

System House

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

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Outsourcing "the place to be" in Europe

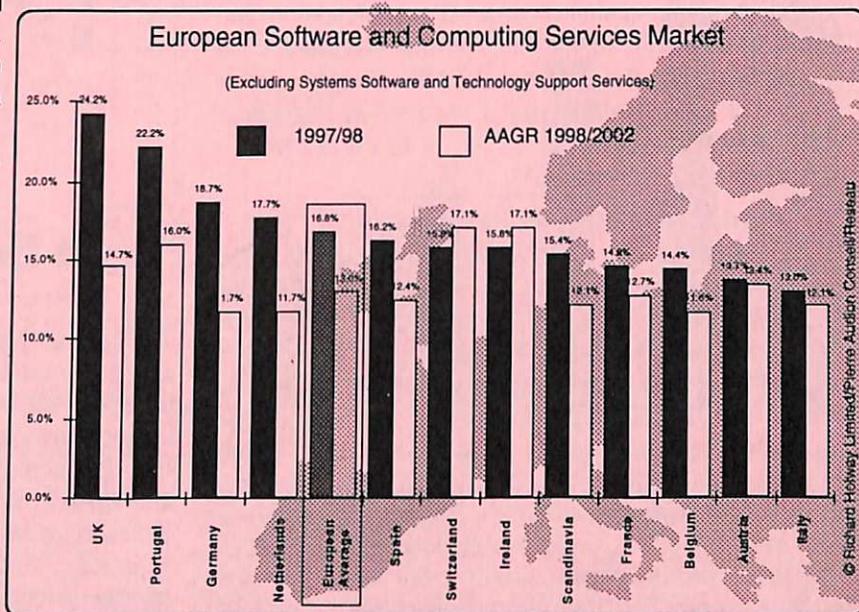
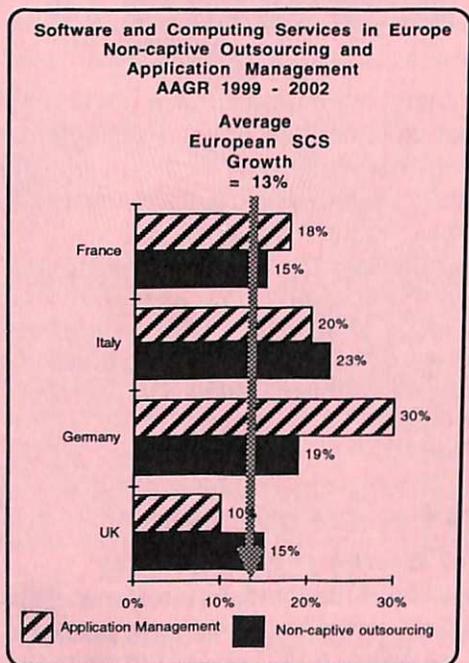
We have just completed our major analysis of the **Software and Computing Services industry in Europe** (see back page for further details).

The results - we must stress, compiled by THE experts on the ground in each of the countries of Europe - show a rosy picture. Every country in Europe recorded 10%+ growth in 1998. Although the UK led the pack at 24%, Germany (19%) and the Netherlands (18%) also recorded higher than average (17%) growth. France, in particular, recovered from previously sluggish growth to record a 15% increase.

Although EVERY country in Europe is expecting growth to turn down post Y2K, the AAGR 1998 - 2002 is still a very bullish

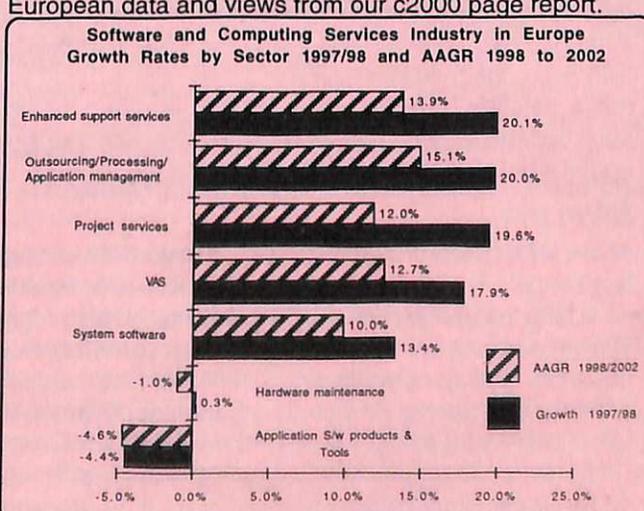
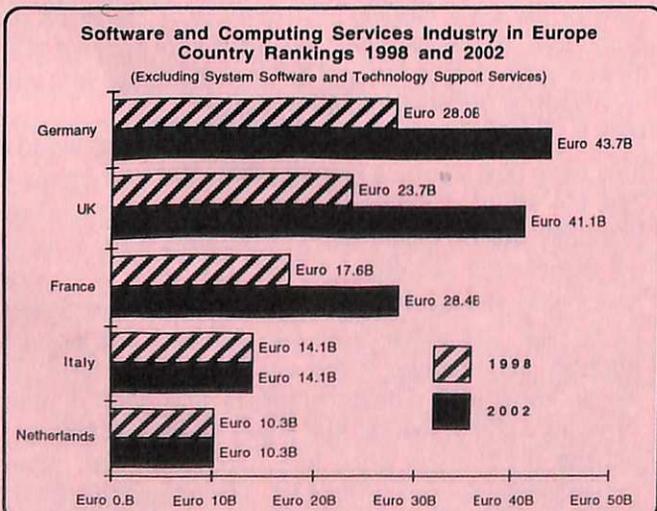
firmly establishes the UK as competitor to #1 Germany by 2002.

It's the slow down post Y2K in project services - i.e. all people-related activities - which causes growth rates to slow. It is also interesting to note that both tools and application products growth is slowing throughout Europe - now well below average. Conversely, the REAL opportunity in Europe



13%. Ireland (which we have analysed for the first time) has the highest anticipated growth (+17%) but from a small base. High (15% p.a.) growth

is non-captive outsourcing and application management. Although we show the UK as having a slower growth rate, that's because the UK market is already both large and mature. Indeed currently, UK non-captive outsourcing is two third's larger than the German market and more than twice the size of the French market. Unlike the UK, European outsourcing markets are dominated by "captive" players, providing rich pickings as those parents divest themselves of their IT subsidiaries. Just a minute fraction of a wealth of European data and views from our c2000 page report.



Rage continues to do well

Rage Software (computer games) has done very well at the interim stage. In the six months to 31st Dec. 98, revenue went up from just £873K to £3m and the previous loss of £350K was transformed into a PBT of £610K. The main reasons for the continuing change of fortune at Rage is that they now bundle OEM versions of their 'Incoming' game. The company propose to do the same with two more games. Bundling deals have now been signed with Compaq, Dell and Acer. Strong relationships with Intel has led to "exciting" signed agreements with the likes of Microsoft and Sony.

Chairman John Roberts commented "These important relationships place us in a favourable position for the future and the Board anticipates a significant increase in profits in the current financial year".

The share price had already increased after the Feb. announcement that Rage would make at least £3.1m profit this year and this month was helped again by rumours that they were being stalked by a US publishing firm. But the shares ended the month static on 16p. The share price was not helped by the statement that the company "does not think it appropriate to pay a dividend at this stage" and a new capital reorganisation is to be put before shareholders at the next AGM.

Flomerics now flowing even better

Flomerics specialises in software for fluid flow and heat transfer with its main products Flotherm (90% of total business) and Flovent. They were launched onto AIM in Dec. 95 at 130p. After losses for some years, they went into profit last year. The latest results for the year to 31st Dec. 98 show continuing improvement - and according to the official press release the company has now "Turned the corner". Revenue went up 19% to £6.9m, with profit up more than seven-fold to £384K. The results would have been even better but for the problems in the Far East - in particular Japan where revenue fell 30% and now represents only 6% of total turnover. Revenue is split fairly equally between the US and Europe (including the Far East).

One of the year's "highlights" was the setting up of a joint marketing agreement with Johnson Matthey Electronics in the US. They also signed a worldwide corporate licence agreement with Siemens and a joint marketing agreement with Thermacore.

Chairman David Mann is confident. "The completion of significant investments has enable Flomerics to achieve continuing good growth with substantial increase in margins... we view the prospects for 1999 and beyond with real confidence".

Since flotation, the share price has been on a bit of a roller coaster above and below the initial float price. They ended April on 205p - up 28% this month.

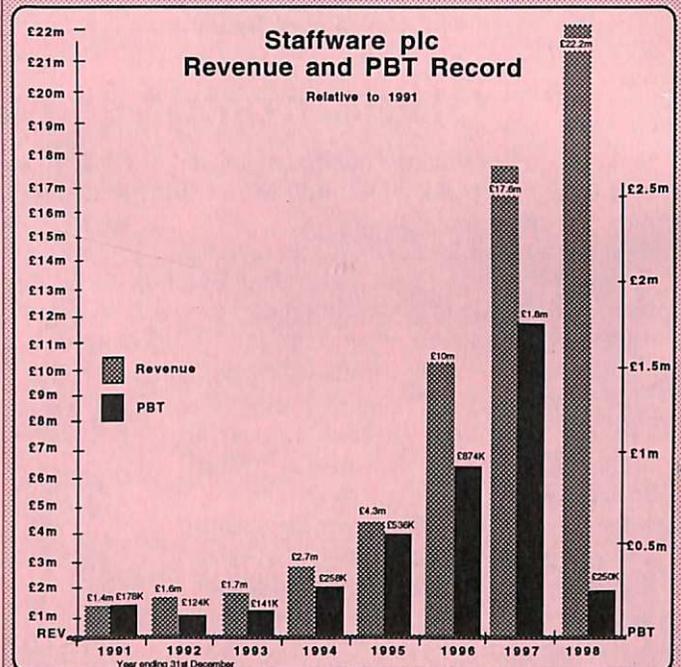
Hays plc

At the interim stage **Hays** continues to go from strength to strength. In the six months to 31st Dec. 98, revenue rose 19% to £876.9m with PBT increasing a slightly higher 20% at £110.1m. Revenue is quite well spread both by business and geographically. Distribution accounts for £445m, Commercial £143m and Personnel £289m. The UK accounts for £582m with another £254m in Europe. Hays have also made two acquisitions this month - see p7 for further details..

System House

Revenue up, profits down at Staffware

Staffware is engaged in the authoring, selling and support of workflow automation software. As had been predicted, Staffware's results for the year ended 31st Dec. 98 were pretty poor. Although revenue increased 26% to £22.2m, PBT slumped 86% to just £250K with EPS down an even higher 90%.



The company attributed the massive downturn in profits to a two year sales drive combined with R&D spending up 36% to £4.1m (all expensed). They have now launched a new enterprise sales strategy which has already enrolled four bluechips (including three since the year end). Chairman Paul Fullagar said "1998 was an exciting year... we have seen a recovery of sales in the UK and Nordic regions... Following a year of investment and sales reorganisation we are now looking forward to building on this investment and maximising profitability. The outlook for 1999 is encouraging".

The market reacted well to the news. Staffware ended March on 220p - up 47% in the month - and now again approaching the IPO price of 225p in Jun. 96.

Computerland issues profit warning

In the past we have stuck up for **Computerland** despite them being called a "Cowboy" outfit by some sections of the press. They are mainly a PC reseller but claim to be "one of the UK's leading providers of IT services and products to business users". We were very positive at the interim stage (to Oct. 98) and so were the board who were "confident of the outcome for the year".

Well that confidence appears to have been misplaced as they have now issued a warning that year end profits (to Apr. 99) will be "materially below" market expectations. Evidently sales in December and January were slow and the transaction business decline has been faster than anticipated. However services is in line with expectations. Of course, "the move more into services will lead to a stronger performance in the medium to long term". But we all know how difficult resellers find such a move. Anyway, with the market in a jittery state, any bad news causes sharp share price falls. Computerland shares immediately fell from 160p to £1. They then fell further to end the month on 78p.

Parity continues to rise - more excellent results

IT staff agency and consultancy Parity, has produced an absolutely excellent set of results for the year ended 31st Dec. 98. Revenue went up 44% to £290m, PBT increased 49% at £20m with EPS up 31%. For the first time, revenues from the consultancy side of the business at £155m (up 67%) were higher than the staff agency side at £135m (up "only" 25%). Evidently Parity is actively seeking an acquisition, probably in the US, to further bolster its solutions business. The consultancy revenue comes from the UK (£50m revenue, profits of £6m) and Europe (£65m revenue, profits £4m) and was helped by a full year's contribution from Dedicate. Also, due mainly to the Nov. 97 acquisition of US TelTech, RoW consultancy revenues increased from £2.6m to £40m (and contributed £3.5m profit). On the other hand the UK staff agency business suffered a not unexpected fall in margins to 6.6% on its £9m profit due to "a low margin high volume agreement with a major client".

Commenting on these results, Chairman Philip Swinstead said "The results reflect another excellent performance from the Group, with orders received during the year reaching £330m, some 44% higher than the previous year... Looking ahead, we continue to see a strong market for our services. We are winning good business across all of our international territories and expect further profitable growth across all our businesses this year".

