long way to go yet!

By the way, if you want to check out all of the 99 UK SCSi websites for yourselves, you'll find a list of URLs that you can download on our *Hotnews* page on www.holway.com.

Narks & Niggles

Financial 'results' without full data
Out of date information
IR info spread all over the site
Long downloads to view reports
No dates on press release index
Divvy dates missing from calendar
Having to 'register' to get to data
OTT multimedia extravaganzas
Broken or 'misguided' links
Poor navigation - few 'shortcuts'

MERANT - The Rollercoaster continues ...

Gary Greenfield, CEO at London and NASDAQ-quoted **MERANT** (the COBOL tools company formerly known as **Micro Focus**), tried to put the best possible spin on their FY results, which clearly show the pain from the revenue crash (and subsequent profit warning) in Q299. MERANT finished the 12 months to 30th Apr. 99 with revenues down a smidgen to US\$374m (FY98: US\$379m). Net income - excl. one-time charges from the massive (\$534m/£335m) **Intersolv** acquisition announced in Jun. 98 and completed in Sep. 98 - was down heaps to US\$14.9m (FY98: US\$34.5m). Actual pre-tax loss was \$26.7m, compared to a US\$34.6m PBT in FY98. But please note - FY98 numbers are restated according to US GAAP rules, which include revenues from the Intersolv purchase. It was the disruption caused by this acquisition that caused them to take their eye off the ball in the North American market - subsequently leading to a management shake-up which saw Martin Waters off and put Greenfield (Intersolv CEO) in the top job.

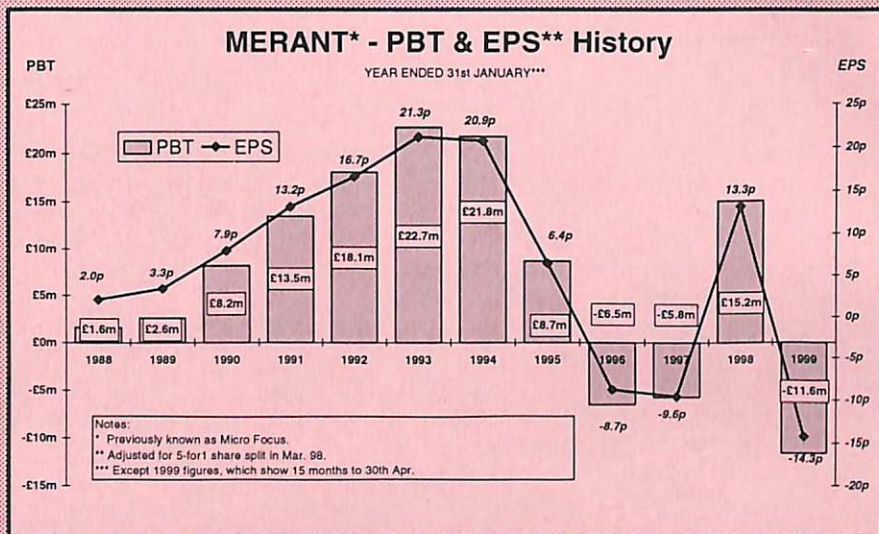
UK results look a lot glossier on the surface as UK GAAP rules only count Intersolv from Sep. 98 - and also MERANT changed their year-end from Jan. to April. So, as meaningless as they are, but for the record ... results for the 15 months to 30th Apr. 99 show revenues at £215m (£97m for 12 months to 31st Jan. 98) - but still a pre-tax loss of £11.6m (PBT to Jan. 98 = £15.2m) and a 14.3p loss per share (EPS to Jan. 98 = 13.3p).

As expected, product revenues dropped 9% to US\$193m because of the problems in the US. But support revenues rose 12% to US\$99m, and consulting revenues were up 3% to US\$82m. As a result, MERANT now makes 48% of its total revenues from services, up from 44% last year - well, that's one way of getting there - and Greenfield reckons services revenues (especially consulting) are growing faster than license fees - which is the way we always like it.

Greenfield now reckons the worst is over - he claims the troubled North America business has turned around and "we now have forward momentum". They are looking for revenue and profit growth in the teens this year. They are also reducing their reliance on Y2K work, which is now around 10-11% of revenues - about half of what it was a year ago. The growth area is (of course) internet-related - web enablement, web content management and "information portal."

Comment: We have written many times about the rollercoaster that was Micro Focus. Their share price over the past 10 years has hit highs of >£5 and lows of £1 ... twice (both adjusted for bonus issues). MERANT are expecting cost savings of US\$10m+ this year, now that the integration of Intersolv is complete. And their new focus on legacy application 'enablement' for the internet is of course spot on. But we would think that investors would want to see MERANT have more than a couple of quarters of improvement before claiming they're out of the mire. Shares ended Jun. 99 at 249p, up 59% in the month and a massive 141% in this year to date.

PS. Yes, MERANT still counts as a UK SCSi company - even since the Intersolv purchase - as they tell us that some two-thirds of their shares are UK owned.

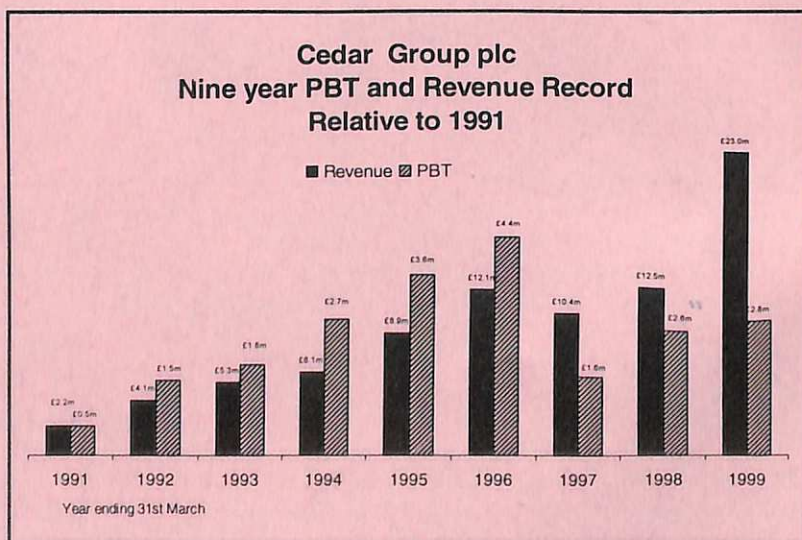


Cedar Group does well, but....

When **Cedar Group** announces revenue in the year to 31st Mar. 99 up an excellent 84% to £23m (licence revenues +119% with revenues from consulting and training +94%) but PBT up only 10% at £2.8m and EPS up an even lower 4%, we start to look more closely at the results. Of course we were aware that they made a loss at the interim stage due to provisions on their Teleconnect purchase and contract delays, but this has now been further aggravated by amortisation of intangibles. You see the sins of capitalisation of R&D always come back to haunt you eventually!

Comment. Cedar is a relatively small company with big (and expensive) expansion plans. Their move to change the business mix might in time prove OK but if they had "stuck to the knitting" and further developed services revenue.... "It is

our intention to be recognised as successful supplier of software solutions and services" according to MD Mike Harrison. However we are pleased to see the 12% increase in recurring revenues which now account for 21% of the total. Cedar was an IPO in March 94 at 105p...five years later, the shares ended June on 110p - down just 2% in the month. PBT is hardly changed. Hardly seems worth it really!



Synstar shines at maiden interims

Independent support services and business continuity market leader, **Synstar International** announced very pleasing 'maiden' interim figures for the six months to 31st Mar. 99. Revenue was up 32% to £104m, operating profit up 43% to £5.2m, and PBT was £420K (NIL last time). Chairman John Leighfield expressed "confidence for the full year. In addition, the Company will actively pursue suitable opportunities to accelerate growth with acquisitions". Not unexpected, given their net cash rose to £19.2m as a result of the IPO. The order book was "strong" at £240m, up nearly 40% since Sep. 98. Indeed, that's >1-times revenues. Contracted order book is one important measure of quality.

Synstar now generates 48% of its revenues from Continental Europe (up from 40%), of which c21% came from the **SIS** (storage management/data archiving) and **Atelsi** (multilingual help desk) acquisitions. Germany and Belgium were the star performers - Switzerland got the wooden spoon but they claim should be back on track by the end of H2.

Synstar's core 'computer services' (CS) business is still over 90% of total revenues and grew 34% (20% organic) to £95.7m. The integration of SIS is complete and its contribution "exceeded plan". About 60% of CS business is now desktop-related and 40% mainframe - just a couple of years ago it was the other way round. Around 10% of CS revenues come from hardware sell-through - and much of that is to ex-parent Granada Group. The more profitable business continuity unit grew 15% to £8.4m - all organic. Group MD Richard Ferre reflected Leighfield's optimism - "we are confident for the outlook for the rest of the year".

Comment: This is a great start to Synstar's first year as a quoted company. At the results briefing, Ferre spun hard - and justifiably so, we think - on their blue-chip client base (including 55 companies from the FTSE 100 along with 'quality' SCSI companies like **CSC**, **ITNET** and, more recently, **Perot**) and long-term contracts, which avid readers will know are two key hallmarks of a 'quality' company. They really have a much broader offering than the likes of other independent TPM's such as **Guardian IT** and greater European presence too, and their increasing focus on desktop services is the right direction. Obviously they are still hurting from the controversial IPO in Feb. 99 which launched them at 165p - a 97-times P/E - making them one of the IPOs to open lower than the placing price. We always thought a 120-125p range was about right and this seems to tally with the end June price of 125p, still a 24% discount.

By the way, they have also appointed a full-time Investor Relations Manager - and they are beefing up the IR content on their website. Good move!

Oracle announces record figures

For the year ended 31st May 99, **Oracle** ("the world's second largest software company") increased worldwide revenue 24% to \$8.8 billion with net income up a higher 35% to \$1.3 billion. "We have shown four consecutive quarters of consistent margin improvement" according to CFO Jeffrey Henley. Services revenue at Oracle now accounts for c49% of total worldwide revenue. We await the UK figures (Oracle's largest market outside the US) with interest - last year Oracle UK had the highest services revenue by country at over 60%.

Lara (and Lucozade!) Lifts Eidos

London and NASDAQ-quoted entertainment software publisher **Eidos**' franchise in 'Tomb Raider' heroine Lara Croft seems to increase in value with each new version of the popular game. Not only is there to be a Tomb Raider movie, but now "she's" trying to give some 'street cred' to venerable 'health drink' Lucozade by appearing in its current TV ads. Well, if Lara can do for the fizzy orange stuff what she's doing for Eidos - good luck to them! Because Eidos' results for the year to 31st Mar. 99 were once again 'heroic'. Revenues rose 65% to £226m, PBT (after goodwill) soared 130% to £37.9m - above even top-end expectations - and EPS (diluted) doubled to 125.2p. Gross margin was down a shade to 63.9% (65.6% in FY98) "mainly due to a higher proportion of catalogue and budget sales" in Q4. Chairman Ian Livingstone was "delighted with ... our most impressive trading results to date. We continue to pursue aggressively the best new content deals". Eidos are planning "a robust release schedule" this year, including more Lara (yes!!) and a game based on the Mel Gibson movie, **Braveheart**.

