

# System House

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## *It doesn't take a Rocket Scientist..*

As a *System House* or *Holway Report* reader, you can, of course, reread our views/forecasts etc made a year back, five years back, a decade ago. Without being too dramatic, most of our pronouncements have initially been greeted with a mixture of disbelief and derision. Oh how they laughed when we forecast the move away from a product licence charging model towards providing products as services back in 1996. We still have the "scorn mail" when in 1997/98 we predicted that the IT Staff Agencies would be the first to feel the Y2K slowdown. We coined the "Y2K microclimate" tag, called a peak to growth in 1998 and predicted sharply lower growth in 1999. From early 1999, we predicted that "the hangover will not end with the Alka Selters on 1st Jan. 00".

When share prices went into uncharted territory in Q4 1999/Q1 2000 we rang the alarm bells. You would be surprised at how many otherwise sensible people thought we were totally wrong and that valuations would forever continue upwards.

Our views on the "dot.coms" are also well known and proved even more controversial. We invented the mythical FreeJellyBeans.com only to find that fact was often much stranger than fiction. We well remember being called old-fashioned when continuing to champion profits. "Get real *Holway*, it's a whole new paradigm now".

We then got even more alarmed and introduced the "dot.con" to warn of the dangers presented by the plethora of internet incubator funds launching onto AIM.

But that was the past. What does *Holway* now think of the near term future?

- we genuinely believe that e-services will be the key driver for growth in our sector. But we wanted subscribers to understand that even with 100%+ growth rates, this was still a small part of the sector. e-services would not fully compensate for the downturn in the more "traditional" parts of the SCS market.

- even in e-services, it should be remembered that a significant part of the spend was from dot.coms using up their 1st/2nd/3rd round fund raising. There might not be quite so many boo.coms around spending £70m on website design in future.

- that's why we believe that 2000 will provide only mediocre revenue growth and some pretty shocking profit (loss) performances. The hangover is unlikely to clear before 2001 and even then growth will be back to the historically sustainable (but lower) levels of the mid-1990s.

- on that basis, even at today's much lower valuations, sector share prices might still have some way to fall. It is worth noting that, although our SCS Index is down 33% from its 16000 high at the beginning of Mar. 00, it is still up 108 % in the 12 months since 1st July 99. We predicted a 2000 SCS Index low of <9000. We hold by that prediction.

- although we still believe that the supplier companies that eventually will benefit from e-services will be the established IT services companies around today (IBM, EDS, Cap Gemini) the transfiguration required would be long, painful and expensive. Just as you cannot change a 50-year old Cobol

programmer into a web designer overnight (indeed we doubt if you can ever make such a change) changing old established IT services companies used to 3-year+ project cycles where their main contact is the CTO to 3 month max. contracts where the main contact is the CIO or Marketing Director, is just as difficult.

But, unlike, the new upstarts, at least the established players have deep management experience and have been here before. Remember IBM did re-invent itself as a PC company in the 1980s and then again as the world's leading IT services company in the 1990s. Do not underestimate its ability to take the lead in e-services too.

- to gladden the hearts of many readers, the current profile of IT contracts (short bursts of high resource requirements where specialised skills are to the fore) could well put the ITSAs back into high growth. Don't forget over a third of all ITSA resources went to IT services companies. Traditional IT services having to deal with the special demands of e-services contracts will turn again to ITSAs for short term help.

- just as we believe that many established IT services players will ultimately be the leaders in e-services too, so we believe even more so that it is today's established players that will dominate the B2B and B2C markets.

This month two of the most important "early movers" in the B2C space - Freeserve and Amazon.com - saw their share price tumble. Both probably now regret not using their previous sky high valuations to buy into "bricks-and-mortar" in the way of the AOL/Time Warner "merger". The internet does not/

will not increase overall market size...it merely alters the interface with the customer. That's why we repeat our view that the telcos will dominate the ISP market, the banks (like lloydstsb.com) will dominate internet banking, the BA consortium etc. will dominate internet airline bookings, tesco.com will dominate on-line groceries and WHSmith will get their act together in internet books/CDs. At one time we expected more "clicks" buying "bricks". But current valuations, and cash burn, make that less likely.