Parity is really now more like a system house than a staff agency but this is no more than we would have expected given the SD-Scicon pedigree of Swinstead, CEO Paul Davies and Keith Jennings (Easams). But if you look at Parity's current valuation, it would be justified by the consultancy results alone. In other words, the staff

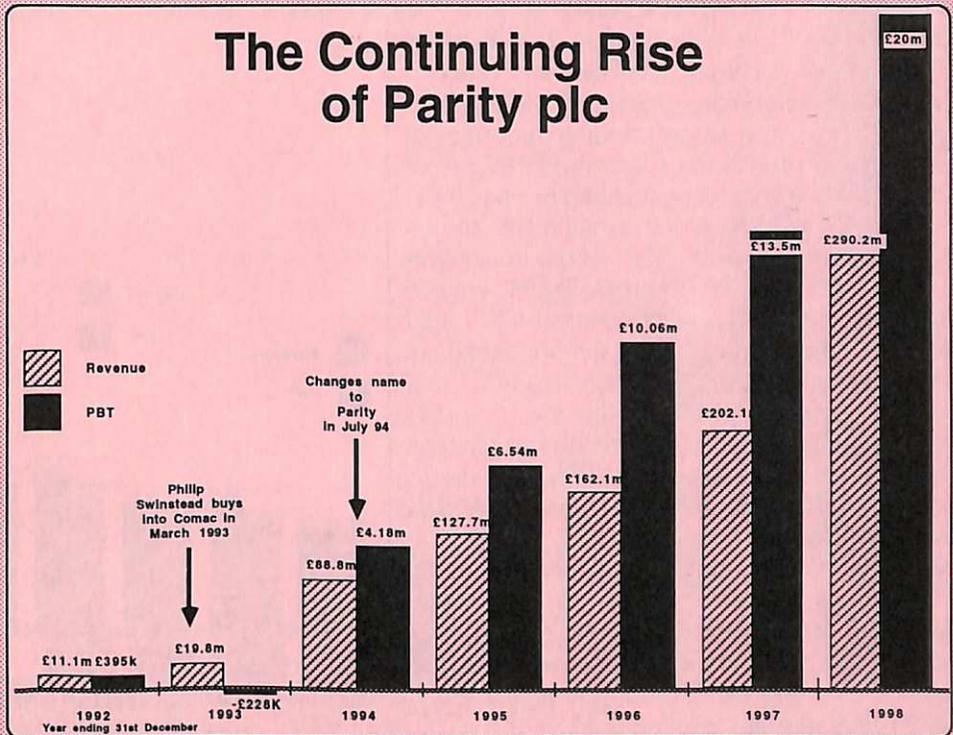
agency side comes free! In the past, Parity have argued that the staffing operation adds to the whole by providing resources to solutions. But other system houses get by without owning such a channel. If Parity should sell the staff agency side of the business it could have the twin advantages of raising cash and further boost the valuation of the remainder.

In any event, we see Parity's future emphasis on consulting rather than the agency side. Perhaps as a direct result, the share price has continued to rise and ended the month up 6% on £7.

Comment. We have caused a degree of controversy with our staff agency comments. Some (see MSB on p14) are still at the bottom end of the chain using staff on a purely commodity basis. Others (Parity and, latterly Skillsgroup) have moved further and further up the value chain and are becoming closer to the quality system houses we like so much. We have just completed a major study of the IT staff agency market which will be incorporated into the 1999 Holway Report (see p16).

PARITY

The Continuing Rise of Parity plc



More excellent figures from Druid, but....

IT Consultancy **Druid Group** has produced yet another excellent set of financial results. In their interims for the six months ended 31st Dec. 98, revenue rose a massive 95% to £27.8m, PBT was up 68% at £4m with EPS up 71%. Staff numbers doubled in the period to 659. Druid has been diversifying away from its focus on implementing business software from SAP, into a much broader management consultancy role offering advice and support. They have also been expanding overseas. Druid is also making a strong push into the Enterprise Relationship Management (ERM) and in Jan. 99 bought **Gamut Technologies** which specialises in this field.

Why the "But"? Well Chairman David Tebbs is rather cautious about the future. "There have been mixed signals from the suppliers of application packages over recent months" He went on to say "it has been suggested by industry commentators (wonder who?) that the ERP software market has seen a pre Y2000 boom in the last twelve months that will lead to a year of lower sales growth for the software suppliers, but the underlying market will continue to grow. Our experience has shown that the consulting and implementation services relating to a software product sale extend over many years. This then generates a smoother market opportunity for providers on consultancy services, which is born out by our growing order backlog". We agree. Remember our "Go into services my son...."

Anyway, these comments helped to depress the share price well over £1 immediately. They recovered well to end the month static at £15.25p. Mind you that's still pretty good as they were a new main market float less than three years ago at 275p. Despite expected additional property costs when the company move into new premises by Jul. 99, brokers Henderson Crosthwaite has kept the full year profit estimate at c£11.3m and for FY2000 at £14m.

Another superb set of results from CMG

CMG was founded in 1964 and is one of Europe's leading computing services and consultancy companies. They now operate in more than 40 countries from bases in the UK, The Netherlands, Germany, France and Belgium. The company employs more than 7,500 people, some two-thirds of whom are based in Benelux. CMG is listed on both the London and Amsterdam Stock Exchanges.

CMG produced another set of superb results in the year to 31st Dec. 98. Revenues were up 46% to £443.8m and PBT increased 49% to £57.5m. This brings their PBT margins up *again* to 13%. Diluted EPS rose 53% to 30.5p. At constant exchange rates the results would have looked even better — revenues up 50%, PBT up 53% and EPS up 56%. By the way, most of this was organic growth, even though CMG made six acquisitions in 1998!

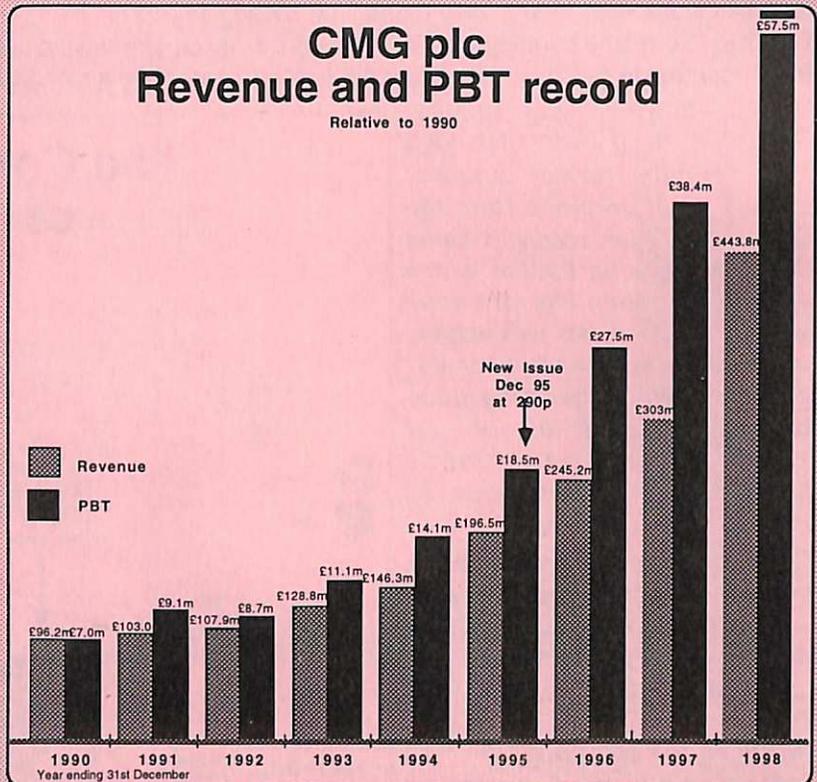
CMG's UK operations (including the Microlex acquisition) put in an outstanding performance — revenues up 50% to £108.2m and PBT almost doubled to £9.16m, bringing margins up to 8.5% - still a little way short of the magic 10% target. The UK now represents 24% of group turnover (but only c15% profit). The main Benelux region grew revenue 40% to £290.3m and its profit figure of £53.3m gave it just *superb* margins of 18.4%, a figure likely to settle back to 14%-16% over the next few years. Fastest growth was in Germany, with revenues up 56% to £36.2m. The new operation in France lost £2.7m on revenues of £9.2m but is expected to come "closer to break even" in 1999.

Chairman Cor Stutterheim's view of the future "remains largely unchanged and is very positive" but he voiced concerns "about the development of markets generally and IT in particular" this year. However, he is "confident" that any short-term problems "will not impede CMG's ability to grow ahead of the market in its chosen areas of operation".

The market liked the news and the shares immediately rose but then fell back to end the month slightly down.

Comment. CMG really knows how to stick to its knitting. It has selected some fast-growing market sectors, such as mobile telecomms, and has established long term relationships with blue-chip clients. Indeed, some 85% of revenues come from existing customers. Although it has bases in just five European countries, its business is worldwide, working under the principle "we follow our customers where they want to be". We have come to expect nothing but the best from CMG, so when they say the business will continue to grow, we have little doubt they will deliver the goods ... *again!*

Footnote - Just to prove how fallible we are - and to prove yet again that there is never a bad time to buy into a QUALITY company - in Dec. 95, we had a role in the CMG IPO. On the day trading commenced the 290p IPO price had already risen to 330p (today's equivalent 145p after the split). Too high for us we reasoned and stayed out of the market. After just over three years CMG closed March on nearly £18 - or a massive 12-times higher. CMG is already up 18% in the first three months of 1999 too!

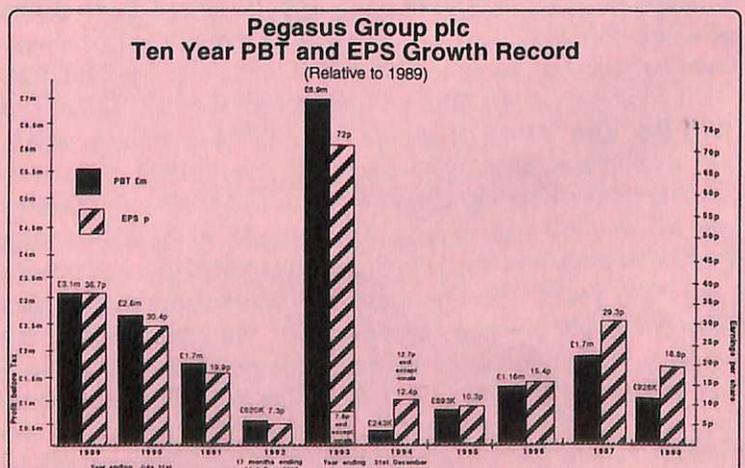


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Realising shareholder value at Pegasus

Less than three years ago, Sage made an a bid approach to Pegasus which could have been worth 475p per share if consummated (c73% premium). CEO Jonathan Hubbard-Ford considered this "seriously undervalued" Pegasus and the bid failed. In FY96, Pegasus reported PBT of £1.2m. Contrast this to current situation. In the year to 31st Dec. 98, although Pegasus managed to increase revenue 20% to £15m, PBT plummeted 45% to £928K. EPS fell 36%. Increased R&D costs (up £2m to £4.4m) were "entirely" blamed. *But surely all products companies have to accept on-going R&D as a fact of life?* The real problem lies with the Pegasus model; lack of recurring support revenues, management and the lack of critical mass.

Comment. At the time of the Sage bid in Jul. 96, Sage's share price was c£4 (we assume that a share option would have been offered) and Pegasus shares stood at 275p. Less than three years later, Sage stands at £22.53p, and Pegasus is even lower than in 1996 at 236p. If we were a Pegasus shareholder, we would be asking some serious questions of Mr Hubbard-Ford.



Computacenter's excellent maiden results

The UK's number one "distributed information technology and related services" supplier (we dare not call them a PC reseller any more!) **Computacenter** has declared excellent maiden full year results ahead of expectations. Total turnover was up 40% at £1,586m and PBT rose 37% at £64.6m in the year to 31st Dec. 98. EPS (diluted) grew 34% to 23.5p. Chairman Philip Hulme justifiably reported "another outstanding set of results. Both turnover and profits exceeded expectations and 1998 was Computacenter's 16th consecutive year of turnover and profits growth in the UK". (If it wasn't for a dip in group profits in 1994 because of their operations in France, Computacenter would have already qualified for a *System House Boring Award!*) Most (93%) of turnover comes from Computacenter's reseller and services business - only 7% now derives from its distribution activities, compared to 9% in 1997. Most sectors of Computacenter's business showed increases in 1998, but its City business "was lower than expected" - and now represents 10% of the total.

Operating and PBT margins dipped a shade to 4.2% and 4.1% respectively (1997: 4.6% and 4.2%). This was mainly due to increased investment in staff (another 1,337 employees - over one-third up) and infrastructure, along with a one time hit when employees were granted free shares at a cost of c£2.8m at the float in May 98.

UK turnover was up 34% to £1.383 billion, and now represents 87% of the total. Overseas revenues therefore now account for some 13% of the total, up from c9% in 1997. However, UK operations still generate c98% of profits. Revenues in France soared ahead 73% to £166m and profits rose 34% to £2.75m, "through development of some significant accounts" including France Telecom and EDF. Headcount almost doubled to 549 - most of the increase was in their services division "where growth exceeded the % for Computacenter as a whole". Computacenter's German operation, acquired in Jun. 97, turned over £37.1m and had operating losses of £1.38m, due in particular to heavy investment in new staff. CEO Mike Norris reported that the German subsidiary was "ahead of long term plan".

Computacenter says that services now represent "nearly 20%" of total revenues - i.e. c£300m. If correct, that's twice the £150m we estimated last year and is a terrific performance. But if you look at their results announcement, the net cost of "goods for resale and consumables" came in at £1,253m. This means that even if Computacenter passed through all their hardware at zero mark-up, the maximum revenue from services would be £333m, i.e. 21% of the total. Now, not even Computacenter would be that philanthropic, which is why we estimate their services revenues to be nearer the £250m mark. Even so, this still represents a 60%-70% increase on 1997 - an excellent performance.