Comment: A brief recap - Eidos was a new USM issue way back in Dec. 90 at 100p. They were quite small until they acquired three computer games companies in late 1995. In Oct. 96 Eidos announced a NASDAQ listing to raise \$70m and purchased a 25% stake in Norwegian games company **Innerloop** for \$875K. Some small disposals followed together with further investments in Norwegian **Opticom** (Eidos has about 15% of the share capital, whose value has recently bounced back to c£24m as at 31st Mar. 99 - "significantly above cost"), **Sports Interactive** and US **Black Dragon Productions**. In Mar. 97 a further \$50m was raised in a convertible bond issue to US investors. More recently, in Feb. 99 they launched a free internet service (with Easynet) which reportedly has some 10,000 subscribers (somewhat behind Freeserve's claimed 1.5m!) growing at some 2-3K a month.

Eidos' share price has been a bit of a roller coaster affair, but has mainly been on the up and up since Oct. 98. Shares peaked at over £23.70 in May 99 and were £20.85 at the end of June.

OK, this isn't the traditional 'business to business' software market that we usually cover, but, hey, Eidos is a deservedly successful, world-class UK outfit. We wish them well.

Sparkling results (and a warning?) from Gresham

In their interim figures for the six months to 30th Apr. 99, **Gresham**'s revenues almost doubled to £16.3m, PBT was up 46% with diluted EPS up 23%. Why then did their market value drop by about a sixth? Simple really. Chairman Roger Graham commented about "a short term freeze in new project starts in H2" but he also said "we are well placed to take advantage of the widely predicted upturn in 2000" and "we anticipate further growth from our E-business, Enterprise Assurance and Storage Management divisions". But as a result of the share price fall, CEO Trevor Read was forced to say that "The market has completely misunderstood our comments. I blame my grammar".

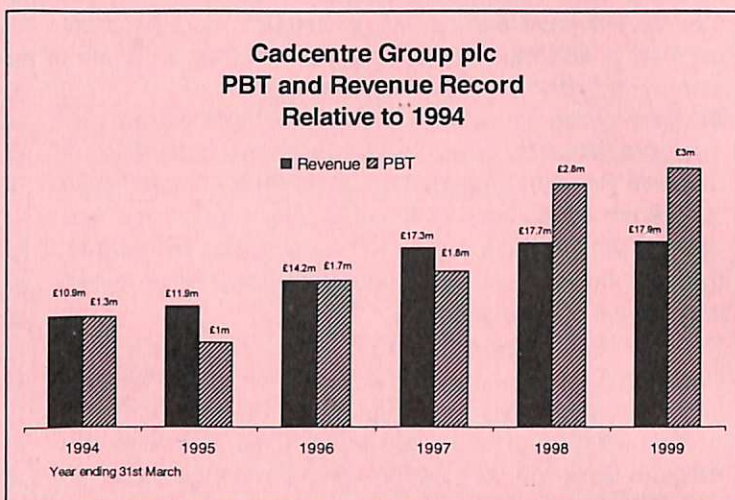
Comment. Gresham are well managed and, since Read took over, have restructured and moved more towards services. We still expect that Gresham has more exciting and rewarding times ahead.

Cadcentre moving more into services

Cadcentre Group is a specialist engineering IT consultancy with their main business the design of 3D systems which aid the design of process and power plants. They are now attempting the rather difficult feat of shifting emphasis towards more higher added value services from hardware sales. Some new senior management has been recruited recently and David Mann (ex Logica) is now a non-exec. In Jan. 99 they bought the 3D design software customer base of AEA Technology for £2.8m together with a licence to resell AEA's products. After this acquisition, Cadcentre now claim to have one of the world's largest installed customer bases (mainly in the US) in high-end 3D plant design systems.

After some years of good growth, their results for the year ended 31st Mar. 99 show only very slightly increased revenues at £17.9m (UK revenues actually fell 18% reflecting "quiet conditions in North Sea oil activity and an 80% reduction in commission from UNIX hardware sales"), with PBT up 9% to £3m and EPS up 11%. Mind you margins improved as higher margin software sales compensated for lower margin hardware revenue. They ended the year with over £4m net cash in hand. Chairman Richard King said "emphasis is now being placed on generating increased software and services revenue". This together with other initiatives leaves King "confident that Cadcentre will be able to report a satisfactory outcome for the year just started".

Comment. The AEA deal should help boost services support revenues by c£2m in FY2000. The move away from hardware to more services is never easy, but Cadcentre has started well. They were an MBO in 1994 at £7m, listed on AIM at 200p in Nov. 96 (which valued them at £33m) but since then the shares have been on a bit of a roller coaster rising above the listing price, falling in the decline last October, then going up to 255p. Since then the shares have fallen again to end the month on 181p - down slightly.



FI Group continues excellent performance

On 30th June - our press day - **FI Group** announced revenues up 41% at £228.8m, PBT up 60% at £17.025m and EPS up 58% at 5.8p - exceeding analyst expectations. Margins have increased - again - from 6.6% to 7.5%; 8.3% in H2. Order book is up 50% at £267m. Revenues in all areas advanced - Finance up 39% (41% of total), Retail up 31% (24% of total) and Services up 52% (35% of total). FI recruitment (the IT contractor bit) increased revenue by 41% to £53.7m (24% of total). Recent acquisitions are progressing well. Indeed Indian IIS Infotech "exceeded expectations" producing £2.1m profit on revenue of £23.4m. The 49% stake in First Banking Systems contributed operating profit of £1.8m on revenue of £14.5m. Too early to report on OSI which was completed only a few weeks back after the year end.

Hilary Cropper to succeed Sir Peter Thompson, taking on the role of Executive Chairman. David Best (FD) is to leave (which comes as a surprise to us) and long standing NED Con Driscoll resigned in Mar. 99.

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

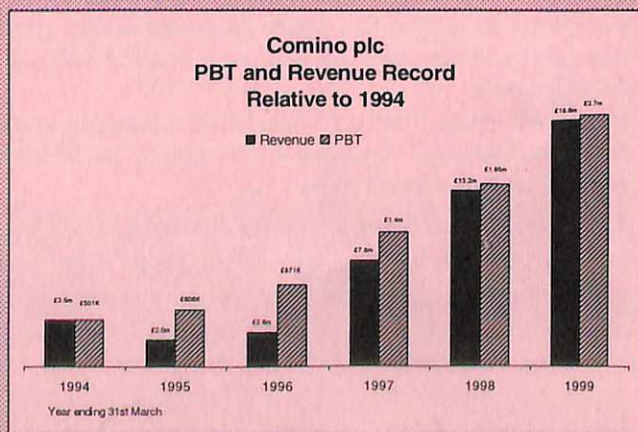
Looks pretty good to us. The shares ended the month up slightly on 326p. More detailed review next month....

Excellent prospects at Comino

Comino provides software based business solutions and related call centre technology for occupational pensions, social housing and local authorities. They claim to be UK market leader in each of their chosen sectors. The company was floated on AIM in Nov. 97 at 130p and due to excellent results since then the shares ended the month on 319p - up another 8%.

Their full year results to 31st Mar. 99 have continued to chart their good progress. Revenue went up 41% to £18.8m, PBT increased 39% at £2.7m with diluted EPS up some 27%. This is "all organic", but we hope that acquisitions will add further zest in future. Recurring revenue now accounts for c35% of total turnover and covers 49% of overheads with upgrades and services to the customer base accounting for approx. another third of revenues. And they had net cash of £7.4m at the year end. Mindful of the move to the main market this summer, Gordon Skinner (ex of TIS et al) has taken over from Mike Brooke (ex of Azlan et al) as Chairman and Michael Greig (FD at RM) joins as a new non-exec. CEO Garth Selvey said "Comino enters the millennium with sound customer base and products, well balanced revenues, strong order book and active market sectors. The prospects for the future are excellent".

Comment. Although big tends to be beautiful in the IT market, it just shows what can be achieved with specialisation. Growth is coming not only from the UK, but also from Australia and Canada. Comino's prospects are indeed "excellent".



Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Admiral plc				Electronic Data Processing plc				Macro 4 plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison	REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	Comparison
PBT	£117,191,000	£147,187,000	+25.6%	PBT	£5,812,000	£11,518,000	£5,469,000	-5.9%	PBT	£12,150,000	£24,234,000	£13,152,000	+8.2%
EPS	£17,552,000	£23,479,000	+33.8%	PBT	£1,235,000	£2,210,000	£1,225,000	-0.8%	PBT	£5,250,000	£10,060,000	£5,024,000	+4.3%
	17.50p	24.90p	+42.3%	EPS	3.23p	5.89p	3.24p	+0.3%	EPS	17.60p	33.70p	16.60p	-5.7%
AFA Systems plc				F.I. Group plc				MERANT plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Apr 98	Final - Apr 99	Comparison	REV	Final - Jan 98	Final - Apr 99	Comparison		
PBT	£226,000	£809,000	+258.0%	PBT	£161,595,000	£228,353,000	+41.3%	PBT	£97,015,000	£215,473,000	not comparable		
EPS	-£1,801,000	-£1,444,000	Loss both	PBT	£10,870,000	£17,025,000	+59.6%	PBT	£15,217,000	£11,572,000	Profit to loss		
	-16.80p	-11.80p	Loss both	EPS	3.68p	5.80p	+57.6%	EPS	13.28p	-14.30p	Profit to loss		
AIT Group plc				Financial Objects plc				Microgen plc					
REV	Final - Mar 98	Final - Mar 99	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Oct 97	Final - Dec 98	Comparison		
PBT	£13,556,000	£17,460,000	+28.8%	PBT	£15,937,000	£21,662,000	+35.9%	PBT	£66,398,000	£70,105,000	not comparable		
EPS	£2,164,000	£2,764,000	+27.7%	PBT	£2,015,000	£3,438,000	+70.6%	PBT	£5,324,000	£8,492,000	not comparable		
	7.11p	9.08p	+27.7%	EPS	7.54p	8.98p	+19.1%	EPS	8.80p	2.20p	not comparable		
Anite Group plc				Flomerics Group plc				Misys plc					
REV	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Nov 97	Final - May 98	Interim - Nov 98		
PBT	£78,948,000	£149,540,000	£81,101,000	PBT	£5,768,456	£6,910,106	+19.4%	PBT	£177,600,000	£447,700,000	£287,900,000		
EPS	-£526,000	£938,000	Loss to profit	PBT	£48,085	£384,123	+698.8%	PBT	£32,100,000	£51,700,000	£58,900,000		
	n/a	8.90p	Loss to profit	EPS	0.30p	10.10p	+3266.7%	EPS	5.30p	5.82p	7.70p		
		1.10p	Loss to profit										
Axon Group plc				Gresham Computing plc				Mondas plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Apr 98	Final - Oct 98	Interim - Apr 99	REV	Final - Apr 98	Final - Apr 99	Comparison		
PBT	£10,353,105	£20,024,253	not comparable	PBT	£8,522,000	£23,063,000	£16,301,000	PBT	£297,169	£955,301	+221.5%		
EPS	£43,496	£1,824,401	not comparable	EPS	£1,017,000	£3,003,000	£1,483,000	PBT	-£484,322	-£520,770	Loss both		
	0.02p	2.80p	not comparable		1.91p	5.46p	2.35p	EPS	-7.90p	-5.70p	Loss both		
Azlan Group plc				Guardian IT plc				Moorepay Group plc					
REV	Final - Mar 98	Final - Mar 99	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£292,073,000	£343,000,000	+17.4%	PBT	£23,026,000	£29,693,000	+29.0%	PBT	£5,283,379	£8,365,588	+58.3%		
EPS	-£7,860,000	£3,900,000	Loss to profit	PBT	£4,033,000	£6,629,000	+64.4%	PBT	£1,385,201	£2,043,492	+47.5%		
	-12.20p	4.10p	Loss to profit	EPS	5.70p	9.00p	+57.9%	EPS	9.04p	12.39p	+37.1%		
Baltimore Technologies plc				Harvey Nash Group plc				Morse Holdings plc					
REV	Final - Apr 98	Final - Dec 98	Comparison	REV	Final - Jan 98	Final - Jan 99	Comparison	REV	Final - Jun 97	Interim - Dec 98	Final - Jun 98		
PBT	£13,76,770	£9,853,512	not comparable	PBT	£5,576,000	£10,451,000	+87.9%	PBT	£135,343,000	£216,101,000	+59.7%		
EPS	-£266,664	-£5,173,012	not comparable	PBT	£5,205,000	£8,668,000	+70.4%	PBT	£11,198,000	£9,784,000	-12.6%		
	-0.90p	-25.30p	not comparable	EPS	12.33p	19.29p	+56.4%	EPS	4.60p	5.16p	+12.2%		
Bond International Software plc				Highams Systems Services Group plc				MSB International plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Mar 98	Final - Mar 99	Comparison	REV	Final - Jan 98	Final - Jan 99	Comparison		
PBT	£6,396,027	£8,807,697	+37.7%	PBT	£25,143,421	£34,068,980	+35.5%	PBT	£128,773,000	£191,345,000	+48.6%		
EPS	£718,250	£935,378	+30.2%	PBT	£1,383,327	£1,524,855	+10.2%	PBT	£9,043,000	£8,088,000	-10.6%		
	3.54p	4.54p	+28.2%	EPS	5.34p	5.40p	+1.1%	EPS	30.00p	27.00p	-10.0%		
Cadcentre Group plc				ICM Computer Group plc				MSW Technology plc					
REV	Final - Mar 98	Final - Mar 99	Comparison	REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	REV	Interim - Nov 97	Final - May 98	Interim - Nov 98		
PBT	£17,727,000	£17,861,000	+0.8%	PBT	£1,998,000	£3,881,000	£1,534,000	PBT	£1,080,000	£2,909,951	£1,360,000		
EPS	£2,754,000	£3,001,000	+9.0%	PBT	£1,416,000	£2,702,000	£1,949,000	PBT	£76,952	£503,055	£140,309		
	10.06p	11.21p	+11.4%	EPS	5.70p	8.70p	6.70p	EPS	1.16p	6.54p	1.82p		
Capita Group plc				ilion Group plc				NSB Retail Systems plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£172,904,000	£237,802,000	+37.5%	PBT	£203,134,000	£244,803,000	+20.5%	PBT	£3,284,456	£3,666,637	+11.7%		
EPS	£18,312,000	£27,019,000	+47.5%	PBT	£6,100,000	£8,243,000	+35.1%	PBT	£837,516	£1,477,983	+76.5%		
	6.36p	8.78p	+38.1%	EPS	15.10p	20.10p	+33.1%	EPS	6.50p	10.90p	+67.7%		
Cedar Group plc				Intelligent Environments Group plc				Oxford Molecular plc					
REV	Final - Mar 98	Final - Mar 99	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£12,506,000	£23,046,000	+84.3%	PBT	£4,443,146	£6,633,118	+49.3%	PBT	£15,641,000	£21,505,000	+37.5%		
EPS	£2,564,000	£2,807,000	+9.5%	PBT	£3,009,417	£1,024,104	-66.1%	PBT	£256,000	£1,228,000	+375.0%		
	5.30p	5.50p	+3.8%	EPS	-13.30p	-3.42p	Loss both	EPS	0.20p	-2.20p	Profit to loss		
CFS Group plc				Internet Technology Group plc				Parity plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Apr 98	Final - Oct 98	Interim - Apr 99	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£6,828,000	£10,989,000	+60.9%	PBT	£4,286,000	£11,012,000	£8,854,000	PBT	£202,078,000	£290,200,000	+43.6%		
EPS	£548,000	£1,223,000	+123.2%	PBT	-£164,000	£55,000	-£1,588,000	PBT	£13,488,000	£20,032,000	+48.5%		
	4.82p	8.33p	+72.8%	EPS	-0.42p	0.12p	Loss both	EPS	20.29p	26.52p	+30.7%		
Clinical Computing plc				IS Solutions plc				Pegasus Group plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£3,025,110	£3,039,301	+0.5%	PBT	£8,748,076	£8,745,533	-0.0%	PBT	£12,447,000	£14,979,000	+20.3%		
EPS	£275,564	£276,584	+0.4%	PBT	£59,845	£942,384	+15.6%	PBT	£1,698,000	£928,000	-45.3%		
	1.10p	1.10p	+0.0%	EPS	7.42p	13.67p	+84.2%	EPS	29.30p	18.80p	-35.8%		
CMG plc				ITNET plc				PhoneLink plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98		
PBT	£302,992,000	£443,832,000	+46.5%	PBT	£81,713,000	£105,728,000	+29.4%	PBT	£1,742,000	£3,746,000	£1,701,000		
EPS	£38,467,000	£57,482,000	+49.4%	PBT	£5,099,000	£7,346,000	+44.1%	PBT	-£1,742,000	-£3,746,000	£1,701,000		
	19.10p	29.00p	+51.8%	EPS	4.60p	6.90p	+60.0%	EPS	-3.60p	-7.80p	Loss both		
Comino plc				JBA Holdings plc				Policy Master plc					
REV	Final - Mar 98	Final - Mar 99	Comparison	REV	Final Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£13,151,000	£18,595,000	+41.4%	PBT	£221,737,000	£291,537,000	+31.5%	PBT	£8,195,069	£11,338,405	+38.4%		
EPS	£1,950,000	£2,718,000	+39.4%	PBT	£5,233,000	£1,696,000	-68.1%	PBT	£435,608	£697,390	+60.1%		
	11.71p	14.83p	+26.6%	EPS	9.8	-20.46p	Profit to loss	EPS	5.65p	5.86p	+3.7%		
Compel Group plc				JSB Software Technologies plc				Proteus International plc					
REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 97	REV	Interim - Nov 97	Final - May 98	Interim - Nov 98	REV	Final - Mar 98	Final - Mar 99	Comparison		
PBT	£86,633,000	£210,003,000	£121,590,000	PBT	not available	£3,362,000	£1,760,000	PBT	£178,000	£696,000	+291.0%		
EPS	£3,666,000	£9,021,000	£4,972,000	EPS	not available	£6,000	not available	PBT	-£4,127,000	-£3,947,000	Loss both		
	8.80p	21.20p	11.30p		not available	n/a	not available	EPS	-7.17p	-5.44p	Loss both		
Computacenter plc				Kalamazoo Computer Group plc				Quality Software Products Holdings plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	REV	Final - Dec 97	Final - Dec 98	Comparison		
PBT	£1,133,523,000	£1,566,238,000	+39.9%	PBT	£33,801,000	£65,711,000	£32,018,000	PBT	£28,016,991	£41,219,436	+47.1%		
EPS	£47,099,000	£64,603,000	+37.2%	PBT	-£514,000	£2,329,000	-£550,000	PBT	£2,655,299	£4,604,830	+73.4%		
	17.50p	23.50p	+34.3%	EPS	-1.00p	-3.00p	Loss both	EPS	18.00p	32.60p	+81.1%		
DCS Group plc				Kewill Systems plc				Quantica plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Mar 98	Final - Mar 99	Comparison	REV	Final - Nov 97	Final - Nov 98	Comparison		
PBT	£59,777,000	£110,172,000	+84.3%	PBT	£44,586,000	£60,079,000	+34.7%	PBT	£5,635,000	£15,164,000	+169.1%		
EPS	£4,920,000	£7,353,000	+49.5%	PBT	£6,346,000	£7,196,000	+13.4%	PBT	£1,011,000	£3,460,000	+242.2%		
	15.29p	21.62p	+41.4%	EPS	27.80p	27.20p	-2.2%	EPS	1.29p	8.79p	+574.4%		
DRS Data & Research Services plc				Logica plc				RM plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98	REV	Interim - Mar 98	Final - Sep 98	Interim - Mar 99		
PBT	£6,765,000	£6,777,000	+0.2%	PBT	£216,256,000	£472,957,000	£292,392,000	PBT	£50,473,000	£130,996,000	£71,116,000		
EPS	-£826,000	-£26,000	Loss both	EPS	£15,517,000	£41,825,000	£25,551,000	EPS	£836,000	£10,037,000	£2,493,000		
	-2.02p	-0.13p	Loss both		3.12p	8.46p	4.88p		0.50p	7.90p	1.90p		
Delcam plc				London Bridge Software Holdings plc				Rage Software plc					
REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Final - Dec 97	Final - Dec 98	Comparison	REV	Interim - Dec 97	Final - Jun 98	Interim - Dec 98		
PBT	£14,556,443	£13,735,249	-5.6%	PBT	£11,320,000	£22,375,000	+97.7%	PBT	£873,000	£3,623,000	£3,057,000		
EPS	£504,036	-£1,416,549	Profit to loss	PBT	£3,701,000	£7,365,000	+99.0%	PBT	-£350,000	£860,000	£610,000		
	7.10p	-23.10p	Profit to loss	EPS	9.87p	18.77p	+100.3%	EPS	-0.13p	0.35p	0.18p		
Diagonal plc				Lorien plc				Real Time Control plc					
REV	Final - Nov 97	Final - Nov 98	Comparison	REV	Final - Nov 97	Final - Nov 98	Comparison	REV	Final - Mar 98	Final - Mar 99	Comparison		
PBT	£44,788,000	£70,179,000	+56.7%	PBT	£116,930,000	£138,							