That's why, ultimately, sanity will return. Traditional IT services companies know about servicing the blue-chip bricks and mortar companies. Indeed they know a lot about project management, the importance of customer relationships, recurring revenues, utilisation...even, dare we mention it, profits. Your reactions to this article are reasonably easy to predict. We *hope* you will think "Well that's all pretty obvious" ...hence the "It doesn't take a Rocket Scientist" headline. But on past performances, a significant number of you will disagree - some violently. But before you fire off the flame-mail, ask yourself if you *really* disagree or if you are just hoping that *Holway* is wrong this time and you won't have to live through the consequences of his predictions.

This industry of ours has a long history of "Living in Denial". Many companies have paid dearly as a result. Will it happen again this time too?



W von Braun (1912-1977)



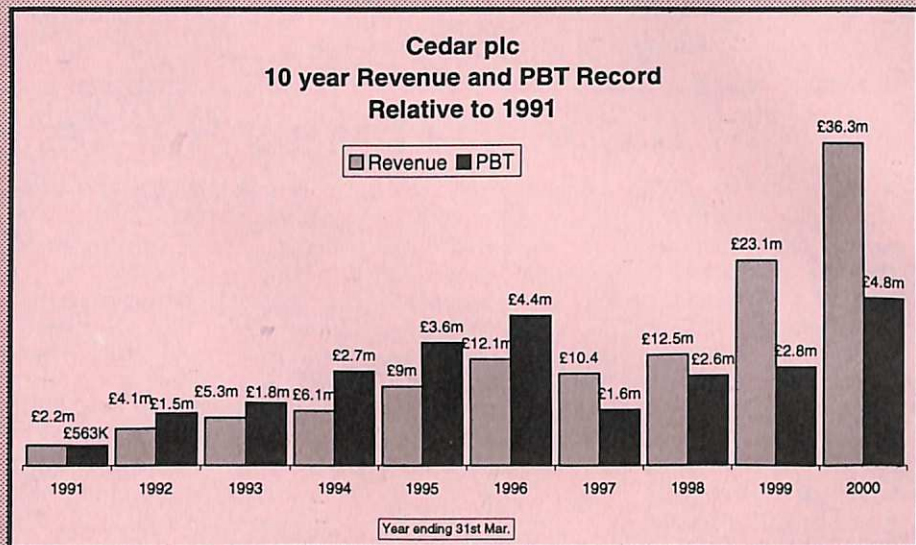
## From Little Acorns.... Cedar Grows

Cedar Group (was Cedardata until Aug. 98) was formed back in 1983 as a payroll processing bureau. They were a new issue on the main market at 105p in Mar. 94. Results for the year ended 31st Mar. 00 show turnover increased 58% to £36.3m, PBT increased 72% to £4.8m, and EPS decreased 6% to 5.2p. Commenting on the outlook Mike Harrison, MD, said: "We are now well positioned to exploit the market. Our ability to deliver applications using the ASP business model will give us a significant advantage over larger and less flexible competitors and allow us to maximise this global opportunity."



Cedar also announced the acquisition of some of the employees and the IPRs to BG Technology's technology process platform (technology for corporate intranets) for a total consideration of £7m. £2m is the initial consideration and £5m deferred, subject to performance, financed from Cedar's own resources.

In addition, a £2m data migration contract with Sun Life Financial of Canada was revealed. Interesting to see Cedar's revenues from recurring services (consultancy and training) up 120% to £10.8m, (£2.9m came from acquired operations), with existing ops managing a respectable 60% growth. Cedar ended the month down 15% at 665p.



## UK the Star for Synstar

Synstar's results for the six months ended 31st Mar. 00 show revenue up 15% to £119.3m, operating profit (pre-goodwill) up 13% to £5.9m, and adjusted EPS up 58% at 1.9p. 'Real' PBT after goodwill was £5.2m compared to £420K for the same period last year – but this jump was primarily due to interest charges coming down from £3.3m to £530K after the funds raised in their 'controversial' Mar. 99 IPO were used to repay VC/MBO debt. The order book rose 14% to £260m over the past 6 months.