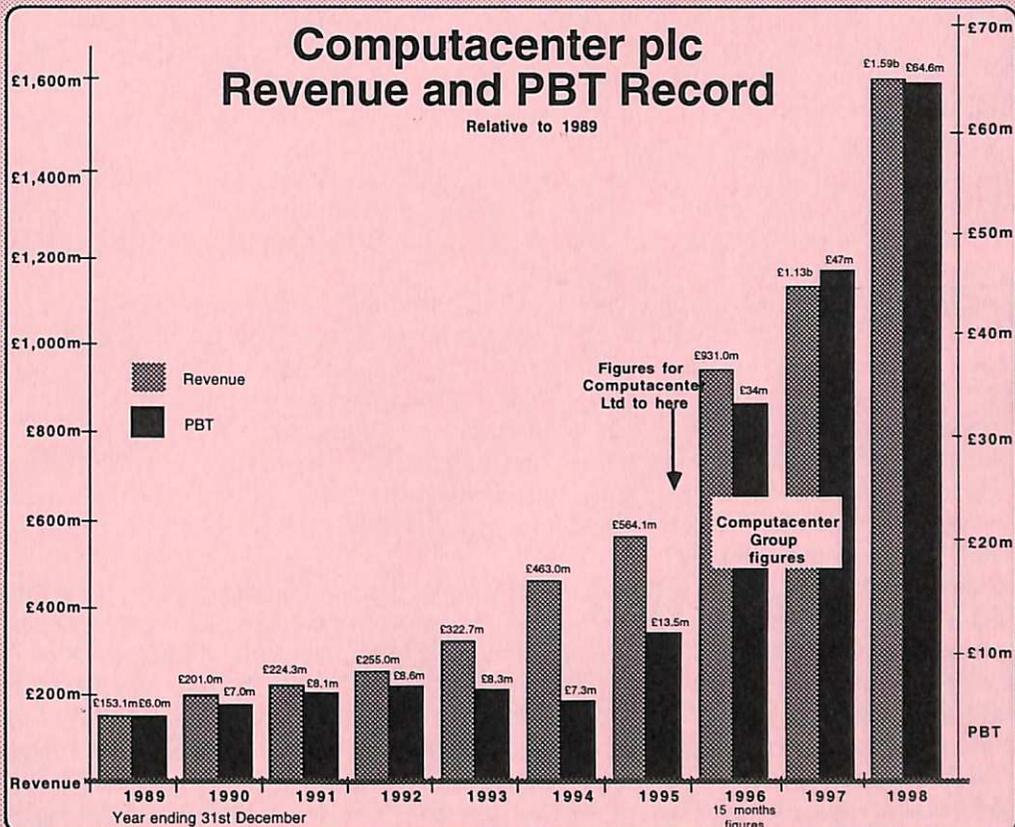
The rest of Computacenter's revenues is accounted for by PC sales (c33%), servers (c10%), network products (c10%), software (c17%), and consumables etc. (c14%). Computacenter's services are now the most profitable and fastest growing part of the business and have also served as an entrée for their supply activities in a number of customers. Mike Norris also gave a well-deserved plug for their e-commerce "On-Trac" order processing system, claiming it to be "the largest business-to-business intranet in the UK". They took some £284m of orders through this system in 1998 and are looking to expand its capabilities later in 1999.

Comment. These are really super results - and we are especially delighted to see the emphasis that Mike Norris is putting on growing the services side of the business and fostering long term relationships with customers - just the model we like. Indeed, with services revenues of c£250m, Computacenter will almost certainly go up a few notches in the 1998 UK SCSI rankings.

These results were greeted with some enthusiasm by the market and their share price rose 24p to 524p. It went even higher by the end of Mar. 99 at 582p. This is still rather a far cry from the 670p IPO price in May 98. We thought at the time that the Computacenter Placing price was "full". How much better it would have been if they had floated at a more modest price, allowing new investors to share in the rewards of an excellent year's performance. We hope, indeed believe, that other similar current IPOs will heed the warning. With an EPS at 23.5p, that puts Computacenter's P/E at c22. Just imagine where that could go if they really did get the ratings of a quality "services" company.

Computacenter plc Revenue and PBT Record

Relative to 1989



A chastened Dialog hopes to cut debt (and some of the chat)

THE DIALOG CORPORATION

Whatever we say about **Dialog Corp.**, they

could never be called 'boring' in any sense of the word! Any company with Dan Wagner at its head is bound to cause a bit of controversy. Wagner is also pretty good at seizing an opportunity. This month he asked for, and was granted, his wish to be reclassified as an Internet stock in the FTSE IT sub-sector. As far as we can see Dialog has as much right to that tag as, say, Reuters. Anyway, it did wonders for his sagging share price which rose on the news.

Dialog is a business data group and in the year ending 31st Dec. 98 reported revenues up from £46.8m to £170.8m. The previous loss of £20.4m (after exceptionals totalling net £14.5m) was turned into a PBT of £5.6m (after next exceptionals of £2.8m to cover the cost of moving their US HQ). Of course the 98 revenue figures include a full year from **Knight-Ridder Information (KRI)**. In the last two years, the FY97 operating loss of £3.8m has been transformed into a FY98 operating profit of £25.6m. One of Dialog's biggest problems is the \$257m (£155m) mountain of debt after the US KRI reverse takeover (c£261m in Oct. 97). In the current financial year this cost Dialog £17.4m in interest payments. Wagner now hopes that he can announce a new JV partner for the Internet software business, where he claims run-rate revenues of >£60m. This would reduce debt and release capital for investment in its higher margin e-commerce and web solutions products (now less than 5% of total sales).

Last year Dan Wagner was very upbeat (no surprise here) and 'promised a bit too much'. He is now determined to play down future prospects. Chairman Michael Mander said "1998 was a challenging but productive year. KRI's revenues have taken longer to turn around than we had originally anticipated. This situation was compounded by the necessary pricing changes we introduced during the year". Dialog has now strengthened its management and made other structural changes such as reorganising into three divisions - Information Services (£166m revenue or 97% of the total), Web Solutions and Internet Software (£4.2m revenue) and eCommerce (the remaining revenue but with a 22% gross margin). Mander continued with "Overall we expect real benefits of the work we have done to date to show through in our results in H299 and beyond". Indeed if Q498 is anything to go by (revenues £40m, profits £5.6m and PBT £1.1m), this hard work is already bearing fruit.

Comment. We have a sneaking regard for Wagner despite of (because of?) his ability to upset the City - well some of them need cutting down to size sometimes. His problem is that he can get away with it when times are good but he cannot expect an easy ride when he fails to live up to his own hype. It will now take some time for him to live down the City's "Dial-a Dog" tag. It remains to be seen whether the City - or Wagner - will have the last laugh. We expected that the KRI acquisition (for which he grossly overpaid), through its sheer size alone, would take time to bed down. It looks as though it is now more or less fully integrated and Wagner is reported as saying that the original deal was justified as "all our business will ultimately be internet browser based". Of course the current level of debt is a problem with its contracted schedule of repayments as well as massive interest. "The directors are confident that debt obligations can be met" both in the current year and beyond. Dialog has yet to pay a dividend but current trading looks promising. The move to the new Internet subsector has helped with the recovery of the share price - it is up this month 66% to 114p and has increased this year already by nearly double. Mind you, at one time last year the shares stood at c240p (valuing the company at well over c£330m) before the 55% freefall in Nov. 98. 'Cocky' Wagner has been over optimistic in the past and has suffered the penalty. Perhaps the new more 'humble version will mend some bridges. Currently the jury is still out. But we still hope Dial-a-Dog has the last bark.

Back into the red at Oxford Molecular

Last year, **Oxford Molecular** (design software for the pharmaceutical industry) made a small profit for the first time. It was short-lived. In the year to 31st Dec. 98, although revenue went up 38% to £21.5m (the lower organic growth rate was still a good 17%), the previous PBT of just £256K was turned into a loss of £2m. Mind you, in both years the company actually made operating losses (£727K in 97, £1m in 98) as both were helped by considerable net interest received of over £900K in each year. Oxford is another company that have had to accept the new accounting standard FRS10 with regard to the amortisation of goodwill and intangibles. In FY98 this accounted for just over £1m but, as they say, 'rules is rules', and all companies will suffer by comparison unless they also amend previous year's figures on the same basis (we already have had complaints from some companies about this!). On a more positive note, Oxford has increased R&D spend from £4.9m to £6.6m and all this is written off we are pleased to say.

Chairman Roderick Hall (soon to be replaced by new director Douglas Brown - FD at ING Barings) reported. "We have made a good start to 1999. Whilst the trading result for 1998 did not meet our expectations, considerable progress was made in identifying areas where our operations can be strengthened... We remain confident that the Group can resume its trend towards profitability". The changes referred to include another new non-exec - Michael Hauck - as well as the creation of two trading divisions, **Software Solutions** (revenues £15.5m, operating loss after R&D of £3.7m) and **Discovery Solutions** (£3.9m revenue and operating profit of £1.6m). In addition, Oxford Molecular has made investments in **Cambridge Drug Discovery** (Dec. 97) and **MicroGenics** (Jun. 98)

The most significant event during the year was the purchase of a stake in **Cambridge Combinational** (complementary drug discovery skills) and quoted **Chemical Design** in Oct. 98 as a step towards their stated goal "of being the world's leading discovery solutions provider". CEO Tony Marchington "believes that we are well positioned to take a significant share of a potentially large market".

Comment. Oxford was a new issue at 80p way back in 1994 and at one time the shares rose well above this figure to c£3 which then valued the company at well over £200m. We wondered at the time (*System House* Sep. 97) whether this sort of valuation was justified. Since then the share price has been mostly all one way - **down** - but they did increase 30% this month to end on 48p.

UK M&A

Another disposal at **Misys**. They have sold off "non-core" £10m revenue **TIS Software** (part of the information division) in a £5m MBO to five of the TIS directors led by MD Peter Lusty. **Sand Aire Private Equity** is providing finance with further facilities from **Lloyds Bank**. The MBO team will own 50% with Sand Aire holding the other 50%. Danish **Navision Software** (developer of enterprise business solutions) has acquired **Navision Software UK** (with its 26 employees) and **Navision Software Spain**. Both transactions are in shares.

Rapid Group has off-loaded its mail order business and Cambridge **AppleCentre** to concentrate on its value-added business. The deal is understood to be worth £50K. **CSC** has expanded its European presence with the acquisition of Italian **Informatica Group SpA**. IG had 1998 revenues of \$30m.

An MBO backed by **Mercury Asset Management (MAM)** has bought **Checkpoint Security Systems** (software based payment systems) from the joint founders in a £17m deal. The original founders are reducing their stake from 65% to 15%, MAM will become the majority shareholder with managers and staff owning the remainder. Checkpoint have been very fast growing since incorporation in 1995 and now have revenues of £20m. One to watch!...especially as a float is being considered at some time in the future.

As discussed in earlier editions, Brian Beverley has finalised the formation of a new group this month from the merger of **KSE Computers**, AIM* quoted **Xavier Computers** and **Xenon**. The new **XKO Group** has proforma sales of c£24m and profits of £1.8m. This year's profit is expected to be c£2.5m. Beverley will be chairman with a 7.8% stake and Simon Beart becomes FD (Beart was co-founder of Britton, sold to a US group last year for £200m). **Nomura** is to promote the shares.

US **Zoom Telephonics** has acquired **Hays Europe** (No, not THE Hays) for \$2.75m (£1.7m) plus c\$3m for patents and another \$175K for test labs.

European **Real Software** is taking a 54% stake in UK **Software Decisions** (software for transport industry) for an undisclosed amount. This is RS' third UK acquisition. **Service Industries (SI)** have appointed administrators. SI are part of **Synergy Management** who are also rumoured to be considering spinning off subsidiary **Eurograph Industries**.

Bet you have never heard of **Zeus** - we hadn't. Zeus was set up by two young graduates four years ago, and surprise, surprise they are involved in the internet. 23 year old Adam Twiss said the company had received numerous offers from US companies but have no plans to "be part of another company". Talks are underway to sell a stake to a US VC which will value Zeus at c£30m. Young Twiss with his 42% stake will then become a multi-millionaire. "IBM UK's premier AS/400 business partner" **Catalyst Solutions** is to get a loan from **IBM Global Financing** to assist with further acquisitions.

Admiral has purchased Danish IT services company, **B&B Datacare** for DKr22m (£2m). In 1998, B&B had revenues of £1.9m and PBT of £400K. This acquisition makes Admiral one of the largest Danish consultancy companies.

ECsoft Group has agreed to buy Dutch IT services company **Achilles IT Group** (who also own 60% of Dutch

Mergers and Acquisitions - continued

IT recruitment company **i.t Career Support**) in a share transaction valuing Achilles at NFI36m. The company has 96 people and 1998 revenues of NFI14.9m and profits of NFI2.1m.

PWA Personnel (HR solutions and payroll) has negotiated a £5m financial package for expansion with 3i investing £3m. Accounts for year to Sep. 97 show revenue of £6.5m and PBT (after exceptionals of £412K) down to just £13K. **Dicom Group** (through its subsidiary **Dicom Benelux**) has acquired the small maintenance business of Belgium **Sercu Microdata** for £78K.

US NASDAQ quoted **TSI International** has acquired **Braid Group** (software for the financial services industry) in a deal that could reach a maximum of \$100m (part cash, part TSI shares and part on profits).

Action Computer Supplies confirmed that preliminary talks are taking place which may lead to an offer being made for the company.

Hays plc (see also p2) has made two acquisitions this month. They have bought French **Ceritex** (call centre services) for an initial £12.3m plus additional monies on future profits. The second acquisition is of **Crawfords Computing** (UK provider of database management services) for another £12.3m with up to £5m more on profits. Ceritex had revenues of FFr277m and operating profits of FFr16m in 1998, and Crawford had 1998 revenues of £5.3m and operating profits of £800K.

Both Misys and **Sema** have reclaimed their position in the FTSE 100. ...for the time being. **Logica**, **CMG** and **Sage** are also waiting in the wings.

ICL has acquired German **Sarcom** (desktop services and system support) for an undisclosed sum. Sarcom had 1998 revenues of DM12.6m.

Infobank International (reseller and e-commerce) has paid £610K for a 25% holding in **Elliot Pearce** (also e-commerce). Infobank have an option on the remaining 75%.

Avenue Legal Systems has bought **Saxon Computer Systems** (reseller of Avenue's Wisdom product). Saxon had 1998 revenues of c£3m.

French **Infogrames Entertainment** has bid £22.9m for games developer **Gremlin** (120p per share and a 62% premium). Gremlin lost £1.15m on increased revenues of £18.3m at the FY99 interim stage.

Capita has invested £27m in **Eastgate Group** (outsourcing support services to the insurance industry). Capita will have a 20.5% stake and £6.5m in loan stock. The investment is being funded by a placing to raise £46.2m net.

SKILLSGROUP As we previewed last month **Skillsgroup** has consummated the two acquisitions which move them much further up the value chain. They have acquired **The Knowledge Centre (KC)** (datacomms training and education) for a maximum net £3.85m. KC employ 22 staff and had 1998 revenues of £1.4m and PBT of £250K. Later in March, they also announced the purchase of **Pontis Consulting** for a maximum net £34m. Pontis with its 100 staff had 1998 revenues of £8.2m and a PBT of £2.2m. This is really excellent news. Exactly what we wanted to see. The market reacted well to this too. Skillsgroup ended March up 26% at 319p.