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Royalblue Group plc				Spring Group plc				Touchstone Group plc						
	Final - Dec 97	Final - Dec 98	Comparison		Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparison		Final - Mar 98	Final - Mar 99	Comparison		
REV	£20,647,000	£29,514,000	+42.9%	REV	£119,326,000	£279,231,000	£193,301,000	+62.0%	REV	£6,154,000	£7,663,000	+24.5%		
PBT	£2,041,000	£4,543,000	+122.6%	PBT	£6,574,000	£18,109,000	£3,206,000	-51.2%	PBT	£841,000	£1,048,000	+24.6%		
EPS	3.60p	9.30p	+158.3%	EPS	3.05p	8.38p	0.78p	-74.4%	EPS	6.91p	7.70p	+11.4%		
Sage Group plc				Staffware plc				Trace Computers plc						
	Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison		Final - Dec 97	Final - Dec 98	Comparison		Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison	
REV	£88,798,000	£191,547,000	£132,545,000	+49.3%	REV	£17,585,000	£22,187,000	+26.2%	REV	£7,170,000	£14,658,625	£8,684,000	+21.1%	
PBT	£23,967,000	£47,635,000	£35,479,000	+48.0%	PBT	£1,772,000	£2,500,000	+85.9%	PBT	£409,000	£1,205,166	£928,000	+126.9%	
EPS	14.68p	28.85p	20.58p	+40.2%	EPS	10.70p	1.10p	-89.7%	EPS	2.16p	6.11p	4.47p	+106.9%	
Sanderson Group plc				Superscape VR plc				Triad Group plc						
	Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison		Interim - Jan 98	Final - Jul 98	Interim - Jan 99	Comparison		Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparison
REV	£34,743,000	£73,589,000	£54,366,000	+56.5%	REV	£2,568,000	£4,220,000	£2,122,000	-17.4%	REV	£14,139,000	£32,161,000	£22,112,000	+56.4%
PBT	£4,049,000	£8,592,000	£5,609,000	+38.5%	PBT	£956,000	£3,516,000	£87,000	Loss both	PBT	£2,851,000	£6,609,000	£3,816,000	+33.8%
EPS	6.20p	12.80p	7.20p	+16.1%	EPS	-10.90p	-37.30p	-0.71p	Loss both	EPS	2.00p	17.78p	3.00p	+50.0%
SBS Group plc				Synstar plc				Ultima Networks plc						
	Interim - Feb 98	Final - Aug 98	Interim - Feb 99	Comparison		Interim - Mar 98	Final - Sep 98	Interim - Mar 99	Comparison		Final - Dec 97	Final - Dec 98	Comparison	
REV	£11,308,000	£35,856,000	£28,318,000	+150.4%	REV	£78,827,000	£164,425,000	£104,034,000	+33.2%	REV	£38,598,000	£14,440,000	-62.6%	
PBT	£529,000	£1,485,000	£1,367,000	+158.4%	PBT	£0	£2,169,000	£420,000	n/a	PBT	£13,520,000	£5,090,000	Loss both	
EPS	4.80p	11.80p	9.60p	+100.0%	EPS	0.00p	1.70p	0.30p	n/a	EPS	-16.54p	-4.85p	Loss both	
Science Systems plc				Systems Integrated Research plc				Vega Group plc						
	Final - Dec 97	Final - Dec 98	Comparison		Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison		Final - Apr 98	Final - Apr 99	Comparison		
REV	£18,601,000	£24,319,000	+30.7%	REV	£516,000	£1,035,000	£661,000	+28.1%	REV	£22,457,000	£28,993,000	+29.1%		
PBT	£1,852,000	£2,217,000	+19.7%	PBT	£296,000	£493,000	£32,000	Loss to profit	PBT	£3,081,000	£4,292,000	+39.3%		
EPS	6.90p	8.90p	+29.0%	EPS	-2.40p	-4.00p	0.10p	Loss to profit	EPS	13.71p	17.42p	+27.1%		
Sema Group plc				Tetra plc				Workplace Technologies plc						
	Final - Dec 97	Final - Dec 98	Comparison		Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparison		Final - Dec 97	Final - Dec 98	Comparison		
REV	£1,130,086,000	£1,250,400,000	+10.6%	REV	£13,312,000	£30,286,000	£16,463,000	+23.7%	REV	£65,938,000	£82,964,000	+25.8%		
PBT	£64,073,000	£97,800,000	+52.6%	PBT	£2,608,000	£558,000	£1,525,000	Loss to profit	PBT	£1,830,000	£3,275,000	+79.0%		
EPS	9.60p	14.60p	+52.1%	EPS	-14.97p	-7.28p	3.76p	Loss to profit	EPS	2.17p	6.50p	+199.5%		
Sherwood International plc				Torex plc				XKO Group plc. Pro-forma only						
	Final - Dec 97	Final - Dec 98	Comparison		Final - Dec 97	Final - Dec 98	Comparison		Final - Mar 98	Final - Mar 99	Comparison			
REV	£30,036,000	£42,591,000	+41.8%	REV	£21,029,000	£21,770,000	+3.5%	REV	£24,288,000	£28,428,000	+17.0%			
PBT	£3,095,000	£5,494,000	+77.5%	PBT	£7,277,000	£2,982,000	-58.0%	PBT	£1,979,000	£2,667,000	+34.8%			
EPS	23.30p	36.00p	+54.5%	EPS	16.20p	6.80p	-58.0%	EPS	6.10p	8.20p	+34.4%			
Skillsgroup plc				Total Systems plc				EDS - John Bateman is "retiring" from EDS (where he was Exec VP for EMEA, incl EDS UK) to be replaced by David Thorpe.						
	Final - Nov 97	Final - Nov 98	Comparison		Interim - Sep 97	Final - Mar 98	Interim - Sep 98					Comparison		
REV	£376,969,000	£208,400,000	-44.7%	REV	£2,017,128	£4,134,866	£1,780,866					-11.7%		
PBT	£16,308,000	£14,400,000	Loss to profit	PBT	£476,206	£1,019,675	£495,484					+4.0%		
EPS	-22.90p	12.30p	Loss to profit	EPS	3.19p	6.80p	3.32p	+4.0%						

EDS - John Bateman is "retiring" from EDS (where he was Exec VP for EMEA, incl EDS UK) to be replaced by David Thorpe.

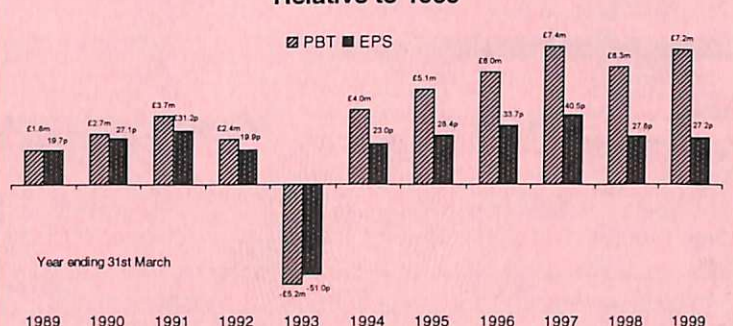
E-commerce lifts Kewill Systems

Kewill's results for the year ending 31st Mar. 99 were excellent, boosted by the increasing business use of e-commerce. Revenue increased 35% to £60m (after restated FY98 results), PBT went up 13% at £7.2m but diluted EPS actually fell 2%. Three divisions did particularly well with Logistics up 78% to £15.2m revenue, E-commerce up 46% (and now accounts for over 24% of total business) and ERP up 21% - still the largest at £22.3m. E-commerce was boosted by Kewill's acquisition of US **Trace Research** last October and the ERP side was similarly boosted by the US **JobBOSS Software** acquisition. The German operation (which has caused so much distress in the past) increased revenues by 4% and managed to turn last year's small loss of £100K into operating profits of £1m.

Chairman Andy Roberts is "delighted to report another year of record sales and profit. Current trading is meeting expectations and business is expected to build up steadily during the year.... The Group is now focusing on investing in Internet-based business-to-business electronic trading solutions". Indeed CEO Geoffrey Finlay went further when he said "we're moving to a completely internet-based product offering".

Comment. Some may think Kewill's ERP business is old-hat and rather unglamorous but it does make money. The fast growing internet based business, with deals from Sainsbury's and Debenhams, is the glamour side and will no doubt account for a higher proportion of revenue over the coming years. Why, then, does Kewill still have one of the lowest PEs in the sector?

Kewill Systems plc
PBT and Revenue Record
Relative to 1989



Strong "maiden" results from Touchstone

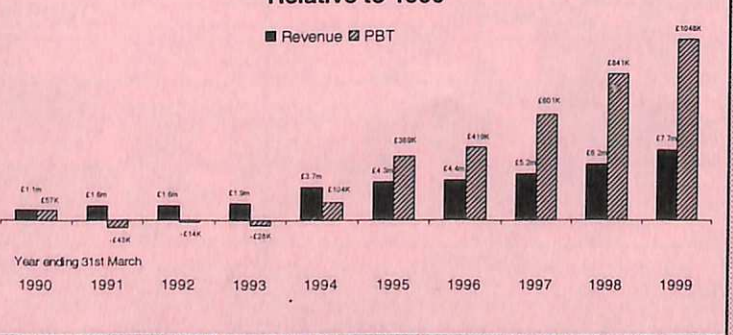
Touchstone Group was established in the early 80s and "is a leading supplier of financial management and business software, support and services". They have announced their first full year results since they floated on AIM a year back in Jul. 98 at 105p. In the last year the shares have done well and ended the month at 132p - one of a depressingly small number of recent IPOs showing a premium (of 26%) to the float price.

In the year to 31st Mar. 99, both revenue and PBT increased a strong 25% to £7.7m and £1m respectively. EPS was up a lower 11%. All Touchstone's core areas did well, with software +34% to £2.9m, consulting and support +32% (£2.2m) and maintenance +13% (£2.4m). Hardware accounts for the small remainder. In addition they have nearly £3m cash in hand....who knows, just waiting for a suitable acquisition?

Chairman Philip Birch said "Results... have been excellent with strong growth in all core areas. The current year has started well and I am confident that the group will enjoy another year of progress". Brokers Sutherlands is forecasting profits for 2000 at £1.3m, 2001 at £1.6m and 2002 at £1.8m (when revenue will be c£13.6m).