UK was the star with revenue up 30% to £69.9m. But the bad news was in continental Europe – France down 10% to £8m, Germany almost made it to line ball at £13.2m – but Italy was the 'dog' with revenue down 18% at £9.5m. Needless to say, Italian management have been lined up and shot. They were also hit by strong sterling vs the euro – at constant currency that would have added another 5% to profits. Synstar's core Computer Services activities showed revenue up 15% to £109.5m and is still 92% of total turnover. It was this division that was most hit by the Y2K microclimate, "the slowdown in Data Management, Network and large Desktop roll-outs has lasted longer than our industry had anticipated ... (and) the flow of short term projects has slowed". The much more profitable Business Continuity division lifted revenue 17% to £9.8m – but represents about a third of operating profit. Nevertheless, this "will result in lower than anticipated profits during the second half. As such we anticipate full year operating profit (before goodwill amortisation) to be broadly in line with 1999". CEO Richard Ferre commented that "These results show steady progress during the period spanning the millennium. They confirm the strength of our primarily contractual business and support our strong belief that the prospects for Synstar remain positive."

Much as expected – except the wrong way round! Many SCSI companies have taken the Y2K hit mostly in their UK business – Europe usually being the saving grace. We spoke to Richard Ferre and, although Synstar is suffering somewhat on the continent (especially in Italy), he expects this business to turn around by the end of the FY "and will contribute to the bottom line next year". Overall these results are a bit of a setback for Synstar although we still believe the types of services they offer – while not very 'glam' – are the sorts of 'bedrock' IT services that will always be in demand.

Nonetheless, the market marked their shares down 31% on the day to 94.5p – a 43% discount to their Mar. 99 IPO price of 165p – but they ended the month overall 'only' down 30% at 82p.

## Positive Maiden Results from Easyscreen

Easyscreen "designs and markets innovative software to financial institutions for trading on electronic derivatives exchanges" Results for the year ended 31st Mar. 00, its first full year results since its IPO in Sep. 99 at 170p, show revenue up almost tenfold to £1.06m, LBT deepened fivefold to £3.4m, and Loss Per Share from 1.9p to 9.96p. Commenting on the outlook, Chairman Philip Docker said "Our intention remains to consolidate our brand and market position and accordingly we move into a new financial year with great confidence for the long term future of the business". At the end of June Easyscreen shares had gained 13%, finishing at 238p.

## Glotel Weathers the Storm

Telecomms and networking staff agency Glotel (better known through its Comms People brand) has issued a super set of results for its first year as a public company. Turnover increased 30% to £132.4m, PBT soared 77% to £6.2m (a 4.7% margin) and EPS rose 25% to 10.98p. Overseas sales (by destination) topped 50% of the total for the first time – and is set to grow faster than UK. Biggest operating unit Comms People UK suffered the effects of Y2K the worst, but even they increased revenue 19% to £56.7m and ran at a 6.8% operating margin. According to chairman Les Clarke, "Glotel experienced a sharp downturn in customer activity levels in the run up to the New Year ...".





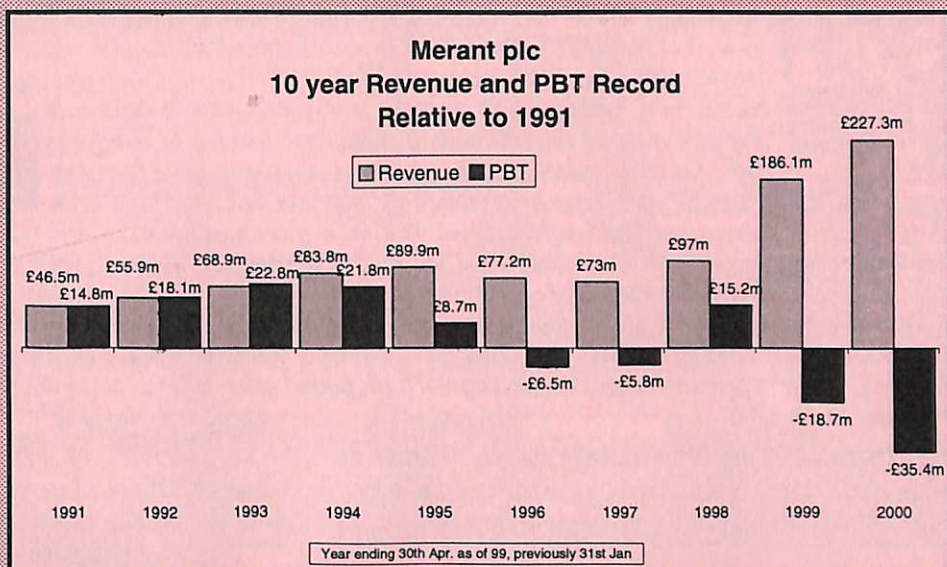
This month has seen still more companies "blaming" the continued Y2K hangover for poor performance. So far we have only seen Q1-type results. Next month should see the start of the interim reporting season when many more companies will have to "come clean" on their continued exposure to such problems. On the next few pages we report on this month's crop of Y2K related warnings...