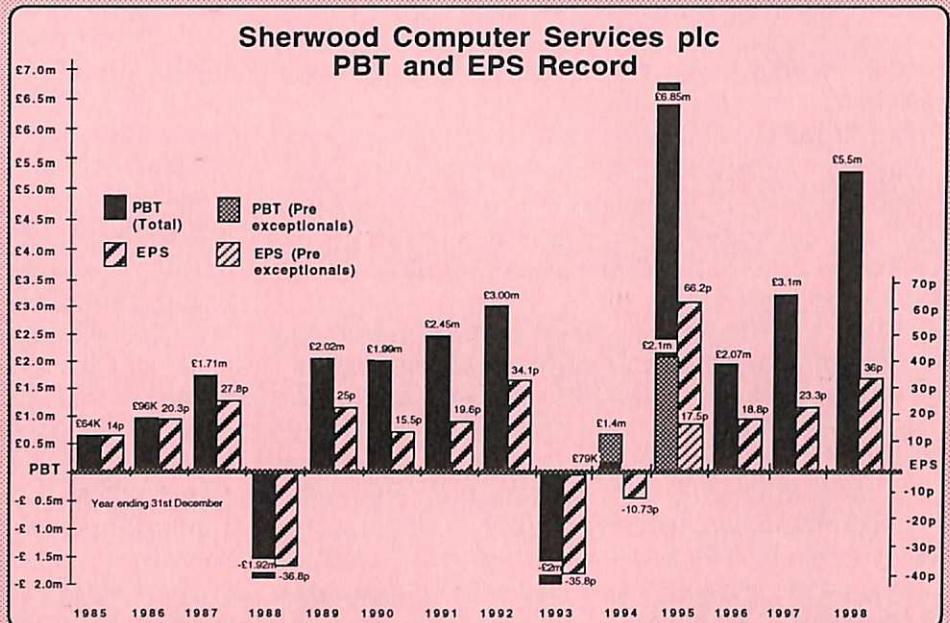
Delightful progress at Sherwood

Sherwood International provides technology solutions to the global insurance industry. Their past financial performance has been like a rollercoaster as shown in the chart. But over the last few years things have gotten decidedly better. Latest results for the year ending 31st Dec. 98, show revenue up 42% to £42.6m, PBT increased a much higher 78% to £5.5m with EPS up 68%. **Excellent figures.** The star performer was undoubtedly the US with turnover up 174% to £10m and this now represents 24% of total group sales. Indeed overseas revenue in total now represents 31% of the total (up from 22%). Outsourcing, in particular, also did well where revenue went up 38% and now, at c£18m, represents 43% of the total. Insurance is now 37% with the Life and Pensions business accounting for the remaining 20%. A JV was set up in the year in the US to market and support their Senator insurance market solution product. CEO George Matthews "is delighted with the progress the group has made... These figures reflect the strengths of our products and services... I look forward to the forthcoming year and firmly believe that Sherwood is strategically placed to take advantage of business opportunities that lie ahead".

Comment. We are delighted that overall licence fees now account for just 15% of the total. Just how we like it. Sherwood is now back on track and

steaming ahead. FD Steve Bellamy tells us that is to continue to concentrate on the key UK and US markets and is looking for more partners in these regions. The only area where, perhaps, there is some uncertainty is the JV with ICL. How would this be affected if ICL float in 2000?

The shares ended the month up 6% at £17.38p. Don't forget you could have bought them in Sherwood's rocky days back in 1994 at only 85p. You must be feeling very smug if you did!



Sage bids for Tetra

Tetra's announcement of its interim results for the six months to 30th Nov. 98 was somewhat overshadowed by the announcement that **Sage** had launched an agreed £78m bid for them. Let's just get the interims out of the way first. Tetra's revenue grew 26% to £16.2m on continuing business but a lower 24% on total revenue. After exceptional costs last year of £3.9m, they made a loss of £2.6m - this time they recorded a PBT of £1.5m. The Tetra board "is confident of the outlook for the year to 31st May 99".

Sage's offer values each Tetra share at c305p - roughly half in cash and half in shares - and the company at around £78m. This was a premium of some 63% on the previous day's price.

Comment. As usual, this is a typical "stick to the knitting" buy for Sage and seems a great fit. In particular it moves Sage further up the chain. We can see no reason why they cannot work the Sage magic at Tetra - in particular increasing recurring revenues.

The only barrier to the agreed bid is the MMC. Sage already has >50% of the UK financial accounting market for SMEs. The MMC has "invited comment" by 1st April. On a more personal note, when we sat next to Sage's MD Graham Wylie in early March, we suggested to him that as they had failed to get Pegasus, then Tetra would be a suitable replacement. Got to award Graham an Oscar for his reaction to that. He pooh-poohed it in a way that certainly fooled us!

As might be expected, Tetra's shares went up sharply and ended on 321p - an increase of 31% in March.

M-R Group to be sold

COM bureau (sorry, document management group) **M-R Group** has reached agreement with US Lason Inc. on a bid for M-R at 160p per share (a 48% premium) - valuing them at £88.4m. The all share bid, assuming all options are taken up, will give former shareholders c15% of the enlarged group.

M-R has also announced a pretty dismal set of interim results. In the six months to 31st Dec. 98, although revenue increased 17% to £24.3m, PBT fell 54% to £1.38m with EPS falling 53%.

The Imaging and Print operations were "disappointing". The Systems business "made significant progress", However M-R is "confident of a strong performance in the second half and beyond".

Tough trading at Superscape VR

Once the darling of the UK high-tech. sector, **Superscape** (virtual reality software development) saw its share price plunge after announcing results for the six months to 31st Jan. 99.

Revenue fell 17% but at least losses were reduced from £956K to "just" £87K. Revenue from both Europe (up 69%) and America (up 48%) did well but Asia Pacific plunged from £1.3m to £205K. CEO John Chiplin has pointed to "hugely successful" sales of the 3D Lego game but stressed the seasonal nature of the business. House broker Henderson Crosthwaite is now forecasting FY99 loss down to £1.25m with break-even in FY2000.

The shares fell 41p on the day of the announcement but then recovered very slightly to end the month down 15% on 150p.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

| Admiral plc | | | | Electronic Data Processing plc | | | | | |
|----------------------------------|------------------|-----------------|------------------|-------------------------------------|------------------|------------------|------------------|------------------|------------|
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | 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 | | | | | |
| HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | HEV | Interim - Oct 97 | Final - Apr 98 | Interim - Oct 98 | Comparison |
| PBT | £ 82,000 | £ 228,000 | £ 113,000 | +82.3% | PBT | £ 71,200,000 | £ 161,595,000 | £ 108,900,000 | +52.5% |
| EPS | -£ 855,000 | -£ 1,801,000 | -£ 1,064,000 | Loss both | EPS | £ 4,300,000 | £ 10,670,000 | £ 7,500,000 | +74.4% |
| | -8.56p | -16.80p | -8.86p | Loss both | | 1.66p | 4.46p | 2.62p | +57.8% |
| AIT Group plc | | | | Financial Objects plc | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| PBT | £ 6,710,000 | £ 13,558,000 | £ 8,430,000 | +25.8% | PBT | £ 15,937,000 | £ 21,662,000 | +35.9% | |
| 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 | | | | | |
| HEV | Interim - Oct 97 | Final - Apr 98 | Interim - Oct 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| PBT | £ 78,948,000 | £ 149,540,000 | £ 81,101,000 | +27.7% | PBT | £ 5,786,456 | £ 6,910,106 | +19.4% | |
| 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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | 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 | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | 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 | | | | | |
| HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | HEV | Interim - Jul 97 | Final - Jan 98 | Interim - Jul 98 | Comparison |
| PBT | £ 2,865,000 | £ 6,396,027 | £ 4,320,000 | +50.8% | PBT | £ 23,787,000 | £ 55,796,000 | £ 44,881,000 | +88.8% |
| EPS | £ 179,000 | £ 718,250 | £ 284,000 | +58.7% | EPS | £ 2,111,000 | £ 5,527,000 | £ 4,074,000 | +93.0% |
| | 0.88p | 3.54p | 1.37p | +55.7% | | 5.22p | 13.36p | 9.79p | +86.1% |
| Cadcentre Group plc | | | | Highams Systems Services Group plc | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison |
| PBT | £ 8,249,000 | £ 17,727,000 | £ 8,798,000 | +6.7% | PBT | £ 11,318,000 | £ 25,143,421 | £ 16,783,000 | +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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | 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 | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| PBT | £ 5,320,000 | £ 12,506,000 | £ 7,250,000 | +36.3% | PBT | £ 203,134,000 | £ 240,848,000 | +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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | |
| PBT | £ 6,828,000 | £ 10,989,000 | +60.9% | PBT | £ 2,074,000 | £ 4,443,146 | £ 2,827,000 | +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 | -13.90p | -3.20p | Loss both | |
| Clinical Computing plc | | | | Internet Technology Group plc | | | | | |
| HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | HEV | Final - Oct 97 | Final - Oct 98 | Comparison | |
| PBT | £ 1,398,000 | £ 3,025,110 | £ 1,684,000 | +20.9% | PBT | £ 3,974,188 | £ 11,012,000 | +177.1% | |
| EPS | £ 78,000 | £ 275,564 | £ 205,000 | +162.8% | EPS | -£ 1,963,293 | £ 55,000 | Loss to profit | |
| | 0.30p | 1.10p | 0.80p | +166.7% | | -6.61p | 0.12p | Loss to profit | |
| CMG plc | | | | IS Solutions plc | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | | |
| PBT | £ 302,992,000 | £ 443,832,000 | +46.5% | PBT | £ 8,748,000 | £ 8,748,000 | +0.0% | | |
| EPS | £ 38,467,000 | £ 57,482,000 | +49.4% | EPS | £ 539,845 | £ 942,384 | +74.6% | | |
| | 19.10p | 29.00p | +51.8% | | 10.80p | 13.78p | +27.6% | | |
| Comino plc | | | | ITNET plc | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | 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 | £ 1,950,000 | £ 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 | | | | | |
| HEV | Interim - Dec 97 | Final - Jun 98 | Interim - Dec 97 | Comparison | HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| PBT | £ 86,633,000 | £ 210,003,000 | £ 121,590,000 | +40.4% | PBT | £ 88,102,000 | £ 221,737,000 | £ 126,133,000 | +43.2% |
| EPS | £ 3,666,000 | £ 9,021,000 | £ 4,972,000 | +35.6% | EPS | -£ 1,297,000 | £ 5,233,000 | -£ 4,456,000 | Loss both |
| | 8.80p | 21.20p | 11.30p | +28.4% | | -2.56p | 10.12p | -8.35p | Loss both |
| Computacenter plc | | | | JSB Software Technologies plc | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Interim - Nov 97 | Final - May 98 | Interim - Nov 98 | Comparison | |
| PBT | £ 1,133,523,000 | £ 1,588,238,000 | +39.9% | PBT | not available | £ 3,362,000 | £ 1,780,000 | not available | |
| EPS | £ 47,089,000 | £ 64,603,000 | +37.2% | EPS | not available | £ 6,000 | -£ 373,000 | not available | |
| | 17.50p | 23.50p | +34.3% | | not available | n/a | n/a | not available | |
| DCS Group plc | | | | Kalamazoo Computer Group plc | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | |
| PBT | £ 59,777,000 | £ 110,172,000 | +84.3% | PBT | £ 33,801,000 | £ 65,711,000 | £ 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 | | | | | |
| HEV | Final - Dec 98 | Final - Dec 97 | Comparison | HEV | 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 | | | | | |
| HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | HEV | Interim - Dec 97 | Final - Jun 98 | Interim - Dec 98 | Comparison |
| PBT | £ 7,065,514 | £ 14,556,443 | £ 6,479,637 | -8.3% | PBT | £ 218,258,000 | £ 472,957,000 | £ 292,392,000 | +35.2% |
| EPS | £ 372,410 | £ 504,036 | -£ 675,577 | Profit to loss | EPS | £ 15,517,000 | £ 41,825,000 | £ 25,551,000 | +64.7% |
| | 4.40p | 7.40p | -9.60p | Profit to loss | | 3.12p | 8.46p | 4.88p | +56.4% |
| Diagonal plc | | | | London Bridge Software Holdings plc | | | | | |
| HEV | Final - Nov 97 | Final - Nov 98 | Comparison | HEV | 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 | £ 3,302,000 | £ 7,314,000 | +121.5% | EPS | £ 3,701,000 | £ 7,365,000 | +99.0% | | |
| | 13.57p | 25.30p | +86.4% | | 9.87p | 19.77p | +100.3% | | |
| Dialog Corporation plc | | | | Lorien plc | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Final - Nov 97 | Final - Nov 98 | Comparison | | |
| PBT | £ 46,082,000 | £ 170,762,000 | +270.6% | PBT | £ 118,930,000 | £ 138,407,000 | +18.4% | | |
| 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 | | | | | |
| HEV | Final - Oct 97 | Final - Oct 98 | Comparison | HEV | Final - Sep 97 | Final - Sep 98 | Comparison | | |
| PBT | £ 6,678,000 | £ 8,020,000 | +9.9% | PBT | £ 120,752,000 | £ 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 | | | | | |
| HEV | Interim - Dec 97 | Final - Jun 98 | Interim - Dec 98 | Comparison | HEV | Final - Aug 97 | Final - Aug 98 | Comparison | |
| PBT | £ 14,276,000 | £ 40,604,000 | £ 27,833,000 | +95.0% | PBT | £ 24,639,075 | £ 36,898,698 | +48.3% | |
| EPS | £ 2,404,000 | £ 8,044,000 | £ 4,041,000 | +68.1% | EPS | £ 5,554,611 | £ 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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Interim - Dec 97 | Final - Jun 98 | Interim - Dec 98 | Comparison | |
| PBT | £ 44,235,000 | £ 62,211,000 | +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 | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| PBT | £ 21,817,000 | £ 137,234,000 | £ 47,588,000 | +118.1% | PBT | £ 116,925,000 | £ 133,014,000 | +13.7% | |
| EPS | -£ 18,331,000 | £ 16,507,000 | -£ 18,928,000 | Loss both | EPS | £ 221,000 | £ 3,966,000 | +1694.8% | |
| | -70.80p | 59.80p | -80.63p | Loss both | | 0.22p | 3.08p | +1290.9% | |