Comment. We like the well spread business mix with the bulk from services. They are small but could grow by a combination of organic and acquisitions. That's of course, if they are allowed to before a hungry predator strikes.

Touchstone Group plc
Ten Year PBT and Revenue Record
Relative to 1990



UK M&A

London Bridge Software is to raise c£12.2m via a placement of 740K shares at £16.50 to continue their acquisition policy. They are already in discussions with target US companies.

£30m revenue **Maxima Information Group** has announced significant reorganisation plans. Instead of a possible stock market flotation, it is now demerging into its principal operating divisions. **Systems Team Bristol** has been the subject of an MBO for £2.5m. The larger **Minerva International** and **Systems Team** will now be split and run separately.

Voss Net is raising £150K in a placing of 160K shares to provide further resources for the promotion of their free internet access service for schools.

Compel Group has sold its Dublin based subsidiary **IPI** to **Decision Support Systems** for 1.4m punts. IPI was previously called Info' Products as was only acquired last January.

Misys has strengthened its portfolio of products for global asset management market with the acquisition of French software company **Groupe SIP** for up to £6.4m.

Guardian iT has paid £13.6m for Swedish disaster recovery company **Backupcentralen Infosec Holdings** from owners VCs **Foretagkapital** and **Atle**. The acquisition is expected to be earnings enhancing (before goodwill amortisation) in FY99.

Kalamazoo has disposed of **The Beeches** (its residential conference facility) to **Chartridge Conference Company** for £2.43m.

Not unexpectedly we have to report the demise of **Select Software Tools** after the collapse of the proposed merger with **Base Ten** (see June *System House*). At one time, not so long ago, Select was valued at \$170m. Select floated on NASDAQ in Dec. 96 which valued them then at \$140m. Vultures are now circling for Select's clients.

UK on-line payment processor **WorldPay** is preparing for a simultaneous float in London and on NASDAQ at some time in the future. Some speculation that the valuation could be as high as £100m.

Computacenter has entered the Belgium market with the acquisition of **ECS International Belgium** for \$1.72m. ECS is the distributed systems and services division of French **Societe Generale** and had 1998 revenues of \$21m.

KPMG has sold its specialist healthcare IT arm, **Health Systems**, in an MBO (ISOFT) for £14m. HS designs software for hospitals and health authorities.

German systems integrator **Heyde** has bought **Tantus plc** - developer of treasury management software - in a share swap valued at c£3.8m with a maximum of £5m including earnouts. Tantus 1999 sales are predicted at c£44m with profits of c£7m.

Fayrewood has bought France-based **Alpha Media** (support and training services) for an initial £2.3m and 1.6m shares all conditional on a placing by Fayrewood to raise £5m.

Ex-Rover/Istel Ross Telford has undertaken an MBI at **Open Business Solutions** (ERP software) in a £12.75m deal. **3i** has funded £8m with the balance of debt from **Allied Irish Bank**. OBS has revenue of £14.7m and 200 staff. Peter Teague (also ex-Istel) becomes a NED.

UK IT management consultancy **Conduit** has been acquired by US **I-Cube** for around \$55m in shares.

Anite is to sell **Regreb BV** which operates its networking operations in Australia and New Zealand to **Datatec Ltd** for £10.8m including £5.6m loan repayments.

Vertex Industries Inc. has acquired the UK's **Portable Software Solutions Group** ("the UK's largest provider of hand-held terminal systems to mobile workers") for \$5.9m cash + c£1.6m in shares over next 12 months.

Dixons has announced the flotation of the UK's largest ISP **Freemove** at an expected valuation of c£2 billion. Not bad,

Mergers and Acquisitions - continued

given that **Freemove** had revenue of £2.3m and losses of £1m in the year to 1st May 99. It will be a "retail" IPO too. The last one of these in our sector was **MDIS** in Mar. 94 at 260p. MDIS is now at 26p. *Perhaps we shouldn't say any more!*

Quality Software Products is raising c£3.2m in a placing at 480p "to invest in global growth of managed services and NetConsulting divisions".

Torex has bought **Services for Business and Industry** for £600K. SBI specialises in the supply of SUN hardware and Unix and Windows maintenance.

BT's Syntegra is to acquire US e-commerce and integration company **£180m rev. Control Data Systems Inc** for £217m.

IPO News

NetBenefit floats (despite legal threat)

Internet company **NetBenefit** came to the AIM market earlier in the month priced at 200p, valuing the company at £25m. About £7m has been raised in all, of which net £4.45m will be new money. The shares were five times oversubscribed and after an initial surge to a high of c275p, the shares have since drifted much lower to end the month on 235p. Perhaps the threat of legal proceedings from one of its founder shareholders didn't help. This threat has been dismissed by NetBenefit.

Terence Chapman to come to the market

The Terence Chapman Group (finance sector software and services) has issued its pathfinder listing particulars for a main market float in July. The shares will be offered at 135p giving a valuation of £91.7m with some 30% of shares (half old, half new) becoming available. This price seems pretty fair given the quality of the company and past performance. We are long term fans of Terence Chapman and can see the usual over-subscription. A net £10.2m will be raised. We will be adding both NetBenefit and Terence Chapman to our SCI Index next month.

... but Michael Bailey chooses EASDAQ

IT staff contractor **Michael Bailey Associates** is to float on EASDAQ with a valuation of c£37.5m. MBA had 98 revenue of £28m and PBT of £2.65m. *That's really quite a high price for an agency nowadays.*

Ultima Networks fighting for survival

At last networking company **Ultima** (nee Microvitec) have announced their results for the year ending 31st Dec. 98. As expected they show a loss, albeit reduced to £5m on revenue down from £38.6m to £14.4m. The revenue drop is due mainly to the "forced" disposal of the Displays division. All three divisions, networking services, networking products and software did badly and lost money.

Two banks have withdrawn credit facilities but a replacement bank has offered a smaller facility. To survive, shareholders are now being asked to cough up another £1.5m in an attempt to save the company. Privately owned **Akhter Group** (which already owns c30% of Ultima) has agreed to underwrite the issue and, pending a highly unlikely stampede for the shares, will probably end up owning c49%. Akhter's boss Humayan Mughal (also Chairman of Ultima) believes it has "possibilities". Evidently in Q199 they are still trading at a loss.

The share price has been nothing short of disaster, and after reaching a high in 1996 of c70p, and after various other rights issue, ended the month down another 27% on just 2.75p. By the way, that's a 93% fall since our SCSI Index started in April 1989 - the worst performing of the surviving shares in the Index.

Good month for larger SCS stocks

June was a month when our SCS Index (which favours the smaller stocks) rose by 4% but the FTSE IT Index (weighted towards the largest stocks) was up a much higher 9%. This reverses the trend so far this year.

Best performers were **MERANT** up 59% (page 2), **DRS** up 53% (see results last month), **Diagonal** up 32% and **ITNET** up 27% (on a recent good run of contract wins).

At the other end of the scale, **Highams** (page 8) suffered a 38% dive - that's a 50% reduction in 1999 to date. **Triad** was down 25% BEFORE the announcement of its results on 1st July which were accompanied by a warning of the possible effects of Y2K on utilisation levels. **Ultima** (page 7) continued to hang on by its finger tips but was down another 27% to just 2.75p. It dragged down our Resellers Index where good "recoveries" by **Computacenter** (up 20%) and **Morse** (up 9%) were offset by continued problems at **Azlan** and **ilion** (down 10%). **JBA** was also down 16%, hard hit by news of a \$19m damages claim from US Hartmax on 30th June.

Logica was up 15% on the Team 121 acquisition (page 10).

End June 99	Move since 1st Jan 98	Move since 1st Jan 99	Move in June 99
System Houses	79.0%	15.5%	5.6%
IT Staff Agencies	-30.6%	-16.4%	0.1%
Resellers	-0.8%	5.6%	-2.5%
Software Products	69.3%	44.7%	3.9%

30-Jun-99	SCSI Index					5113.03
	FTSE IT (SCS) Index					1699.60
	FTSE 100					6318.50
	FTSE AIM					1017.60
	FTSE SmallCap					2650.60
SCSI Index = 1000 on 15th April 1989						
Changes in Indices	SCSI Index	FTSE 100	FTSE IT Index	FTSE AIM Index	FTSE Small Cap	
Month (31/5/99 to 30/6/99)	+3.99%	+1.48%	8.96%	+4.16%	+4.08%	
From 15th Apr 89	+411.30%	+207.68%				
From 1st Jan 90	+455.70%	+167.51%				
From 1st Jan 91	+622.31%	+192.47%				
From 1st Jan 92	+389.35%	+153.44%				
From 1st Jan 93	+220.85%	+121.97%			+91.05%	
From 1st Jan 94	+206.25%	+84.84%			+41.84%	
From 1st Jan 95	+241.06%	+106.12%			+51.77%	
From 1st Jan 96	+126.39%	+71.27%		6.73%	+36.52%	
From 1st Jan 97	+90.97%	+53.42%		4.25%	+21.41%	
From 1st Jan 98	68.47%	23.04%	69.96%	2.58%	14.58%	
From 1st Jan 99	29.72%	7.41%	17.54%	26.95%	27.99%	

Beware the Ides of October

Our first edition of *System House* in Nov. 1989 headlined news of a mega crash for SCS stocks in Oct. 89. Last year Q3 1998 witnessed an even more spectacular crash.

The "temporary" effects of Y2K have caused a raft of "warnings" from people-based system houses - including "quality" players like **Admiral** and **Triad**.

We remain very cautious. There is so much volatility in the market at present that another major dive in Q3 should not be ruled out. For what it's worth, that could provide a wonderful buying opportunity for the sustained growth we see from the sector from 2001.

Highams delays plans for a full listing

Earlier this year **Highams Systems Services** ("a leading supplier of IT services to the insurance and finance sectors") announced plans to move from AIM to the main market "in the summer of 1999". They have now decided not to move as they "do not believe that current market conditions and sentiment provide a favourable environment for an application to be made this summer". I.e. the current share price is too low. No further proposed date has been given at this stage - and possibly the move may well be shelved for an indefinite time if the share price continues to languish in the doldrums.

Highams also announced their results for the year ending 31st Mar. 99. Total revenue increased 36% to £34m, with revenue on continuing activities up a lower, but still creditable, 33%. PBT was only up a rather disappointing 10% to £1.5m with diluted EPS only going up a miserly 1%. The low increase in PBT was due in part to the operating loss of £137K at **Trainers** (acquired Oct. 98) on £725K revenue. Still, even without this loss, PBT would have been up "only" some 20% - still under the SCS industry average. Highams still gets the majority (87% or £29.6m) revenue from its Recruitment Services where revenue went up 33% but operating profits by only 13%. Pressure on the staff agency business is evidenced by "a slowdown in demand for recruitment services in line with industry trends". Indeed the number of contractors on site was down 11% at the year end. However, Highams' Business Solutions division did "particularly well" with revenues up 30% to £3.8m and operating profits increasing a higher 37% to £839K - almost half the total profit on only 11% of the turnover! New customers for their factoring software include Prudential, Abbey National, Unisys and IBM. And these are "long-term customers" - just what we like. Indeed, we agree with CEO John Higham that this operation gives balance to the company.