## Losses Double at MERANT

Although revenues increased by 22% to £227.3m in the year ended 30<sup>th</sup> Apr. 00, MERANT's losses almost doubled to £35.4m. Loss Per Share deepened by 53% to 24.9p.

Commenting on the results Gary Greenfield, President and CEO stated: "During the last financial year we were unable to replace our year 2000 services as rapidly as we expected, while at the same time the COBOL market was retracting, (however now) we are in an excellent position to identify and take advantage of opportunities in the dynamic e-business marketplace. We are encouraged by the growing market acceptance of our Egility e-enabling solutions, and expect that e-business revenues will continue to fuel growth and make up more than two-thirds of MERANT's revenues by the end of fiscal year ended April 30, 2001."

Apparently revenues from e-business activities made up more than half of MERANT's turnover. At the end of the month MERANT's share price stood at 139p, just a 1% fall.



## "Very tough" at Electronic Data Processing

Electronic Data Processing (EDP) was yet another in a long line of IT Services companies reporting continued "very tough" trading conditions.

In the six months to 31st Mar. 00, PBT reduced by 18% to £1m on revenue down 28% at £4.53m. EPS was down 21% at 2.56p. Any simple minded journalist or analyst would not have easily picked that up as EDP choose to headline "recurring revenues represent 58% of total revenue" and "Cash balances of £11.6m (£10.9m)". We have long criticised EDP for not taking advantage of this "cash pile". At least the "silly prices" that EDP has complained of in the past are ...in the past. Mind you EDP shares are down from 417p earlier this year to 109p too!

Y2K hangover was clearly blamed. "IT budgets have been drastically cut back and there are few signs of any significant upturn in the near term". Chairman Mike Heller expects full year results to be "acceptable".

EDP has also announced the acquisition of **Disys Associates** (s/w for independent builders merchants) for £226K. Disys had revenue of £968K and pre-tax losses of £117K in year to 31st Mar. 00.

## Primar-E: Another Y2K Casualty

Primar-E's results for the year ended 30<sup>th</sup> Nov. 99 showed turnover down from £11.29m to £9.19m, LBT multiplied from £98K to £862K, and Loss Per Share deepened from 0.07p to 0.69p. Commenting on the results CEO Simon Hunt said: "The start of this financial year has been slow due to uncertainties about the Year 2000 and the Group has continued to make losses. However, new initiatives (within Primary Storage)... and the restructuring (of Primary Networks) are beginning to take effect". The original plan to acquire **CallNet** and **Tri Group**, by way of a reverse takeover, has been dropped. Hunt said that discussions continue with Tri.

At the end of the month Primar-E's share price was level in June, ending on 15p.

## ICM joins the Y2K Hangover Club!

ICM Computer Group issued a trading statement advising that "growth in profits is expected to fall short of current market expectations". The problems are pretty well across the board in all of ICM's divisions. IT Solutions suffered margin pressure and "growth will be lower than originally budgeted" - customers are apparently slow to sign solution-based contracts while they sort out their e-commerce strategies. ICM's business continuity activities saw "contract signings clustered towards the end of the period which will affect revenues in second half". Their IT Support division suffered from "higher than expected attrition in the contract base" due to the loss of three large public sector contracts, although demand for their new Managed Services Directory is "healthy".

ICM also took the opportunity to announce they had acquired the just profitable Scottish IT support and solutions company **Altior** for £2.5m (£500K cash plus shares). Altior had revenue of £8.2m and PBT of £53K.