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

| Macro 4 plc | | | | Royalblue Group plc | | | | | |
|--|------------------|------------------|------------------|---------------------------------|------------------|------------------|------------------|------------------|----------------|
| HEV | Interim - Dec 97 | Final - Jun 98 | Interim - Dec 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| HEV | £ 12,150,000 | £ 24,234,000 | £ 13,152,000 | +8.2% | HEV | £ 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 | | | | | |
| HEV | Interim - Jul 97 | Final - Jan 98 | Interim - Jul 98 | Comparison | HEV | Final - Sep 97 | Final - Sep 98 | Comparison | |
| HEV | £ 41,349,000 | £ 97,015,000 | £ 58,642,000 | +41.8% | HEV | £ 152,089,000 | £ 191,547,000 | +25.3% | |
| PBT | £ 5,171,000 | £ 15,217,000 | £ 10,057,000 | +94.5% | PBT | £ 37,635,000 | £ 47,635,000 | +26.6% | |
| EPS | 4.50p | 13.00p | 8.30p | +84.4% | EPS | 23.43p | 28.85p | +23.1% | |
| Microgen Holdings plc | | | | Sanderson Group plc | | | | | |
| HEV | Final - Oct 97 | Final - Dec 98 | Comparison | HEV | Final - Sep 97 | Final - Sep 98 | Comparison | | |
| HEV | £ 66,398,000 | £ 70,105,000 | not comparable | HEV | £ 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 | | | | | |
| HEV | Interim - Nov 97 | Final - May 98 | Interim - Nov 98 | Comparison | HEV | Final - Aug 97 | Final - Aug 98 | Comparison | |
| HEV | £ 177,600,000 | £ 447,700,000 | £ 287,900,000 | +62.1% | HEV | £ 17,914,000 | £ 35,858,000 | +100.2% | |
| PBT | £ 32,100,000 | £ 51,700,000 | £ 58,900,000 | +83.5% | PBT | £ 687,000 | £ 1,485,000 | +116.2% | |
| EPS | 5.30p | 5.82p | 7.70p | +45.3% | EPS | 8.50p | 11.80p | +38.8% | |
| Mondas plc | | | | Science Systems plc | | | | | |
| HEV | Interim - Oct 97 | Final - Apr 98 | Interim - Oct 98 | Comparison | HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| HEV | £ 143,075 | £ 297,169 | £ 223,945 | +56.5% | HEV | £ 8,793,000 | £ 18,601,000 | £ 12,107,000 | +37.7% |
| PBT | £ 250,795 | £ 484,322 | £ 208,004 | Loss both | PBT | £ 1,155,000 | £ 1,855,000 | £ 1,245,000 | +7.8% |
| EPS | -4.10p | -7.90p | -3.40p | Loss both | EPS | 4.30p | 6.80p | 4.70p | +9.3% |
| Moorepay Group plc | | | | Sema Group plc | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | | |
| HEV | £ 5,283,379 | £ 8,365,000 | +58.3% | HEV | £ 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 | | | | | |
| HEV | Final - Jun 97 | Interim - Dec 98 | Final - Jun 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| HEV | £ 135,343,000 | £ 144,275,000 | £ 216,101,000 | +59.7% | HEV | £ 90,036,000 | £ 42,601,000 | -41.8% | |
| PBT | £ 11,198,000 | £ 9,784,000 | £ 11,799,000 | +5.4% | PBT | £ 3,095,000 | £ 5,484,000 | +77.5% | |
| EPS | 4.60p | 5.16p | 3.11p | -32.4% | EPS | 23.30p | 36.00p | +54.5% | |
| MSB International plc | | | | Skillsgroup plc | | | | | |
| HEV | Interim - Jul 97 | Final - Jan 98 | Interim - Jul 98 | Comparison | HEV | Final - Nov 97 | Final - Nov 98 | Comparison | |
| HEV | £ 54,893,000 | £ 128,793,000 | £ 90,403,000 | +64.7% | HEV | £ 378,969,000 | £ 208,400,000 | -44.7% | |
| PBT | £ 3,714,000 | £ 9,043,000 | £ 5,474,000 | +47.4% | PBT | £ 16,308,000 | £ 14,400,000 | Loss to profit | |
| EPS | 12.10p | 29.00p | 18.30p | +51.2% | EPS | -22.90p | 12.30p | Loss to profit | |
| MSW Technology plc | | | | Spring Group plc | | | | | |
| HEV | Interim - Nov 97 | Final - May 98 | Interim - Nov 98 | Comparison | HEV | Interim - Oct 97 | Final - Apr 98 | Interim - Oct 98 | Comparison |
| HEV | £ 1,080,000 | £ 2,909,951 | £ 1,388,000 | +25.9% | HEV | £ 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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | | |
| HEV | £ 3,284,464 | £ 3,367,000 | +154.7% | HEV | £ 17,585,000 | £ 22,187,000 | +26.2% | | |
| PBT | £ 837,516 | £ 1,478,000 | +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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Interim - Jan 98 | Final - Jul 98 | Interim - Jan 99 | Comparison | |
| HEV | £ 15,641,000 | £ 21,505,000 | +37.5% | HEV | £ 2,568,000 | £ 4,220,000 | £ 2,122,000 | -17.4% | |
| PBT | £ 256,000 | £ 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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 97 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | | |
| HEV | £ 202,078,000 | £ 290,200,000 | +43.6% | HEV | £ 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 | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Interim - Nov 97 | Final - May 98 | Interim - Nov 98 | Comparison | |
| HEV | £ 12,447,000 | £ 14,979,000 | +20.3% | HEV | £ 516,000 | £ 1,035,000 | £ 661,000 | +28.1% | |
| PBT | £ 1,698,000 | £ 928,000 | -45.3% | PBT | £ 296,000 | £ 493,000 | £ 32,000 | Loss to profit | |
| EPS | 29.30p | 18.80p | -35.8% | EPS | -2.40p | -4.00p | 0.10p | Loss to profit | |
| PhoneLink plc | | | | Systems International Group plc | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | Interim - Jun 97 | Interim - Jun 98 | Comparison | |
| HEV | £ 1,850,000 | £ 3,206,000 | £ 3,479,000 | +88.1% | HEV | £ 6,350,000 | £ 12,400,000 | +95.3% | |
| PBT | £ 1,742,000 | £ 3,746,000 | £ 1,701,000 | Loss both | PBT | £ 728,000 | £ 1,570,000 | +115.7% | |
| EPS | -3.60p | -7.80p | -3.00p | Loss both | EPS | n/a | n/a | n/a | |
| Policy Master plc | | | | Tetra plc | | | | | |
| HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | HEV | Interim - Nov 97 | Final - May 98 | Interim - Nov 98 | Comparison |
| HEV | £ 3,958,000 | £ 8,745,000 | £ 5,054,000 | +27.8% | HEV | £ 13,312,000 | £ 30,286,000 | £ 18,483,000 | +23.7% |
| PBT | £ 204,000 | £ 459,000 | £ 164,000 | -19.6% | PBT | £ 2,808,000 | £ 5,668,000 | £ 1,525,000 | Loss to profit |
| EPS | 1.65p | 3.70p | 1.32p | -20.0% | EPS | -14.97p | -7.28p | 3.76p | Loss to profit |
| Proteus International plc | | | | Torex plc | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| HEV | £ 21,000 | £ 178,000 | £ 612,000 | +2814.3% | HEV | £ 21,028,000 | £ 21,770,000 | +3.5% | |
| PBT | £ 1,931,000 | £ 4,127,000 | £ 1,552,000 | Loss both | PBT | £ 7,277,000 | £ 2,982,000 | -59.0% | |
| EPS | -3.37p | -7.44p | -2.27p | Loss both | EPS | 16.20p | 6.80p | -58.0% | |
| Quality Software Products Holdings plc | | | | Total Systems plc | | | | | |
| HEV | Final - Dec 97 | Final - Dec 98 | Comparison | HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | |
| HEV | £ 28,018,991 | £ 41,219,436 | +47.1% | HEV | £ 2,017,128 | £ 4,134,868 | £ 1,780,866 | -11.7% | |
| PBT | £ 2,655,299 | £ 4,604,830 | +73.4% | PBT | £ 476,206 | £ 1,019,675 | £ 495,484 | +4.0% | |
| EPS | 18.00p | 32.60p | +81.1% | EPS | 3.19p | 6.80p | 3.32p | +4.0% | |
| Quantica plc | | | | Touchstone Group plc | | | | | |
| HEV | Final - Nov 97 | Final - Nov 98 | Comparison | HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | |
| HEV | £ 5,835,000 | £ 15,164,000 | +189.1% | HEV | £ 2,998,000 | £ 6,154,000 | £ 3,503,000 | +17.0% | |
| PBT | £ 1,011,000 | £ 3,460,000 | +242.2% | PBT | n/a | £ 841,000 | £ 460,000 | n/a | |
| EPS | 1.29p | 6.79p | +426.4% | EPS | n/a | 6.91p | 3.30p | n/a | |
| RM plc | | | | Trace Computers plc | | | | | |
| HEV | Final - Sep 97 | Final - Sep 98 | Comparison | HEV | Interim - Nov 97 | Final - May 98 | Interim - Nov 98 | Comparison | |
| HEV | £ 110,170,000 | £ 130,936,000 | +18.9% | HEV | £ 7,170,000 | £ 14,658,628 | £ 8,884,000 | +21.1% | |
| PBT | £ 8,018,000 | £ 10,037,000 | +25.2% | PBT | £ 409,000 | £ 1,205,166 | £ 928,000 | +126.9% | |
| EPS | 6.20p | 7.90p | +27.4% | EPS | 2.16p | 6.11p | 4.47p | +106.9% | |
| Rage Software plc | | | | Triad Group plc | | | | | |
| HEV | Interim - Dec 97 | Final - Jun 98 | Interim - Dec 98 | Comparison | HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison |
| HEV | £ 873,000 | £ 3,623,000 | £ 3,057,000 | +250.2% | HEV | £ 14,139,000 | £ 32,161,000 | £ 22,112,000 | +58.4% |
| PBT | £ 350,000 | £ 860,000 | £ 610,000 | Loss to profit | PBT | £ 2,851,000 | £ 6,609,000 | £ 3,816,000 | +33.8% |
| EPS | -0.13p | 0.35p | 0.18p | Loss to profit | EPS | 2.00p | 17.78p | 3.00p | +50.0% |
| Real Time Control plc | | | | Ultima Networks plc | | | | | |
| HEV | Interim - Sep 97 | Final - Mar 98 | Interim - Sep 98 | Comparison | HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison |
| HEV | £ 7,181,000 | £ 15,880,000 | £ 8,590,000 | +19.6% | HEV | £ 20,892,000 | £ 38,598,000 | £ 8,288,000 | -60.3% |
| PBT | £ 1,477,000 | £ 3,163,000 | £ 1,887,000 | +27.8% | PBT | £ 424,000 | £ 13,240,000 | £ 833,000 | Loss both |
| EPS | 14.50p | 30.80p | 18.50p | +27.6% | EPS | 0.10p | -16.20p | -0.99p | |
| Recognition Systems Group plc | | | | Vega Group plc | | | | | |
| HEV | Final - Sep 97 | Final - Sep 98 | Comparison | HEV | Interim - Oct 97 | Final - Apr 98 | Interim - Oct 98 | Comparison | |
| HEV | £ 779,000 | £ 788,000 | +1.9% | HEV | £ 10,399,000 | £ 22,457,000 | £ 12,870,000 | +23.8% | |
| PBT | £ 2,255,000 | £ 2,260,000 | Loss both | PBT | £ 805,000 | £ 3,081,000 | £ 1,428,000 | +77.4% | |
| EPS | -8.10p | -6.30p | Loss both | EPS | 3.48p | 13.75p | 6.00p | +72.4% | |
| Riva Group plc | | | | Workplace Technologies plc | | | | | |
| HEV | Interim - Jun 97 | Final - Dec 97 | Interim - Jun 98 | Comparison | HEV | Final - Dec 97 | Final - Dec 98 | Comparison | |
| HEV | £ 32,661,000 | £ 70,208,000 | £ 36,199,000 | +10.8% | HEV | £ 85,938,000 | £ 82,984,000 | +25.8% | |
| PBT | £ 190,000 | £ 1,339,000 | £ 349,000 | +83.7% | PBT | £ 1,830,000 | £ 3,275,000 | +79.0% | |
| EPS | 0.30p | 2.00p | 0.70p | +133.3% | EPS | 2.17p | 6.50p | +199.5% | |
| Rolfe & Nolan plc | | | | XKO Group plc | | | | | |
| HEV | Interim - Aug 97 | Final - Feb 98 | Interim - Aug 98 | Comparison | HEV | Interim - Oct 97 | Final - Apr 98 | Interim - Oct 98 | Comparison |
| HEV | £ 9,892,000 | £ 21,714,000 | £ 9,544,000 | -1.5% | HEV | £ 5,300,000 | £ 13,176,770 | £ 7,706,000 | +42.6% |
| PBT | £ 569,000 | £ 894,000 | £ 205,000 | Loss to profit | PBT | £ 78,000 | £ 296,664 | £ 3,070,000 | Profit to loss |
| EPS | -2.93p | -10.20p | -2.27p | Loss both | EPS | -0.23p | -1.00p | -13.35p | Loss both |
| Romtec plc | | | | Zergo Holdings plc | | | | | |
| HEV | Interim - Jul 97 | Final - Jan 98 | Interim - Jul 98 | Comparison | HEV | Interim - Oct 97 | Final - Apr 98 | Interim - Oct 98 | Comparison |
| HEV | £ 2,490,000 | £ 4,217,430 | £ 1,880,000 | +25.3% | HEV | £ 5,300,000 | £ 13,176,770 | £ 7,706,000 | +42.6% |
| PBT | £ 130,000 | £ 310,718 | £ 30,000 | -76.9% | PBT | £ 78,000 | £ 296,664 | £ 3,070,000 | Profit to loss |
| EPS | 1.90p | 4.10p | -0.30p | Profit to loss | EPS | -0.23p | -1.00p | -13.35p | Loss both |

Outstanding results from NSB Retail

NSB Retail Systems is a specialist provider of software solutions to the retail industry. They were only formed in 1995 and joined AIM in Sep. 97 at 115p - valuing the company at just £11.2m. Since then their results have been nothing short of superb. In the latest figures for the year ended 31st Dec. 98, revenue increased 155% to £8.4m, PBT was up 77% at £1.5m with EPS up 68%. They don't get a lot better than that...particularly AIM companies! Of course a goodly proportion of the increase is due to the Apr. 98 acquisition for £3.2m of NSB's larger rival Application Programming Techniques (APT) which immediately more than doubled their size. The APT product range has enable NSB to significantly enhance their customer base. During 1998, NSB also made a strategic alliance with JBA which has proved a success. (Note - JBA's Alan Vickery is a NED at NSB). NSB has always enjoyed healthy profit margins and, even after this year's drop, still stands at just under 18%. The APT acquisition was the main cause as margins there were much lower and progress is still being made to improve these.