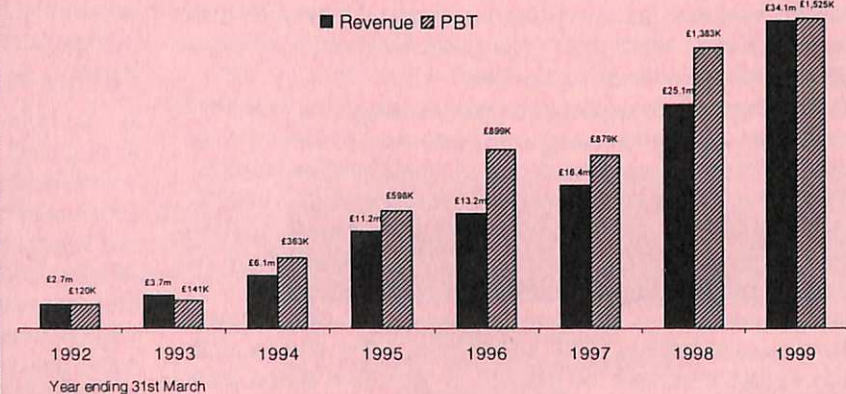
Higham commented on prospects "Our own independent research confirms that clients will be releasing new projects that have been stockpiled because of Year 2000.. This will generate growth... Our new initiatives and services... will increase our prospects of profitable growth". Higham believes the slowdown in the IT contractor market is "a glitch rather than something permanent". We know that many other (CEO's of IT agency companies) share that view.

Comment. A double disappointment for Highams. Firstly the share price has never recovered from the Oct. 98 crash - it's still only 43p (down another 38% this month) - and well below the 1998 high of 143p. The year end profits are disappointing although pretty much in line with expectations before goodwill write-offs.

HIGHAMS

SYSTEMS SERVICES GROUP

Highams Systems Services Group plc PBT and Revenue Record Relative to 1992



System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	SCS Cat.	Share Price 30-Jun-99	Capitalisation 30-Jun-99	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 30-Jun-99	Share price move since 31-May-99	Share price % move in 1999	Capitalisation move since 31-May-99	Capitalisation move (€m) in 1999
Admiral	Yes	CS	£9.18	£595.20m	36.1	4.04	33161.67	2.80%	-21.24%	£24.00m	-£143.40m
AFA Systems		SP	£1.23	£15.90m	Loss	19.65	1020.83	15.02%	12.90%	£2.50m	£2.20m
AIT Group		CS	£3.99	£77.90m	43.9	4.46	2660.00	10.53%	73.48%	£4.60m	£31.20m
Anite Group	Yes	CS	£0.52	£116.80m	19.5	0.78	305.56	25.90%	30.63%	£14.80m	£18.50m
Axon		SP	£2.78	£134.90m	99.1	6.74	1585.71	11.00%	58.57%	£12.90m	£49.50m
Azlan Group	Yes	R	£0.78	£88.40m	30.3	0.26	336.96	-1.90%	26.02%	£3.80m	£22.50m
Baltimore Technologies		SP	£7.20	£236.30m	Loss	23.91	7384.62	-17.00%	67.44%	£16.10m	£158.30m
Bond International		SP	£1.08	£14.60m	23.7	1.66	1653.85	10.26%	14.36%	£1.30m	£1.80m
Cadcentre Group		SP	£1.81	£30.50m	15.4	1.71	905.00	-0.82%	-28.60%	£0.20m	-£11.60m
Capita Group		CS	£6.57	£1,357.00m	72.8	5.71	59144.14	6.32%	18.18%	£81.00m	£258.00m
Cedar Group		SP	£1.10	£39.40m	20.7	1.71	1042.86	-1.79%	13.47%	£0.20m	£7.10m
CFS Group		SP	£1.51	£24.70m	13.3	2.25	1672.22	12.73%	51.26%	£3.50m	£8.90m
Clinical Computing		SP	£0.36	£8.91m	32.2	2.93	286.29	-7.79%	-2.74%	£0.75m	-£0.25m
CMG	Yes	CS	£16.60	£2,111.00m	52.0	4.76	11448.28	1.34%	8.85%	£12.00m	£158.00m
Compel Group	Yes	R	£3.77	£119.40m	15.5	0.57	3012.00	-6.46%	-5.40%	£8.20m	£5.60m
Computacenter	Yes	R	£4.88	£814.20m	18.1	0.51	727.61	20.37%	10.80%	£97.30m	£35.40m
Comino		CS	£3.19	£41.60m	20.9	2.24	2450.00	8.33%	53.49%	£2.50m	£14.00m
DCS Group	Yes	CS	£5.86	£145.20m	27.5	1.32	9766.67	8.72%	8.52%	£19.60m	£20.50m
Delcam		SP	£0.84	£5.10m	Loss	0.37	321.15	-5.65%	79.57%	£0.12m	£2.36m
Diagonal	Yes	CS	£3.43	£254.50m	54.0	3.63	4979.52	31.73%	42.12%	£45.50m	£61.00m
Dialog Corporation		CS	£0.93	£149.30m	75.6	0.87	845.45	2.20%	60.34%	£11.30m	£61.50m
DRS Data & Research		SP	£0.28	£9.17m	Loss	1.35	250.00	52.78%	115.69%	£2.94m	£4.76m
Druid Group	Yes	CS	£10.55	£249.50m	36.4	6.15	3836.36	9.33%	-19.92%	£26.60m	-£52.20m
ECSOft	Yes	CS	£9.68	£105.50m	15.5	1.70	535.42	5.45%	-47.70%	£5.50m	-£96.20m
Electronic Data Proc		SP	£0.67	£17.90m	10.8	1.55	2036.13	-5.67%	-1.48%	£0.60m	£0.20m
Eidos		SP	£20.85	£349.00m	12.4	1.54	20850.00	0.24%	121.81%	£10.80m	£188.30m
FI Group	Yes	CS	£3.26	£721.60m	56.2	3.16	8358.98	1.87%	-0.76%	£70.70m	£62.00m
Financial Objects		SP	£2.38	£84.70m	22.5	3.91	1034.78	-4.23%	-2.86%	£3.80m	£2.60m
Flomerics Group		SP	£3.08	£8.00m	30.5	1.16	2365.38	5.13%	98.39%	£0.39m	£3.97m
Gresham Computing		CS	£1.22	£50.60m	18.3	5.82	1311.83	-7.22%	20.20%	£5.60m	£14.90m
Guardian IT	Yes	CS	£5.65	£286.70m	62.1	9.66	2215.69	17.10%	18.95%	£39.70m	£43.50m
Harvey Nash Group		A	£3.18	£90.50m	14.0	0.86	1814.29	6.37%	2.42%	£6.30m	£3.10m
Higams Systems Servs		A	£0.43	£9.26m	7.9	0.27	1180.56	-37.50%	-50.00%	£3.64m	-£6.74m
ICM Computer		CS	£2.34	£44.40m	18.8	1.24	1297.22	3.78%	-7.89%	£1.60m	£3.90m
Ilion Group		R	£0.77	£19.20m	Loss	0.08	478.13	-10.00%	35.40%	£2.10m	£5.00m
Intelligent Environments		SP	£0.87	£27.40m	Loss	4.13	920.21	8.12%	94.38%	£2.00m	£13.60m
Internet Technology		CS	£1.53	£70.40m	n/a	6.39	7625.00	-4.69%	-9.23%	£1.60m	£27.70m
IS Solutions		CS	£2.63	£12.50m	19.1	1.43	1958.96	0.96%	28.05%	£0.00m	£2.66m
ITNET	Yes	CS	£4.28	£291.70m	56.2	2.76	1221.43	27.04%	-9.52%	£55.10m	£40.50m
JBA Holdings	Yes	SP	£1.17	£50.50m	Loss	0.17	728.13	-15.88%	-37.03%	£0.70m	-£17.40m
JSB Software		SP	£2.50	£28.70m	n/a	8.54	1250.00	3.31%	21.95%	£0.10m	£9.20m
Kalamazoo Computer		CS	£0.42	£17.80m	Loss	0.27	1185.71	0.00%	5.06%	£0.00m	£0.90m
Kewill Systems	Yes	SP	£16.35	£221.10m	60.1	3.68	6462.45	26.50%	28.24%	£42.70m	£50.30m
Logica	Yes	CS	£6.65	£2,385.00m	64.7	5.04	9107.07	14.85%	27.27%	£239.00m	£456.00m
London Bridge Software	Yes	SP	£19.80	£631.40m	100.2	28.22	9900.00	20.73%	53.79%	£139.40m	£250.30m
Lorien		A	£1.46	£28.60m	7.2	0.21	1460.00	9.36%	-0.34%	£2.40m	£0.10m
Lynx Holdings	Yes	SP	£1.68	£164.70m	18.2	0.91	4200.00	3.38%	-15.37%	£9.70m	£47.50m
M-R Group		CS	£1.50	£75.10m	22.1	1.60	595.24	26.05%	47.78%	£8.70m	£18.50m
Macro 4	Yes	SP	£6.38	£125.60m	19.5	5.18	2570.56	-4.14%	87.50%	£5.40m	£58.60m
MDIS Group	Yes	CS	£0.25	£58.70m	17.9	0.44	97.12	-12.17%	-45.11%	£8.20m	£39.20m
MERANT	Yes	SP	£2.49	£359.20m	57.1	1.67	1202.62	58.60%	140.58%	£133.70m	£210.60m
Microgen Holdings		CS	£1.81	£86.10m	20.5	1.23	771.37	13.88%	31.75%	£3.70m	£26.50m
Misys	Yes	SP	£5.43	£3,121.00m	34.8	6.97	6755.56	4.12%	24.19%	£175.00m	£661.00m
MMT Computing	Yes	CS	£7.13	£86.20m	14.0	2.35	4241.07	1.79%	-24.00%	£1.50m	£26.30m
Mondias		SP	£0.69	£8.38m	Loss	8.77	913.33	7.87%	35.64%	£0.38m	£0.00m
Moorepay Group		CS	£2.78	£32.50m	21.9	3.89	4683.09	-0.89%	20.65%	£0.30m	£5.60m
Morse		R	£2.33	£292.90m	31.6	1.36	932.00	9.39%	-6.80%	£32.40m	£12.80m
MSB International	Yes	A	£1.97	£37.20m	5.2	0.19	1034.21	4.80%	-42.21%	£1.00m	£32.20m
MSW Technology		SP	£1.31	£10.90m	36.3	3.75	1350.52	3.97%	23.00%	£0.60m	£2.17m
NSB Retail Systems		SP	£4.83	£54.20m	42.7	6.48	4195.65	16.97%	183.82%	£8.80m	£35.50m
Oxford Molecular		SP	£0.49	£43.10m	Loss	2.00	606.25	-4.90%	0.00%	£1.30m	£1.00m
Parity	Yes	A	£6.30	£311.90m	23.0	1.07	34999.87	4.22%	10.04%	£12.70m	£29.70m
Pegasus Group		SP	£2.52	£17.60m	13.5	1.17	686.65	-3.08%	-16.69%	£0.60m	£3.60m
PhonixLink		CS	£0.38	£27.50m	Loss	8.58	241.94	-11.76%	36.36%	£1.70m	£8.60m
Polycymaster		SP	£2.38	£33.20m	34.1	2.93	1583.33	0.42%	25.33%	£0.10m	£6.50m
Proteus International		SP	£0.40	£29.20m	Loss	41.95	470.24	1.28%	11.27%	£0.30m	£2.90m
Quality Software Prods		SP	£5.13	£69.20m	16.5	1.68	1348.68	0.00%	44.37%	£1.00m	£20.90m
Quantica		A	£0.48	£19.40m	7.0	1.28	383.06	4.40%	-34.93%	£0.80m	£9.00m
Rage Software		SP	£0.15	£36.60m	21.4	10.11	557.69	-6.45%	75.76%	£1.20m	£16.50m
Real Time Control		SP	£5.70	£39.70m	13.5	2.36	11632.65	16.33%	18.13%	£5.40m	£5.90m
Recognition Systems		SP	£0.15	£11.10m	Loss	14.09	207.14	-3.33%	45.00%	£0.00m	£7.41m
Riva Group		CS	£0.38	£28.90m	71.6	0.36	270.07	1.33%	11.76%	£16.90m	£18.00m
RM Group	Yes	SP	£5.00	£460.00m	53.1	3.51	14285.71	-5.03%	7.87%	£23.90m	£39.10m
Rolfe & Nolan		SP	£2.18	£28.90m	Loss	1.38	2589.29	1.16%	24.29%	£0.30m	£5.60m
Romtec		CS	£0.64	£3.37m	15.5	0.86	1016.00	0.00%	-16.99%	£0.00m	£0.68m
Royalblue Group	Yes	SP	£4.42	£124.00m	40.0	4.20	2597.06	-3.88%	31.79%	£2.90m	£30.90m
Sage Group	Yes	SP	£22.55	£2,748.00m	64.6	14.35	86730.77	4.52%	43.63%	£121.00m	£927.00m
Sanderson Group	Yes	CS	£1.67	£83.70m	12.6	1.14	2834.04	2.46%	8.47%	£3.30m	£10.60m
SBS Group		A	£1.58	£13.90m	9.1	0.39	1575.00	-3.08%	-20.25%	£0.40m	£3.50m
Science Systems		CS	£2.19	£37.10m	24.4	1.53	1693.80	0.00%	39.62%	£0.00m	£10.50m
Sema Group	Yes	CS	£6.12	£2,709.00m	48.4	2.17	7698.11	14.39%	3.55%	£238.00m	£15.00m
Shenwood International	Yes	CS	£5.25	£184.20m	51.6	4.32	17490.36	17.71%	54.87%	£16.50m	£56.80m
Skillsgroup	Yes	CS	£2.96	£247.00m	26.2	0.66	1325.11	11.51%	62.81%	£14.90m	£97.60m
Spring		A	£1.52	£226.30m	16.8	0.81	1683.33	12.22%	4.12%	£31.10m	£15.90m
Staffware		SP	£2.60	£34.00m	236.4	1.53	1155.56	-3.70%	-2.80%	£0.30m	£0.00m
Superscape VR		SP	£1.21	£15.30m	Loss	3.63	611.11	-11.68%	-37.47%	£1.60m	£8.50m
Synstar		CS	£1.25	£200.70m	41.9	1.22	754.55	4.18%	24.55%	£6.50m	£69.30m
Systems Integrated		SP	£0.34	£4.62m	Loss	3.70	291.30	-7.84%	332.26%	£0.24m	£3.58m
Tetra		SP	£3.00	£75.60m	29.6	2.50	1875.00	0.00%	65.29%	£29.90m	£29.90m
Torex Group		CS	£2.13	£69.80m	31.8	3.21	4126.21	21.43%	140.11%	£12.60m	£41.10m
Total Systems		CS	£0.52	£5.36m	7.4	1.30	971.70	-8.04%	-12.71%	£0.46m	£0.78m
Touchstone		SP	£1.32	£13.00m	17.1	1.70	1252.38	-10.24%	15.86%	£1.40m	£1.90m
Trace Computers		CS	£1.23	£18.00m	14.7	1.23	980.00	0.00%	0.00%	£0.00m	£0.00m
Triad Group	Yes	CS	£3.23	£92.00m	15.8	2.86	2388.89	-25.00%	-39.44%	£16.40m	£42.20m
Ultima		R	£0.03	£3.78m	13.2	0.26	67.07	-26.67%	-26.67%	£1.38m	£1.38m
Vega Group		CS	£6.40	£104.90m	36.7	3.62	5245.90	12.28%	65.16%	£12.60m	£42.50m
Workplace Technologies		CS	£1.60	£57.20m	15.0	0.69	914.29	-3.03%	-18.78%	£9.30m	£0.10m
XKO		CS	£1.40	£32.60m	n/a	1.15	933.33	-2.78%	n/a	£1.00m	£18.10m