ICM's CEO Barry Roberts is "confident, that in the longer term there will continue to be demand". While IT support and business continuity are good candidates for long term relationships and long term contracts, project work is in the doldrums - and is likely to remain piecemeal for some time as customers decide which path to take with e-business. We think there will be few customers brave enough now to take on large scale, long term development projects - too risky given the immature and rapidly changing technologies. So we think it will be a 'softly softly catchee monkey' approach to new systems development, and much of the focus will be on integrating new (prototype) e-business front ends to legacy applications and databases. We believe customers are more likely to go to specialist integrators rather than 'mixed businesses'.

ICM ended the month down 38% at 343p.







## A Tale of White Knights, Suitors and Profits Warnings!

As we went to print with last month's edition **Computacenter** had just made an offer to buy **Compel** at 275p - a 35% premium on the previous day's close

# COMPEL

of 203p. Compel in reply issued a statement which not surprisingly called the bid "opportunistic and ... significantly undervalues the company". Nonetheless, they are letting Computacenter do 'due diligence' "provided acceptable terms can be reached". Compel also said its prospects remain positive (well they would say that etc etc) and advised shareholders to take no action. At the end of the month, Compel's shares are up 24% to 263p.

A few days later it was revealed that **Compel** had approached **SCH** to see if it would act as "white knight". By this time SCH's owner, Peter Rigby, had upped his stake in Compel to 11.42% making SCH the largest shareholder in Compel.



Apparently it was considered not "strategically appropriate" for SCH to take on such a role.

In a strange twist to the tale, Computacenter then issued a profits warnings in the wake of the much "slower than expected recovery" post Y2K (not slower than expected if you read our analysis!) CEO Mike

Norris said "whilst profits were in line with our expectations in the first quarter, we are seeing a shortfall relative to budget in Q2. We also anticipate the delayed recovery will affect Q3,

# Computacenter

albeit to a lesser extent". Consequently results for this financial year "are likely to fall short of current analysts' expectations". But on a more positive note, the Inland Revenue had signed a three-year framework agreement with Computacenter, worth an estimated £42m p.a., for the on-line procurement of all its IT and telecoms products and associated supply services.

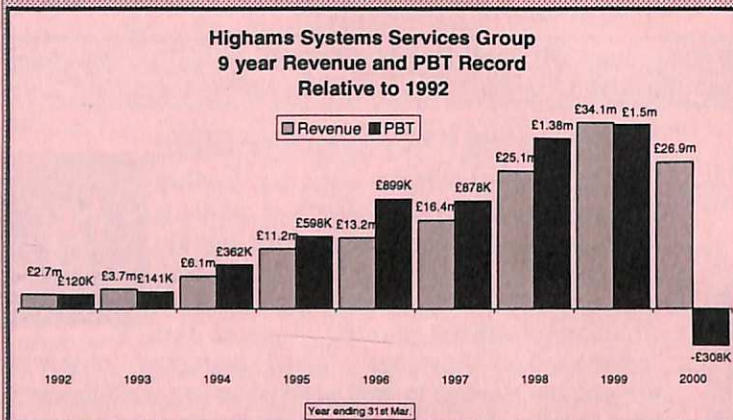
Keeping up the suspense, Compel later confirmed that it had held discussions with SCH regarding a possible bid to rival Computacenter's stating "Specialist Computer Holdings confirms it has held discussions with Compel and its advisors following the announcement of Computacenter's proposed offer. SCH is currently reviewing its options which may or may not lead to an offer".

## Highams Hope for Return to Profitability

**Highams Systems Services**, a supplier to the insurance, finance and telecoms sectors, has announced results for the year ended 31 Mar. 00. Highlights: turnover down 21% to

# HIGHAMS

## SYSTEMS SERVICES GROUP



£26.8m, resulting in an operating loss of £178K, LBT of £309K from a PBT of £1.5m the previous year, and Loss Per Share of 1.58p from a EPS of 5.62p. In common with other staff agencies, Highams' recruitment activities were hard hit. Commenting on the outlook, Chairman Nigel Maw said: "We have experienced slow but steady market recovery since January. Over the current year as a whole, we are expecting to show overall growth in activity from our existing businesses. Provided market recovery continues to steadily increase as generally forecast over the next nine months, we anticipate a return to operating profitability this year." Highams ended the month down 19% at 43p.