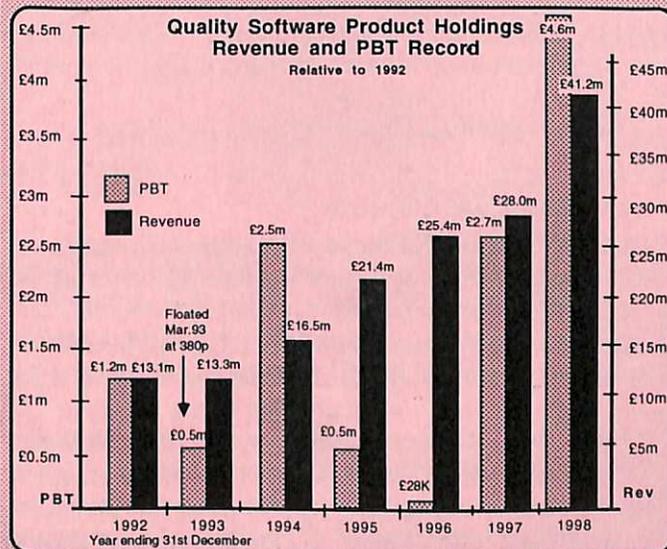
Chairman Peter Johnson commented "1998 has been an outstanding year of progress complemented by the successful acquisition and integration of APT and I look forward to our success continuing in 1999. NSB can now claim UK market leadership in the software market for apparel retailers".

In anticipation of expected results, the NSB share price had already increased substantially this year. They ended March up another 57% at 409p - that's a 140% rise in 1999 so far.

Comment. Our only real worry with NSB is their size - or rather lack of it. They could possibly do with another sizeable acquisition in their chosen field. Perhaps a move to the main market could prove beneficial in raising capital for this expansion. They are exactly the type of innovative solutions company the UK needs. But the problem is that NSB is also exactly the type of company some foreigner could snap up before they are able to reach their full potential. Let's hope not - the UK (and AIM) can't afford to lose companies of this quality.

Shift to services lifts Quality Software

Financial information solutions provider **Quality Software Products** has announced record results for the year to 31st Dec. 98. Revenue increased 47% to £41.2m, PBT went up a higher 73% to £4.6m, with EPS up 81%.



These excellent figures are due to the refocusing last year, management changes and the move more into services. Indeed services revenues at £16.7m (up 55%) now represent c41% of the total. Maintenance revenues were also up at £5.2m, with product sales increasing 55% to £19.3m. And, to return to our old theme, at least QSP made another "real" profit as net R&D capitalised only accounted for a mere £300K of the £4.6m! Mind you "intangibles" at £18.9m still represents a fair proportion of net assets totalling £29m.

Chairman Alan Benjamin commented "Improvements in overall management and a clearly defined strategy mean that we can be confident of further, consistent achievements in the coming year".

The shares ended the month up 18% at 533p.

Comment. QSP is really motoring now. We like the business mix and the management team. Its only obvious weakness is the lack of critical mass - it's still a baby player in a market increasingly dominated by the big boys.

Good growth at CFS Group

CFS ("an international supplier of optimal solutions to the asset based finance industry") has announced a good set of results for the year ended 31st Dec. 98. Revenue increased 61% to £11m, PBT went up more than double at £1.2m with EPS up 73%. The 1997 results have been restated due to changes for software development costs and we are pleased that CFS now write off R&D as incurred (another small triumph for our campaign - there aren't many left now!). The Jul. 98 purchase of US **LeaseTek** contributed to the revenues from acquisitions of £3.7m and operating profits of £558K (before goodwill amortisation). So organic revenue growth was a pretty minimal 7%. But operating profits on continuing business increased from £400K to £1m. Chairman Alfred Stein said "The Group is well established in the provision of optimal solutions to the asset based financed industry. These solutions are both global and country specific. The potential for increased sales from three geographic regions has been greatly enhanced by a wider product offering... I look forward to a further year of progress for the Group". The shares ended the month up 19% on 160p.

Acceptable results from IS Solutions

IS Solutions (systems integration, FM and internet technology) has produced an acceptable set of figures for the year ended 31st Dec. 98. Although revenue was flat at £8.7m, PBT increased 75% to £942K with EPS up 28%.

This is more or less in line with the cautious optimism indicated by the directors at the interim stage. But they are still expressing a degree of caution about future prospects. Although they say that the first two months of FY99 "has been encouraging and we remain optimistic about the future", they went on to say that the performance of their US business in H299 will be affected by additional marketing and recruitment costs. Evidently they are in the course of restructuring in the US along similar lines to the UK. They do have the laudable objective of "raising turnover and preserving margins" through a focus on value added services.

Launched on AIM in Sep. 97 at 134p, the shares increased 20% this month to end on 305p

More good results from Workplace Technologies

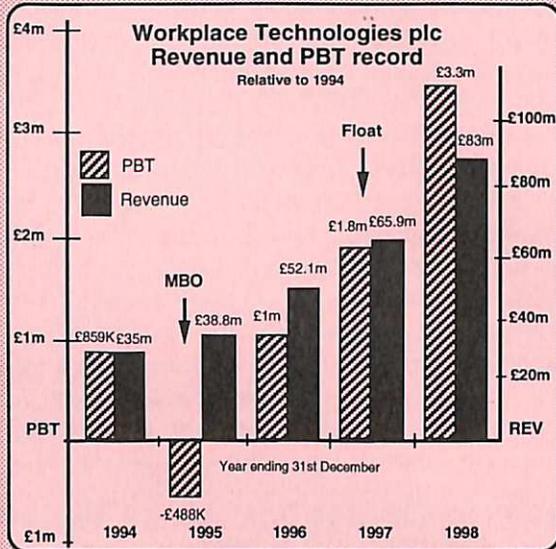
Old established **Workplace Technologies** is one of the UK's leading network services companies (some 75% of business is the design, installation and configuration of data networks). But we expect that much of this is still cabling which hardly creates much excitement these days. They were the subject of a 3i backed £12m MBO from ICL in Sep. 95. Some two years later, in Nov. 97, they joined the main market in a placing at 175p which valued the company at £50.7m. Since then, despite good financial results, the share price performance has been pretty disappointing - they ended this month on just 175p - identical to the float price some 18 months ago.

Results for the year to 31st Dec. 98 were solid, rather than exciting. Revenue went up 26% to £83m (up a lower 19% on continuing business). But PBT increased 79% to £3.3m and EPS was up three-fold. Their support services business is the fastest growing areas and now accounts for c9% of total revenue. They now employ almost 500 staff across the UK, Ireland, Spain and Hong Kong. As expected, interest charges at £540K, although down on last year, were still higher than anticipated due to the Lanbase acquisition (see below) and amounts outstanding on the Hong Kong Airport contracts. The comment that "the board is confident that the remaining recoverable amounts of £4.3m in relation to the Hong Kong contracts will be received in full" was a bit worrying as there must be a degree of doubt to even issue this statement.

MD Andrew Vaughan said "The acquisition of Lanbase, together with the investment we have made in our higher margin network services business, gives us the capacity to capitalise on networking market demands. With a leading position in a rapidly growing marketplace.... I believe that the Group is well positioned into 1999".

Lanbase (another network integrator) was acquired in Nov. 98 for up to £19.56m so the latest results include only some five weeks contribution. During the year, WT have continued to develop close partnership arrangements with the likes of Cisco, Nortel and 3Com - three of the world's leading network vendors. Vaughan went on to comment on other network security concerns. "Only about 5% of breaches in network security are reported. A vast majority of people underestimate the impact. It's a potential time-bomb".

The company's brokers, Dresdner Kleinwort Benson, have now downgraded their 1999 profit forecast from £6.95m to £5.8m.



Strong "maiden" results from Financial Objects

Financial Objects was a new company set up by Roger Foster (of ACT fame) and Jess Dorrell (former ACT marketing director) in Dec. 95 backed by VCs Schroder Ventures and Thompson Clive. They are "a leading international supplier of advanced technology banking software products and services". In their maiden full year results since their IPO last December on the main market, they have produced a strong set of results. In the year ended 31st Dec. 98, revenue rose 36% to £21.6m, PBT was up 71% at £3.4m (a margin of nearly 16%), with diluted EPS up 19%. They ended the financial year with a very healthy £22m in the bank.

Their core division - Banking Systems - "had a very successful year". The Component Application Division saw its first client's shipments in 1998. In Jan. 98, FO acquired 50% of 9000 Ltd (a small software development company) and this now forms the basis of their new Dealing Systems Division. Internationally, branches in Singapore (despite the problems in Asia-Pacific), Prague, Luxembourg and New York "contributed significantly" to revenues. The company intend to continue to build internationally, where they have minimal representation, with new partnerships (such as the agreement with Dutch Ordina).

Chairman Roger Foster commented. "1998 was a year of strong organic growth... the successful flotation was another significant milestone in the Group's development... We have entered the new financial year with a strong order book.. Our high level of R&D spend over the last three years... positions us to take real advantage of the changing face of financial services and the board is confident that 1999 will be another year of progress for the Group".

Comment, To produce these sort of results after a relatively short trading period, is excellent and is a credit to the management (but with their pedigree they don't need to prove anything really). The VCs (well, Carl Parker at Schroders was given the VC of the Year award for this deal!) and shareholders must be very pleased. Their future prospects are bright. Since the launch, the shares have done well but ended the month slightly down 3% on 320p .

Excellent progress at Moorepay

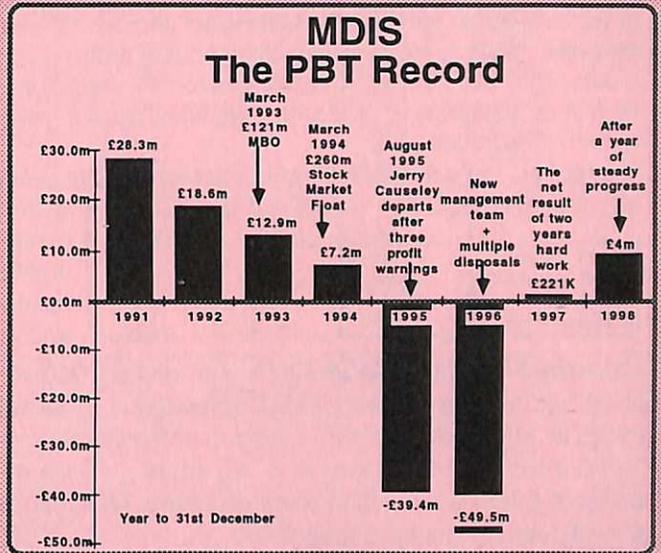
Payroll services provider **Moorepay** has produced an excellent set of results for the year ended 31st Dec. 98. Revenue shot up 58% to £8.4m, PBT increased 52% at £2.1m, with EPS up 43%. That's a 25% margin! Part of the revenue increase was organic and part from acquisitions made in the last two years. Chairman Sandy Nicoll said "New business sales remains good and, with the benefit of a full year's contribution from Mills in 1999, we look forward to another successful year - unforeseen circumstances, Acts of God or Government excepted". We like a chairman with a sense of humour!

Moorepay transferred to AIM (from Rule 4.2) in Aug. 95 at 83p. The shares have done well since and increased another 6% this month to end on 275p.

More or less as expected from MDIS - but starts paying dividends again

After their rather mild profit warning last month, the latest results from MDIS for the year ended 31st Dec. 98 contain no real surprises (*no bad thing - we've had enough surprises from MDIS in the last few years!*). First the headline figures. Revenue increased 14% to £133m, PBT went up from a lowly £221K to a more respectable £4m, with diluted EPS up from 0.22p to 3.06p. But these figures include a raft of exceptionals.

The good news is that last year's operating loss of £1.6m was turned into an operating profit of £3m - both before exceptionals. In 1997, MDIS made an exceptional gain of £2.4m (from the release of reorganisation costs and property lease provisions) and also had high interest payments on net £1m+. But in 1998, they incurred exceptional costs of £3.8m (property?) more than offset by a £4m gain (the directors "*have decided to recognise £4m of the £8.1m gain which arose when the Glovia joint venture with Fujitsu was established in Jul. 97*"). As a result of the property transactions carried out in early 1999, MDIS will save an estimated £2m p.a. They also now have a substantial shareholder in **Samaha Holdings** who have a 8.6% stake. As can be seen from the chart below, the Public and Corporate sectors did not perform as well, but the other three improved. The Public sector business, despite increasing revenues and an increasing client base, was affected by necessary investment. Corporate business was reorganised which again had an effect on the profitability.



| MDIS Group year to 31st December | | | |
|----------------------------------|----------|----------|-------------|
| | Revenue | | Increase |
| | 1997 | 1998 | |
| Public Sector | £ 39.20m | £ 41.40m | 6% |
| Corporate Sector | £ 38.20m | £ 37.10m | -3% |
| Human Resources | £ 10.50m | £ 9.70m | -8% |
| Glovia JV | £ 24.30m | £ 34.10m | 40% |
| PROIV | £ 5.60m | £ 14.30m | 155% |
| Operating Profits | | | |
| | 1997 | 1998 | Increase |
| Public Sector | £ 7.50m | £ 6.70m | -11% |
| Corporate Sector | £ 2.40m | £ 1.00m | -58% |
| Human Resources | -£ 4.10m | £ 0.05m | loss/profit |
| Glovia JV | -£ 3.60m | -£ 2.30m | both loss |
| PROIV | -£ 1.20m | £ 0.30m | loss/profit |

At last Human Resources Systems turned in a profit, albeit small, after years of losses. Glovia, the ERP business, increased revenues substantially and reduced losses, with some orders delayed at the end of 1998 until this year. The PRO IV application development tools business became 100% owned last May when MDIS acquired the remaining 50%.