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

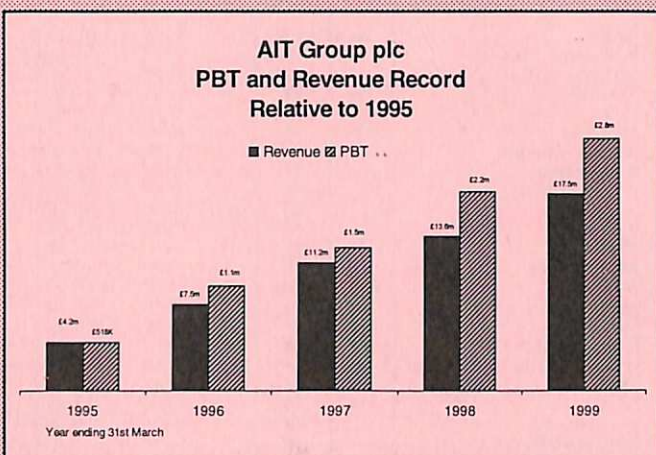
Category Codes: CS = Computer Services SP = Software Product R = Reseller A = IT Agency O = Other

AIT Group pleases

AIT is a systems integration company specialising in multi-channel customer interaction software for large retail financial services organisations. Their flagship product is a CRM (customer relationship management) package used by various blue chip companies. They floated on the main market in Jun. 97 at 150p - the shares have done well since and rose another 11% this month to end on 399p.

In the year ended 31st Mar. 99, revenue went up 29% to £17.5m, with PBT and EPS both increasing 28% to £2.8m and 9p respectively. Chairman Richard Hicks commented "We have started 1999/00 with a healthy pipeline, not least because of our alliance programme, but also due to new projects... We have seen little evidence of a Y2K slowdown... The Board looks forward to another year of excellent progress".

Comment. AIT are deeply into call centres, PC/Internet access and interactive kiosks. I.e. they are in all the right places. They are now growing in Europe but still c80% of turnover is UK based. CRM looks set to become the ERP of the new millennium and even at the present share price, the PE of 44 is relatively modest.

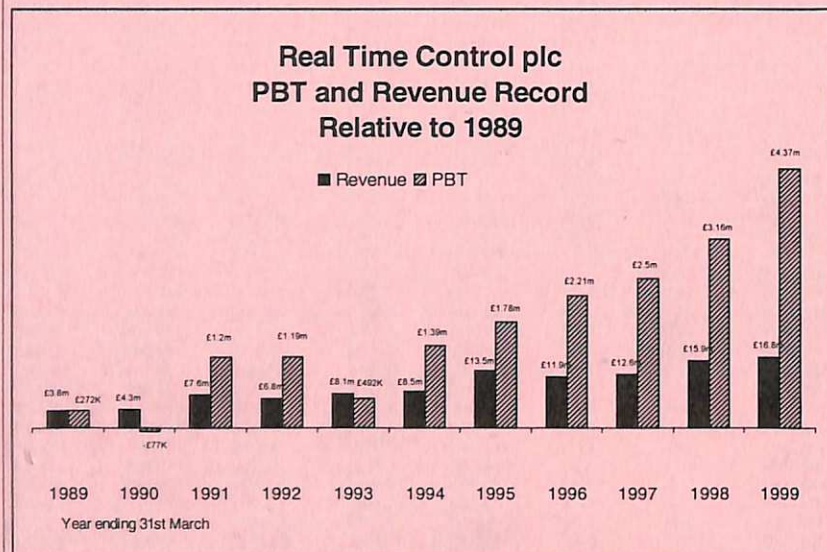


Splendid results from Real Time Control

Long established RTC develops software and services for the retail sector. Their customer list is mainly blue chip including the likes of Selfridges, C&A and Harvey Nicholls. For some while they have been attempting the move away from being predominately a hardware supplier to offer a wider range of services.

In their results for the year to 31st Mar. 99, revenue was up only 6%, but due to the strong growth in software and services revenue (up to now c73% of total turnover), PBT increased 38% with EPS up 37%. Chairman Bernie Carroll said "RTC is in a strong financial position to fully exploit opportunities from further growth both internationally and by extension into new markets... I look forward to reporting on future progress later in the year".

Comment. As can be seen from the chart, revenue growth has hardly been spectacular. We fail to understand why RTC has not entered into a policy of selective acquisitions. After all, they do have nearly £14m cash in the bank and a positive cash flow. Of course we are delighted with the move away from hardware sales and increasing non-UK revenues. The share price a year ago was 515p - it ended this month up 16% on 570p - not changed that much. The PE of 14 is also low.



Logica acquires Team 121

EX SAP employee Iain Barker set up Team 121 way back in 1990. They now employ 400+ with FY99 revenues of over £36m - more than double the 1998 revenue of £16.7m (with a £2m PBT).