## Tough Times for New Spring CEO

**Spring Group's** new CEO Jon Chait (ex-Manpower) has had the tough task of announcing Spring's results for the year ended 30th Apr. 00. Revenue has fallen slightly to £396.1m and, as foreshadowed, the previous PBT of £14.2m is now a loss before tax of £6.4m (exceptional costs were £17m mainly due to litigation write offs of £3.2m and the launch of Spring.com costing £11.9m). Of course the headline Spring would like us to concentrate on is the talk of "operating profit from continuing operations before goodwill amortisation and exceptional costs is £11.5m" (down from £17.3m, but at least in the black!) They have now further strengthened the board with the appointment of Richard Barfield (from Northgate) as Group FD. Chait said "Spring will now focus its business on global vertical market segments within the staffing industry which are suitable for

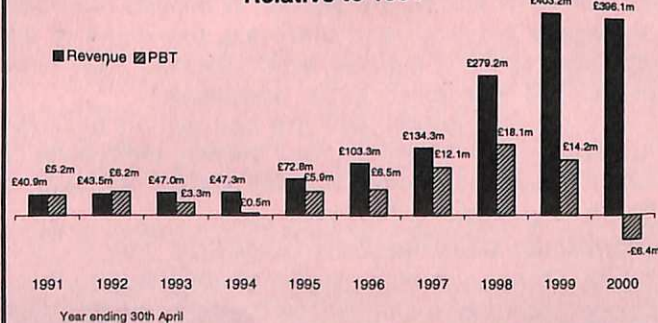
our e-commerce model of 'clicks and some bricks', combining the power of the internet with human intermediation. In the short term, our focus remains on the IT staffing segment in the UK... we intend to divest businesses which do not fit these parameters". Proposed divestments are Spring Skills, Spring Personnel and Spring Education.

The IT Services division (inc. Spring.com, IT Training and IT Solutions) had revenues down 6.7% to £270.1m and OP (before exceptionals and goodwill) down from £12m to £5.7m. All three businesses were Y2K affected and Spring.com saw contractor numbers fall. IT Training made a loss but IT Solutions returned to profit. General Services division increased revenue 6.3% to £91.8m with profits down from £9.5m to £8.4m. Education Services managed to increase revenues 33% to £34.2m with profits up from £1.8m to £2.8m.

**Comment.** No mention of the contractor share options scheme...

Chait seems to have the 'big ITSA' pedigree to take the reins over from Karl Chapman, but now he really has his work cut out. At the end of the month Spring was up 16% at 134p.