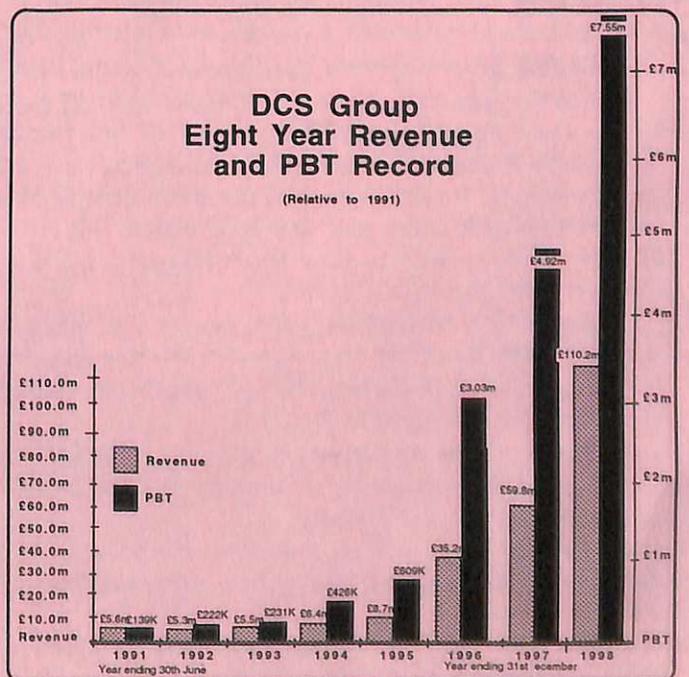
The share price remained largely unchanged on the day of the announcement but ended the month down 11% at 36p. Chairman Ian Hay Davison's comments didn't help much. "*Throughout the IT industry, 1999 is widely expected to be an unpredictable and uncertain year*". He countered this somewhat by then saying "*MDIS is well positioned to address the challenges that lie ahead*". Let's hope so. MDIS could now do with a period of stability (and an increasing share price) after the events of recent years. At least now they are starting to pay dividends again which might attract a measure of shareholding from institutions.

DCS Group (and its new management) does well

Exactly a year ago DCS appointed Tim Robinson as their new CEO - ending a sorry period which had seen two other CEOs depart and a too long period running under caretaker Robert Arrowsmith. We have met Robinson and have been impressed. As we have said on countless occasions its management, management and management that really counts. We were therefore delighted with the year's results to 31st Dec. 98. Revenue increased a massive 84% to £10.2m, PBT went up 53% to £7.55m with EPS up 44%. Of course, the main reason for the revenue increase is that IBM now insists that its AS/400 agents account for total hardware revenue, rather than just commissions. But acquisitions have also played their part both in 1997 and last year (AC Partners and LOGAS). All 1997 acquisitions "*exceeded expectations*" but, even so, organic growth in all divisions was in excess of 25%. Staff numbers were up 32% in the year to over 1,400.

During the year, DCS repositioned itself with Digica established as a leading outsourcing provider to the ERP sector. The Automotive division moved more to a solutions model with increased services. They have launched CIEL International in the freight/logistics market and have leveraged eBusiness with Proximity Consulting. "*The Group is well placed strategically... our focus on services, outsourcing and eBusiness will fuel our growth as an international provider of IT solutions*".

DCS' shares ended the month up 15% on 718p.



Smaller SCS Stock lead rises

March was a month dominated by increases in the smaller SCS stocks - i.e. those not in the FTSE IT Index. **Dialog** (p6) rose 66% as a result of being reclassified as an Internet stock (a classification we think is misleading in the case of Dialog). **NSB** (see p11) - one of our *Star* companies - was up 57% and newcomer **Axon** put on 52%. **Ultima** fell another 25% as did **Mondas**. **MSB** (p15) is down 24% adding further to Mark Goldberg's problem as **Crystal Palace FC** appoints the receivers. Regardless of the good maiden results (see last month), **ITNET** fell 19%.

On 1st Apr., the new FTSE IT sub sector is born. We disagree

| End March 99 | Move since 1st Jan 98 | Move since 1st Jan 99 | Move in March 99 |
|-------------------|-----------------------|-----------------------|------------------|
| System Houses | 90% | +22% | +8% |
| IT Staff Agencies | -24% | -9% | -9% |
| Resellers | 7% | +14% | +4% |
| Software Products | 58% | +35% | +8% |

with the

categories designated for many of the companies - and indeed the creation of an Internet Index at all. Our categories are as in the table but if you want to see the FTSE designations, we have posted these as an Excel WS on our web site (www.holway.com).

| 27-Mar-99 | SCSI Index | FTSE IT Index | FTSE 100 | FTSE AIM | FTSE SmallCap |
|--------------------------------------|------------|---------------|---------------|----------------|----------------|
| | 5083.19 | 1839.00 | 6139.20 | 859.40 | 2394.30 |
| SCSI Index = 1000 on 15th April 1989 | | | | | |
| Changes in Indices | SCSI Index | FTSE 100 | FTSE IT Index | FTSE AIM Index | FTSE Small Cap |
| Month (26/2/99 - 27/3/99) | +5.22% | -1.08% | 3.98% | +4.65% | +5.42% |
| From 15th Apr 89 | +408.32% | +198.95% | | | |
| From 1st Jan 90 | +452.46% | +159.92% | | | |
| From 1st Jan 91 | +618.10% | +184.17% | | | |
| From 1st Jan 92 | +386.49% | +146.25% | | | |
| From 1st Jan 93 | +218.98% | +115.68% | | | +72.58% |
| From 1st Jan 94 | +204.46% | +79.59% | | | +26.13% |
| From 1st Jan 95 | +239.06% | +100.27% | | | +37.10% |
| From 1st Jan 96 | +125.07% | +66.41% | | -0.86% | +23.32% |
| From 1st Jan 97 | +89.85% | +49.06% | | -11.96% | +9.67% |
| From 1st Jan 98 | 67.48% | 19.54% | 83.90% | -13.37% | 3.50% |
| From 1st Jan 99 | 28.97% | 4.36% | 27.18% | 7.21% | 15.62% |

Goodbye Xavier...Hello XKO - AIM quoted **XKO Group** has been created this month through a three way merger of AIM-quoted **Xavier** with **KSE Computers** and **Xenon**. The deals are worth about £29m and XKO will specialise in the ERP marketplace. From the most complex 101 page document we have seen, we have gleaned that the group had pro-forma 1998 revenues of c£24m and a PBT of £1.8m. Profits of £2.5m are forecast for FY99. We have now added them to our index in place of Xavier. Well respected ex-Mentor/Misys Chairman Brian Beverley will own 7.8% and his deputy will be Simon Beart.

Morse Holdings comes to market

Morse (systems integrator and "one of the UK's leading resellers of sophisticated technology") has come to the market at 250p (the lower end of the price range) - valuing the company at £305.7m. The number of the shares offered in the IPO was reduced from 88m to 58m despite the offer being oversubscribed some 1.7 times. Morse raised £145m, resulting in net proceeds for the company of c£60m. This means a pretty conservative P/E of 22.7. Trading in the shares started on the 23rd March and ended the month on the same figure.

MSB issues a profit warning

Don't say we didn't warn you. IT recruitment company **MSB International** has issued a profits warning basically saying that in the year to 31st Jan. 99, the expected profit of £11.5m will be hit by exceptional costs of £3.5m. These costs relate to the reorganisation of the sales function combined with a £1m lease provision on an unlet property. Although the Systems and Programming Division "continued to grow", the Technical Support Division "suffered declining growth rates in Q199 and an actual decline in Apr. 98". The share price crashed 24% this month to 171p (they were £10 in Jun. 98!)

Miscellaneous company news

...**Microgen** has announced a new partnership with **Lysander Systems** to extend their services in credit management. Lysander is a specialist SI offering both hardware and software solutions.

...**Kalamazoo** has implemented a voluntary redundancy programme in an comprehensive overhaul. About 130 of the 1000 staff have been sent letters - with the target people over 50 years old. *Not illegal yet apparently...*

...**RM** should be one company to gain from the Budget. Analyst West LB Panmure reckons that £470m of Brown's largesse should find its way into the promised computer learning centres over the next two years (out of his pledge to invest £1.7b on IT learning). RM should be able to grab a proportion of this "new" money, although there has been some adverse comments in the press as to whether RM can actually cope.

...**Intelligent Environments** has appointed Roger Willcocks (previously European MD) to replace CEO Tim Cooke.

... French **Paribas** has sold a 4% (or 18.6m shares) stake in **Sema** realising a substantial capital gain. They still hold 10.1%. The sale probably increased the proportion shares in UK ownership still further.

...Japanese **Fujitsu** has warned of lower sales (at cY3229b) and profits (cY20b) in its full year figures. With no cash for acquisitions, the challenge for Fujitsu is how to expand its successful SCS side (**ICL** and **US Amdahl**). They could spin off a minority stake prior to a 2000 float for ICL.

FD Iain Dawson has resigned from **Riva Group**. Paul Briggs, currently director of software at Riva, will replace Dawson "with immediate effect".

...**Microsoft** is to announce a major reorganisation shortly. The company is to be divided into four major groups. The main problem Microsoft hope to solve the vacuum created at their troubled Interactive Media Group when Pete Higgins left in Nov. 98. Microsoft might well be pre-empting a possible court ruling in the ongoing antitrust case. A case of "United We Fall, Divided We Stand".

...EASDAQ quoted **Autonomy** (knowledge management and media products) has announced its years results to 31st Dec. 98. Revenue went up from £1.7m to £5.3m but losses increased from £1.4m to £1.7m. But the company is still capitalised at over £200m.

...**Oracle Corp.** did well at the Q399 (to February) stage with net profits up 36% to \$293.2m on revenue increasing 19% to \$2.08b. Despite these results, some cautious comments from Oracle affected the share price which fell over a fifth on the day.

...A profit warning from **Highams Systems Services** caused the share price to fall but CEO John Higham has said there is no need for analysts to cut the profit forecasts as "he is confident that it will meet market expectations for full year results". House Brokers Teather & Greenwood has forecast PBT of £1.6m for FY99.