Logica is to buy Team 121 for £74.5m cash and shares which will make Barker a multimillionaire (he currently owns 50% of the company). In addition Barker and other senior directors will receive further shares worth £13.8m as a long term incentive to keep them within the Logica group. Logica raised £113.7m net in a placing of 18.4m shares to finance the £15m cash element of this purchase and to refinance existing debt from five recent acquisitions (cost £86.5m). Logica's CEO Martin Read "is very positive" about Logica's current trading performance and "is confident of an excellent outcome for the year to Jun. 99". He also "looks forward with confidence to a further year of superior growth". Two uses of the 'confidence' word in one statement seems stretching it a bit!

Comment. Team 121 has been a partner of Logica for some years. Given that Axon (new market entrant in Mar. 99) is pretty similar and now has a PE of c89, the price paid by Logica looks positively modest - especially as it will be earnings enhancing in FY2000. We rate Barker very highly and it is critical that he stays with Logica for a reasonable time. All in all, seems a really great deal and should boost Logica. The market liked the news and the shares rose 15% this month to end on 665p.

Experian getting bigger and bigger

GUS subsidiary Experian is now a major UK SCSI player after a series of acquisitions - the largest in Feb. 98 when they acquired French SG2 for £70m. Since then they have added another seven at a cost >£25m, including DMC Informatique, this month. DMC is a French cheque processing company with revenues of FF16m and 40 employees. Of course, as part of the much larger £5.5b revenue GUS group, we shouldn't rely too much on Experian's filed accounts which show their revenue at less than a quarter of the claimed total (revenue is also channelled through other GUS' subsidiaries).

Claimed revenue for the year to Mar. 99 is now up another 46% to nearly £900m and trading profits up 35% to £192m. Experian's activities now are the supply of Information Services (40% or c£360m revenue), Decision Support (15%, c£135m), Target Marketing (25%, c£225m) and Outsourcing (20% or c£180m). Outsourcing has shown considerable growth from just 7% of the total in 1998.

We now keep a special eye on Experian in our BPO Watch as they are one of several players interested in the 'end-to-end' CRM market. We expect further acquisitions but they must take care to buy at the higher-end of the value chain.

More disappointment at Romtec

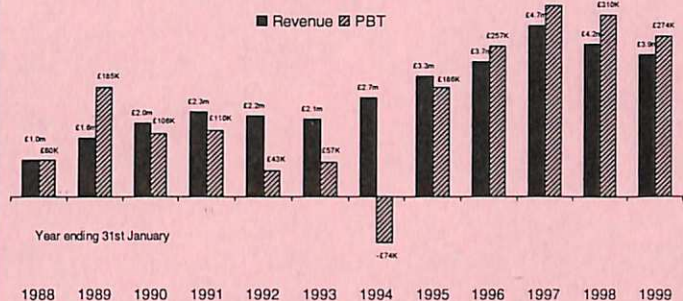
Reviewing Romtec is fraught with difficulty for us. They are an IT research organisation like us (although we never seem to compete), we have known Chairman Russ Nathan for decades and, indeed, became a (modest) shareholder upon the AIM float in Apr. 96 at 62p.

Any view of the 12 year chart shows how disappointing the performance has been. Revenues have declined for the second year (down 7% to £3.9m in year ending 31st Jan. 99) with PBT down 12% at £274K with EPS down 43% at 2.3p. Indeed, all important EPS is now substantially lower than at the time of the AIM float in 1996. And the share price is back to 64p, valuing Romtec at just £3.4m. All a bit academic as Romtec must be about the most illiquid around with Nathan holding 85% of the equity. Romtec has an amazing 141 staff - half permanent, half part-time - producing £28K revenue per head - about a third of industry average for the SCS industry.

Nathan, in his chairman's statement, points out that H2 had shown an improvement with a 10% increase in revenues and a significant growth in profits. He points out the continued investment in Universal Database and Internet Research.

Romtec is about as good an example as you can get of a company which should never have gone public in the first place. Reverting to private status (if Nathan wants to soldier on) or a trade sale seems to us to be the best route. If they stay public, a change of direction is clearly required.

Romtec plc
Twelve year PBT and Revenue Record
Relative to 1988



Internet Technology Group plc

Internet Technology Group plc, through their subsidiaries **Global Internet** and **GX Networks**, claims to be "the largest independent UK ISP". Therefore, of course, they still are loss-making. For the six months to 30th Apr. 99, although revenue more than doubled to £8.9m, operating losses increased from £1.1m to £1.2m and losses before tax went up from just £164K to £1.6m (there were exceptional gains of approaching £1m in the comparable period last year). Chairman Jim Murray said "The year has got off to a very exciting start. However we remain confident that the real growth in the Internet market is yet to come". The shares fell 5% to end the month on 153p.

Higher revenue and losses at Mondas

Workflow software company **Mondas** has increased revenues from £297K to £955K in the year to 30th Apr. 99 but has also managed to increase losses from £484K to £521K. Chairman Tim Simon "is confident that the new sales structure and marketing focus will enable Mondas to expand... the increase in costs is in line with the increase in personnel".

Mondas is trying to establish itself as an e-commerce player through JVs and acquisitions...like all the rest. Mondas floated on AIM in Dec. 96 at 75p... they ended June on just 69p.

Phoenix still rising

As you know we like to bring you news of private companies whenever we can. Old established **Phoenix IT Services** is a rather unique company as they operate only through "partners" and do not deal direct with the end user. These partners include IBM, ICL, HP, Compaq etc. The company offer a range of managed services (such as call vetting, logistics, marketing etc) as well as support services (comms, desktop, systems and software).

In the latest accounts (hot off the press) for the year ended 31st Mar. 99, revenue increased substantially again from £20.6m to £26m with PBT up nearly four-fold at £2.6m (that's a 10% margin). The company is moving towards more higher margin business. The future looks good with FY2000 contracted revenue already c£20m and in addition a new five-year outsourcing agreement will bring in £10m.

News fromKBC Advanced Technologies said "trading conditions remain difficult" and has already reduced its staff by 10%.

JSB Software Technologies with its Internet Access products such as JSB SurfCONTROL, is set to grow according to a recent report from IDC that this particular market is growing at a 53% CAGR (over five years). JSB are one of the three leading vendors and with the recent acquisition of Kansmen could take overall leadership.

ERP vendor **JBA** is in the process of trimming its workforce by c10% in line with the general gloom in the ERP marketplace. The company is returning to its roots as a mid-market specialist and is stopping competing in the generic ERP marketplace. Far East sales are reported to be picking up, but this month JBA have lost the Transport Development Group contract.

ilion Group's UK trading subsidiary has begun legal proceedings against Cisco reseller **Ciscom** in connection with losses (£500K?) incurred by ilion in April this year in an "irregular transaction" (see also June *System House*).

A preliminary announcement from ISP **JSB Software Technologies** said that revenues for the year to 31st May. 99 is up 19% to £4m. "Well ahead of expectations".

Spring Group

"Career and workforce management" company, **Spring Group** has issued its annual trading statement ahead of its year end results announcement, due later this month. The unaudited "management forecasts" presage turnover up c40% on last year's £279m, with underlying like-for-like growth up c20%. Profits (EBITDA) will show "double-digit percentage growth" but operating profit is likely only to show single digit growth (PBT last year was £18.1m). Spring says these forecasts reflect their heavy capital investment in new training centres and losses on the disposal of various "non-core" businesses. Profits were also hit by the "unplanned impact" of changes in the school leaving date, the slowdown in general recruitment activity, and slower than anticipated progress with CareerIT.

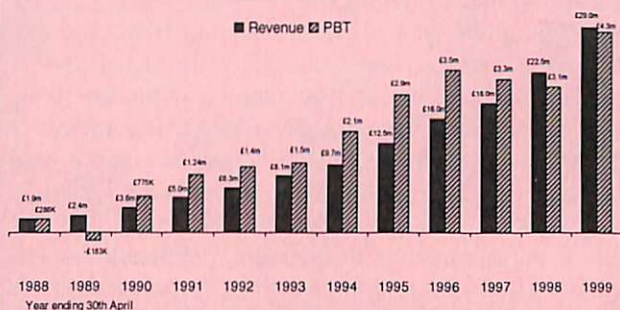
Interesting to note that **Knowledge Universe** bought its 50% stake in 1996 at 160p. After reaching over £5, Spring is now back to end June on 152p. This reflects the "poor sentiment" towards the IT agency sector. We fully expect Spring to address that issue in the coming year.

Excellent results from Vega (and an acquisition)

Vega's results for the year ended 30th Apr. 99 are excellent. Revenue rose 29% to £29m, PBT increased a higher 39% to £4.3m with diluted EPS up 27%. If they go on like this, they might even get back their Boring Award in due time! Vega specialises in the defence, commerce, space and commercial aviation markets with IT for training, satellite operations and simulations and process control. The company had a record order intake at £37m in the year with a 51% higher order backlog at £31.3m (one year's revenue!). Chairman Andy Roberts stated that due to the focus of management over the past two years, combined with new orders, the company "has a sound platform for the immediate future.... Overall we look forward to reporting good results for the current year".

Vega also announced the purchase of consultancy **Crew Services** for £9.7m. Crew has 112 staff and had 1998 revenues of £7.1m and PBT of £591K and "will contribute to turnover and profit this year". Vega will raise £7.6m in a placing at 595p with the balance to the vendors in shares. The shares ended the month up 12% on 640p.

Vega Group plc
Eleven year PBT and Revenue Record
Relative to 1988



Stop Press. As we go to press on 1st July we have been flooded with announcements. **Comax** ("the market leader in secure business services") has been sold to **Amey** for £86m plus debt of £59m. Comax was an MBO in Apr. 97 for £60m. **Total** and **Anite** (finals), **Triad** and **Skillsgroup** (interims), have announced results. See www.holway.com/hotnews. More next month.

1999 Holway Report

Your **VERY LAST CHANCE** to accept the free offer to join the networking event of the year on 15th July 99

The 1999 Holway Report is now AVAILABLE for immediate despatch. We attach an order form so you can reserve not only your copy - still with the 5% pre-publication discount until 15th July - 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.

As we write this there are almost no places left. But a **free place** will still 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.

"Merged" XKO Group does well

Software and network systems **XKO** has announced its first proforma figures after their three way merger of **Xavier**, **KSE Computers** and **CSL Xenon**. Ignoring the UK filed accounts (which are pretty meaningless) the summary figures, including the three offshore operations in Jersey, Guernsey and the Isle of Man, show total revenue up 17% to £28.4m, PBT up 35% to £2.7m with EPS increasing 34%. The Software Division increased revenues 21% to £16.8m and operating profit by 19% to £1.9m. Systems Integration Division revenue and operating profit went up 11% to £11.6m and 70% to £928K respectively.

Chairman and CEO Brian Beverley said "We have completed a complex three way merger and radical restructuring of our Software Division... The benefits will emerge in the second half of the year whilst for future years, the integrated product range is expected to generate significant growth".

XKO shares fell 3% to 140p by the end of the month.

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