Spring Group plc  
Ten Year PBT and Revenue Record  
Relative to 1991





# Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Actinic plc				Easyscreen plc				Keystone Software plc			
REV	Final-Sep 99	Interim-Mar 00	Comparison	REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Interim-Sep 98	Final-Mar 99	Interim-Sep 99
PBT	£571,000	£879,000	n/a	PBT	£110,915	£1,056,519	-852.5%	PBT	£530,000	£1,585,217	£2,384,000
EPS	£0.810	£0.550	n/a	EPS	£637,143	£3,425,999	Loss both	EPS	£1,195,000	£2,400,057	£17,000
											Loss to profit
Admiral plc				ECsoft Group plc				Knowledge Management Software plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£147,187,000	£170,186,000	+15.6%	PBT	£62,211,000	£67,304,000	-8.2%	PBT	£713,000	£770,000	-48.0%
EPS	£23,479,000	£24,752,000	-6.4%	EPS	£8,108,000	£3,416,000	-57.9%	EPS	£60,000	£981,000	Profit to loss
											Profit to loss
AFA Systems plc				Eidos plc				Knowledge Support Systems Group plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£803,000	£1,779,000	+119.9%	PBT	£226,284,000	£203,255,000	-10.2%	PBT	£1,579,090	£1,838,025	+16.4%
EPS	£1,444,000	£581,000	Loss both	EPS	£37,920,000	£49,275,000	+29.9%	EPS	£34,765	£83,497	Loss both
											Loss both
AIT Group plc				Electronic Data Processing plc				Laser-Scan Holdings plc			
REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Interim-Mar 99	Final-Sep 99	Interim-Mar 00	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£17,460,000	£21,693,000	+24.2%	PBT	£5,469,000	£10,492,000	+50.9%	PBT	£6,761,000	£7,010,000	-4.7%
EPS	£2,764,000	£3,651,000	+32.1%	EPS	£1,225,000	£2,377,000	+93.8%	EPS	£397,000	£95,000	Loss both
											Loss both
Alphameric plc				Eurolink Managed Services plc				Logica plc			
REV	Fin. 8 mos - Nov 98	Final-Nov 99	Comparison	REV	Coy. Inc. 1998	Final-Mar 99	Comparison	REV	Interim-Dec 98	Final-Jun 99	Interim-Dec 99
PBT	£11,460,000	£25,330,000	Not comparable	PBT	£8,323,171	£8,323,171	n/a	PBT	£292,400,000	£599,468,000	£403,300,000
EPS	£900,000	£3,050,000	Not comparable	EPS	£844,762	n/a	n/a	EPS	£25,600,000	£58,604,000	£35,100,000
											+37.9%
Anite Group plc				F.I. Group plc				London Bridge Software Holdings plc			
REV	Interim-Oct 98	Final-Apr 99	Interim-Oct 99	REV	Final-Apr 99	Final-Apr 00	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£81,101,000	£180,829,000	£83,930,000	PBT	£228,353,000	£307,656,000	+34.7%	PBT	£22,375,000	£42,165,000	+88.4%
EPS	£3,986,000	£6,788,000	£4,690,000	EPS	£17,025,000	£17,391,000	+2.1%	EPS	£7,365,000	£7,092,000	-3.7%
											-19.2%
Axon Group plc				Financial Objects plc				Lorien plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Nov 98	Final-Nov 99	Comparison
PBT	£20,024,253	£25,378,000	+26.7%	PBT	£21,662,000	£22,301,000	-2.9%	PBT	£138,407,000	£138,817,000	+0.3%
EPS	£1,824,401	£4,560,000	+149.9%	EPS	£3,438,000	£4,656,000	+35.4%	EPS	£2,549,000	£1,649,000	-35.5%
											Profit to loss
Azlan Group plc				Flomerics Group plc				Lynx Group plc			
REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Interim-Mar 99	Final-Sep 99	Interim-Mar 00
PBT	£342,861,000	£410,604,000	+19.8%	PBT	£5,910,106	£8,713,000	+46.1%	PBT	£103,844,000	£212,541,000	£111,018,000
EPS	£3,835,000	£9,258,000	+141.4%	EPS	£384,123	£807,000	+110.1%	EPS	£6,370,000	£11,017,000	£1,789,000
											+71.9%
Baltimore Technologies plc				Focus Solutions Group plc				MMT Computing plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Interim-Feb 99	Final-Aug 99	Interim-Feb 00
PBT	£9,883,512	£23,272,000	+135.5%	PBT	£360,000	£721,000	+100.3%	PBT	£21,100,000	£41,024,210	£16,800,000
EPS	£5,173,012	£31,351,000	Loss both	EPS	£368,000	£1,039,000	Loss both	EPS	£5,100,000	£9,710,952	£2,000,000
											+60.8%
Baron Corporation plc				Freecom plc				Macro 4 plc			
REV	Final-Aug 99	Interim-Feb 00	Comparison	REV	Final-Dec 98	Interim	Comparison	REV	Interim-Dec 98	Final-Jun 99	Interim-Dec 99
PBT	£122,774	£1,392,585	n/a	PBT	£599,000	n/a	n/a	PBT	£13,152,000	£31,025,000	£17,086,000