System House SCSI Share Prices and Capitalisation

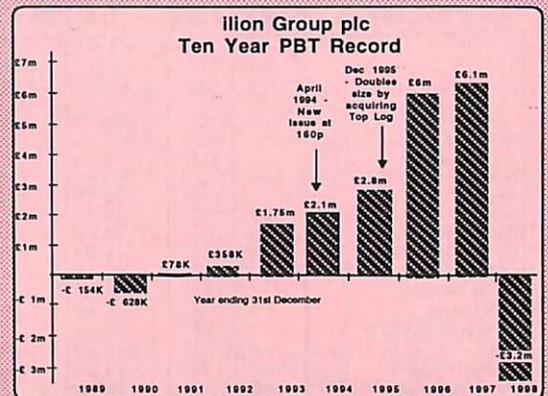
| | FTSE IT Index? | SCS Cat. | Share Price 27-Mar-99 | Capitalisation 27-Mar-99 | Historic P/E | PSR Ratio Cap./Rev. | SCSI Index 27-Mar-99 | Share price move since 25-Feb-99 | Share price % move in 1999 | Capitalisation move since 25-Feb-99 | Capitalisation move (£m) in 1999 |
|--------------------------|----------------|----------|-----------------------|--------------------------|--------------|---------------------|----------------------|----------------------------------|----------------------------|-------------------------------------|----------------------------------|
| Admiral | Yes | CS | £13.13 | £838.70m | 52.7 | 5.70 | 47438.36 | 5.85% | 12.66% | £6.40m | £100.10m |
| AFA Systems | | SP | £0.94 | £11.80m | Loss | 52.21 | 779.17 | -12.21% | -13.82% | £2.10m | £1.90m |
| AIT Group | | CS | £3.50 | £72.60m | 44.7 | 5.36 | 2383.33 | 13.49% | 55.43% | £6.10m | £25.90m |
| Anita Group | Yes | CS | £0.48 | £118.00m | 17.9 | 0.79 | 280.70 | 10.34% | 20.00% | £7.40m | £19.70m |
| Axon | | SP | £2.68 | £130.50m | 95.7 | 6.52 | 1528.57 | 52.86% | 52.86% | £45.10m | £45.10m |
| Azlan Group | Yes | R | £0.74 | £78.70m | Loss | 0.27 | 319.57 | 40.00% | 19.51% | £16.00m | £2.80m |
| Bond International | | SP | £0.92 | £12.40m | 22.2 | 1.94 | 1407.69 | 0.55% | -2.66% | £0.00m | £0.40m |
| Cadcentra Group | | SP | £1.84 | £90.50m | 15.3 | 1.72 | 920.00 | -9.36% | -27.42% | £3.40m | £11.60m |
| Capita Group | | CS | £7.10 | £1,405.00m | 78.7 | 5.91 | 63963.96 | 4.64% | 27.81% | £198.00m | £306.00m |
| Cedar Group | | SP | £1.16 | £39.40m | 22.2 | 3.15 | 1119.05 | 16.34% | 21.76% | £7.50m | £7.10m |
| CFS Group | | CS | £1.60 | £25.40m | 19.1 | 2.31 | 1772.22 | 19.03% | 60.30% | £6.10m | £9.60m |
| Citicon Computing | | SP | £0.34 | £8.41m | 19.4 | 2.78 | 270.16 | -2.90% | -8.22% | £0.00m | £0.75m |
| CMG | Yes | CS | £17.95 | £2,299.00m | 56.1 | 5.18 | 12379.31 | -0.55% | 17.70% | £122.00m | £346.00m |
| Compel Group | Yes | R | £4.59 | £145.30m | 18.8 | 0.69 | 3668.00 | 0.99% | 15.20% | £3.70m | £31.50m |
| Computacenter | Yes | R | £5.82 | £1,059.00m | 21.5 | 0.65 | 867.91 | 12.37% | 32.16% | £84.40m | £250.20m |
| Comino | | CS | £2.56 | £94.00m | 18.1 | 2.59 | 1969.25 | 9.64% | 29.37% | £2.60m | £6.40m |
| DCS Group | Yes | CS | £7.18 | £166.50m | 33.2 | 1.51 | 11958.33 | 14.80% | 32.87% | £25.90m | £41.80m |
| Delcam | | SP | £0.54 | £3.16m | 7.2 | 0.22 | 205.77 | 0.00% | 15.05% | £0.12m | £0.42m |
| Diagonal | Yes | CS | £12.25 | £246.20m | 48.3 | 3.51 | 4454.55 | 8.89% | 27.27% | £26.10m | £52.70m |
| Dialog Corporation | | CS | £1.14 | £172.00m | 37.2 | 1.01 | 1031.82 | 65.69% | 95.69% | £63.70m | £84.20m |
| Division Group | | SP | £0.40 | £28.00m | Loss | 4.65 | 1006.25 | 1.90% | 67.71% | £0.50m | £11.30m |
| DRS Data & Research | | SP | £0.17 | £5.97m | Loss | 0.88 | 156.82 | 38.00% | 35.29% | £1.64m | £1.56m |
| Druid Group | Yes | CS | £15.25 | £353.80m | 52.6 | 8.71 | 5545.45 | 0.00% | 15.75% | £0.00m | £52.10m |
| ECSOft | Yes | CS | £20.00 | £218.00m | 40.1 | 3.50 | 1106.81 | 4.30% | 8.11% | £4.90m | £16.30m |
| Electronic Data Proc | | SP | £0.68 | £17.80m | 11.1 | 1.55 | 2082.06 | 6.25% | 0.74% | £1.80m | £0.10m |
| Eidos | | SP | £19.68 | £341.00m | 12.4 | 2.48 | 19825.00 | 37.81% | 119.96% | £112.00m | £160.30m |
| FI Group | Yes | CS | £3.50 | £702.80m | 69.4 | 4.35 | 7446.81 | -0.71% | 6.54% | £10.00m | £45.20m |
| Financial Objects | | SP | £0.20 | £104.34m | 35.6 | 4.82 | 1391.30 | -3.47% | 30.61% | £3.76m | £17.04m |
| Fluorics Group | | SP | £2.05 | £5.33m | 20.3 | 0.77 | 1576.92 | 28.13% | 32.26% | £1.17m | £1.30m |
| Gresham Computing | | CS | £1.78 | £62.50m | 31.0 | 7.19 | 1908.60 | 29.09% | 74.88% | £15.50m | £26.80m |
| Guardian IT | Yes | CS | £8.99 | £357.60m | 68.5 | 12.04 | 2739.22 | 18.89% | 47.05% | £63.20m | £114.40m |
| Harvey Nash Group | | A | £9.19 | £99.80m | 18.2 | 1.61 | 1820.00 | -16.73% | 2.74% | £6.10m | £2.40m |
| Highams Systems Servs | | A | £0.67 | £12.60m | 11.2 | 0.50 | 1847.22 | -5.67% | -21.76% | £0.30m | £3.40m |
| ICM Computer | | C | £2.65 | £50.30m | 21.3 | 1.40 | 1469.44 | -0.38% | 4.34% | £0.70m | £2.00m |
| Ilion Group | | R | £0.80 | £20.10m | Loss | 0.08 | 500.00 | -4.19% | 41.59% | £3.40m | £5.90m |
| Intelligent Environments | | SP | £0.77 | £24.40m | Loss | 5.50 | 819.15 | -10.47% | 73.03% | £0.60m | £10.60m |
| Internet Technologies | | CS | £1.48 | £66.20m | n/a | 6.01 | 7375.00 | 14.79% | -12.20% | £4.00m | £23.50m |
| I.S. Solutions | | CS | £3.05 | £14.60m | 22.1 | 1.67 | 2276.12 | 19.61% | 48.78% | £2.40m | £4.76m |
| ITNET | Yes | CS | £3.87 | £271.70m | 56.0 | 2.57 | 1104.29 | -18.20% | -19.31% | £55.20m | £60.50m |
| JBA Holdings | Yes | SP | £1.45 | £53.50m | 32.9 | 0.24 | 906.25 | 6.62% | -21.62% | £5.00m | £14.40m |
| JSB Software | | SP | £2.49 | £23.70m | n/a | 7.05 | 1245.00 | 0.40% | 21.46% | £0.00m | £4.20m |
| Kalamazoo Computer | | CS | £0.49 | £20.80m | Loss | 0.32 | 1385.71 | 49.23% | 22.78% | £6.40m | £3.90m |
| Kewill Systems | Yes | SP | £14.58 | £195.30m | 31.1 | 4.33 | 5760.87 | -10.99% | 14.31% | £15.80m | £24.50m |
| Logica | Yes | CS | £6.33 | £2,337.00m | 61.6 | 4.94 | 8661.99 | -1.56% | 21.05% | £98.00m | £408.00m |
| London Bridge Software | Yes | SP | £19.13 | £571.80m | 96.7 | 25.56 | 9562.50 | 6.84% | 48.54% | £74.00m | £190.70m |
| Lorien | | A | £1.71 | £33.50m | 21.4 | 0.24 | 1710.00 | -0.87% | 16.22% | £5.60m | £4.80m |
| Lynx Holdings | Yes | SP | £1.95 | £208.50m | 22.4 | 1.15 | 4875.00 | -8.88% | -1.76% | £22.40m | £3.70m |
| M-R Group | | CS | £1.80 | £89.00m | 23.3 | 1.90 | 632.94 | 47.69% | 57.14% | £29.60m | £32.40m |
| Macro 4 | Yes | SP | £6.40 | £126.10m | 19.6 | 5.20 | 2580.65 | 1.59% | 88.24% | £21.70m | £59.10m |
| MDIS Group | Yes | CS | £0.36 | £75.50m | 116.0 | 0.57 | 136.54 | -11.25% | -22.83% | £10.20m | £22.40m |
| Merant | Yes | SP | £1.20 | £171.60m | 17.1 | 1.77 | 577.16 | -0.83% | 15.46% | £28.00m | £23.00m |
| Microgen Holdings | | CS | £1.37 | £59.40m | 15.5 | 0.85 | 583.33 | 11.43% | -0.36% | £2.90m | £0.20m |
| Mitsys | Yes | SP | £6.18 | £3,476.00m | 39.7 | 7.76 | 7688.65 | 3.56% | 41.34% | £124.00m | £1,016.00m |
| MMT Computing | Yes | CS | £7.03 | £84.30m | 15.2 | 2.30 | 4181.55 | -1.40% | -25.07% | £5.70m | £28.20m |
| Mondas | | SP | £0.67 | £8.38m | Loss | 28.22 | 886.67 | -24.86% | 31.68% | £2.52m | £2.02m |
| Moorepay Group | | CS | £2.75 | £32.20m | 30.4 | 3.85 | 4640.90 | 5.77% | 19.57% | £4.10m | £5.30m |
| Morse | | R | £2.50 | £305.70m | 22.7 | 1.41 | 1000.00 | 0.00% | 0.00% | £0.00m | £0.00m |
| MSB International | Yes | A | £1.71 | £34.90m | 4.9 | 0.27 | 900.00 | -23.66% | -49.71% | £13.00m | £34.50m |
| MSW Technology | | SP | £1.39 | £11.40m | 38.4 | 3.92 | 1427.84 | -3.48% | 30.05% | £0.50m | £2.67m |
| NSB Retail Systems | | SP | £4.09 | £44.90m | 37.5 | 5.37 | 3552.17 | 57.12% | 140.29% | £16.60m | £26.20m |
| Oxford Molecular | | SP | £0.48 | £41.30m | Loss | 1.92 | 593.75 | 30.14% | -2.06% | £10.00m | £0.80m |
| Parity | Yes | A | £7.00 | £345.10m | 26.4 | 1.19 | 38888.74 | 6.06% | 22.27% | £7.90m | £62.90m |
| Pegasus Group | | SP | £2.36 | £16.50m | 12.6 | 1.10 | 643.05 | 2.61% | 22.98% | £0.40m | £4.70m |
| PhoneLink | | CS | £0.29 | £19.60m | Loss | 6.11 | 183.87 | -6.56% | 3.64% | £2.70m | £0.70m |
| Polycmaster | | SP | £2.47 | £34.80m | 57.2 | 3.98 | 1643.33 | 21.73% | 30.08% | £6.20m | £8.10m |
| Proteus International | | SP | £0.46 | £33.70m | Loss | 189.33 | 541.67 | 33.82% | 28.17% | £8.50m | £7.40m |
| Quality Software Prods | | SP | £5.33 | £72.40m | 16.3 | 1.76 | 1401.32 | 18.33% | 50.00% | £30.90m | £24.10m |
| Quantica | | A | £0.49 | £20.00m | 7.2 | 1.32 | 395.16 | -5.77% | -32.88% | £3.90m | £8.40m |
| Rage Software | | SP | £0.16 | £37.80m | 22.9 | 10.44 | 596.15 | 0.00% | 87.88% | £2.40m | £17.70m |
| Real Time Control | | SP | £5.10 | £35.70m | 14.7 | 2.25 | 10408.16 | -8.11% | 5.70% | £1.10m | £1.90m |
| Recognition Systems | | SP | £0.16 | £12.00m | Loss | 15.23 | 232.14 | 3.17% | 62.50% | £0.40m | £8.31m |
| Riva Group | | CS | £0.38 | £12.20m | 14.7 | 0.17 | 270.07 | 1.33% | 11.76% | £0.30m | £1.30m |
| RM Group | Yes | SP | £5.78 | £530.70m | 72.3 | 4.05 | 16500.00 | -4.31% | 24.60% | £23.00m | £109.80m |
| Rolfe & Nolan | | SP | £1.89 | £25.10m | Loss | 1.16 | 2244.05 | -6.22% | 7.71% | £1.50m | £1.80m |
| Romtec | | CS | £0.69 | £3.63m | 16.7 | 0.86 | 1096.00 | 0.00% | -10.46% | £0.00m | £0.42m |
| Royalblue Group | Yes | SP | £5.38 | £149.40m | 48.7 | 5.06 | 3161.76 | 3.17% | 60.45% | £6.90m | £56.30m |
| Sage Group | Yes | SP | £22.53 | £2,612.00m | 79.9 | 13.64 | 86634.62 | 10.55% | 43.47% | £234.00m | £791.00m |
| Sanderson Group | Yes | CS | £1.55 | £73.80m | 12.9 | 1.00 | 2638.30 | -12.43% | 0.98% | £9.50m | £0.70m |
| SBS Group | | A | £1.83 | £16.10m | 14.7 | 0.45 | 1825.00 | -14.12% | -7.59% | £2.60m | £1.30m |
| Science Systems | | CS | £2.11 | £35.80m | 29.0 | 1.92 | 1631.78 | 3.44% | 34.50% | £0.20m | £9.20m |
| Sema Group | Yes | CS | £7.50 | £3,455.00m | 59.2 | 2.76 | 9433.96 | 3.45% | 26.90% | £157.00m | £731.00m |
| Sherwood International | Yes | CS | £17.38 | £163.30m | 42.6 | 3.83 | 14479.17 | 5.78% | 28.23% | £25.10m | £35.90m |
| Skillsgroup | Yes | CS | £3.19 | £262.50m | 28.0 | 0.70 | 1430.49 | 26.09% | 75.76% | £56.70m | £113.10m |
| Spring | | A | £1.44 | £208.20m | 16.0 | 0.75 | 1600.00 | -12.73% | -1.03% | £37.60m | £22.20m |
| Staffware | | SP | £2.20 | £27.90m | 200.0 | 1.26 | 977.78 | 46.67% | -17.76% | £5.40m | £6.10m |
| Superscape VR | | SP | £1.50 | £18.40m | Loss | 4.36 | 757.58 | -14.77% | -22.48% | £4.10m | £5.40m |
| Synstar | | CS | £1.36 | £229.05m | 33.4 | 1.39 | 821.21 | -17.88% | -17.88% | £40.95m | £40.95m |
| Systems Integrated | | SP | £0.22 | £2.88m | Loss | 2.30 | 186.96 | -21.82% | 177.42% | £0.74m | £1.84m |
| Tetra | | SP | £3.21 | £80.80m | Loss | 2.67 | 2003.13 | 30.82% | 76.58% | £20.60m | £35.10m |
| Torex Group | | CS | £1.73 | £56.10m | 25.4 | 2.58 | 3349.51 | 12.01% | 94.92% | £14.20m | £27.40m |
| Total Systems | | CS | £0.51 | £5.30m | 7.4 | 1.28 | 962.26 | -9.73% | -13.56% | £0.94m | £0.84m |
| Touchstone | | SP | £1.37 | £13.40m | 19.7 | 2.18 | 1300.00 | 10.53% | 20.26% | £3.94m | £2.30m |
| Trace Computers | | CS | £1.31 | £19.30m | 15.7 | 1.32 | 1048.00 | -10.58% | 6.94% | £2.40m | £1.30m |
| Triad Group | Yes | CS | £5.85 | £147.40m | 28.6 | 4.58 | 4333.33 | 1.30% | 9.86% | £1.20m | £13.20m |
| Ultima | | R | £0.03 | £3.78m | 13.1 | 0.06 | 67.07 | -26.67% | -26.67% | £1.38m | £1.38m |
| Vega Group | | CS | £6.03 | £97.00m | 32.9 | 4.32 | 4938.52 | 7.11% | 55.48% | £6.80m | £34.60m |
| Workplace Technologies | | CS | £1.75 | £50.80m | 26.9 | 0.61 | 1000.00 | -7.16% | -11.17% | £3.40m | £6.30m |
| XKO | | CS | £1.54 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Zergo Holdings | | SP | £8.18 | £222.40m | Loss | 17.00 | 8384.62 | 6.17% | 90.12% | £34.00m | £144.40m |

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

A sad state of affairs at ilion

Of the two quoted distributors of network, comms and related products, **Azlan** and **ilion**, it is difficult to choose which one should have the *System House* "wooden spoon" Award. The latest results for ilion for the year to 31st Dec. 98, show revenue up 18% at £240.6m, but the previous PBT of £6.1m is now a loss of £3.2m. The blame is placed on exceptional costs of £4.3m to cover "operational problems" with the new distribution system, frequent management changes, UK redundancy costs, reorganisation costs in Germany and losses on the closure of the Swiss operation. If there is a bright note, then pre-exceptional profit at £1m was better than the £800K analysts had been expecting. France had an "excellent performance" (increased profits of £5.3m on revenue up to £93m) but the UK had "poor results" (lost £1.4m on revenues down at £108m) and saw gross margins drop from 16.8% to 14%. Germany increased losses to £1.8m on slightly higher revenue of £11.1m. Chairman Michael Sayers "trading during the first two months of 1999 has been very encouraging. The Group now apparently has "a strong and united management team". Our view on the viability of distributors is well known. Either **get really big or go niche and develop services**. Ilion is currently neither with no obvious plans to change. Shares ended the month down 4% on 80p - at least higher than the 1998 low of 42p but way, way below the peak of nearly £4 in 1997.



the Holway Report

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