EPS	£59,749	£127,831	n/a	EPS	£2,100,000	n/a	n/a	EPS	£5,024,000	£10,400,000	£4,751,000
											-7.8%
Bond International Software plc				Freemove plc				MERANT plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Apr 99	Final-Apr 00	Comparison	REV	Final-Apr 99	Period to Apr 99	Final-Apr 00
PBT	£8,807,697	£8,457,169	-4.0%	PBT	£2,740,000	£19,560,000	+613.9%	PBT	£186,104,000	£215,473,000	£227,283,000
EPS	£935,378	£789,085	Profit to loss	EPS	£1,510,000	£22,930,000	Loss both	EPS	£16,655,000	£11,572,000	£35,369,000
											Loss both
Bright Station plc				Gresham Computing plc				Microgen plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Oct 98	Final-Oct 99	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£170,762,000	£174,450,000	+2.2%	PBT	£3,003,000	£30,350,000	+91.6%	PBT	£70,105,000	£31,324,000	-55.3%
EPS	£5,544,000	£3,857,000	Profit to loss	EPS	£3,003,000	£864,000	Profit to loss	EPS	£8,492,000	£1,834,000	-78.4%
											+159.1%
Cadcentre Group plc				Guardian IT plc				Misys plc			
REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Interim-Nov 98	Final-May 99	Interim-Nov 99
PBT	£17,861,000	£23,889,000	+33.7%	PBT	£29,693,000	£49,245,000	+65.8%	PBT	£287,900,000	£582,000,000	£280,600,000
EPS	£3,001,000	£4,338,000	+44.6%	EPS	£6,629,000	£7,048,000	+6.3%	EPS	£58,900,000	£91,400,000	£48,300,000
											-18.0%
Capita Group plc				Harvey Nash Group plc				Mondas plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Jan 99	Final-Jan 00	Comparison	REV	Interim-Oct 98	Final-Apr 99	Interim-Oct 99
PBT	£237,802,000	£327,199,000	+37.6%	PBT	£104,851,000	£150,998,000	+44.0%	PBT	£223,945	£355,301	£641,678
EPS	£25,814,000	£32,200,000	+24.7%	EPS	£8,869,000	£11,974,000	+35.0%	EPS	£208,004	£520,770	£390,090
											Loss both
Cedar Group plc				Highams Systems Services Group plc				Morse Holdings plc			
REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Interim-Dec 98	Final-Jun 99	Interim-Dec 99
PBT	£23,046,000	£36,314,000	+57.6%	PBT	£34,069,900	£26,863,817	-21.2%	PBT	£144,275,000	£283,943,000	£203,073,000
EPS	£2,807,000	£4,829,000	+72.0%	EPS	£1,524,855	£308,504	Profit to loss	PBT	£9,784,000	£18,853,000	£10,427,000
											+66.9%
CFS Group plc				ICM Computer Group plc				MSB International plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Interim-Dec 98	Final-Jun 99	Interim-Dec 99	REV	Final-Jan 99	Final-Jan 00	Comparison
PBT	£10,989,000	£13,614,000	+23.9%	PBT	£18,534,000	£40,047,000	+113.3%	PBT	£191,345,000	£184,936,000	-3.3%
EPS	£1,223,000	£1,125,000	-8.0%	EPS	£1,949,000	£4,335,000	+122.1%	EPS	£8,088,000	£4,968,000	-38.7%
											-35.9%
Clinical Computing plc				IE Group plc				MSW Technology plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Interim-Nov 98	Final-May 99	Interim-Nov 99
PBT	£3,039,301	£3,112,623	+2.4%	PBT	£6,633,118	£7,218,738	+8.8%	PBT	£1,350,000	£1,896,518	£747,363
EPS	£276,584	£382,336	+38.2%	EPS	£1,024,104	£1,020,988	-0.3%	PBT	£140,309	£1,641,522	£1,770,000
											+24.6%
CMG plc				Innovation Group plc (The)				NetBenefit plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Sep 99	Interim-Mar 00	Comparison	REV	Interim-Dec 98	Final-Jun 99	Interim-Dec 99
PBT	£443,832,000	£608,588,000	+37.1%	PBT	£20,800	£4,195,000	not comparable	PBT	£803,848	£1,969,751	£1,688,541
EPS	£57,482,000	£83,629,000	+45.5%	EPS	£912,811	£1,530,092	not comparable	EPS	£146,731	£279,782	£279,782
											Profit to loss
Comino plc				IS Solutions plc				Northgate Information Solutions plc			
REV	Final-Mar 99	Final-Mar 00	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£18,595,000	£20,452,000	+10.0%	PBT	£8,745,633	£11,818,000	+35.1%	PBT	£133,014,000	£130,800,000	-1.7%
EPS	£2,718,000	£4,020,000	+47.5%	EPS	£942,384	£1,205,000	+27.9%	EPS	£3,966,000	£21,900,000	Profit to loss
											n/a
Compel Group plc				ITNET plc				NSB Retail Systems plc			
REV	Interim-Dec 98	Final-Jun 99	Interim-Dec 99	REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£121,590,000	£293,750,000	£135,698,000	PBT	£105,728,000	£130,764,000	+23.7%	PBT	£15,285,000	£21,282,000	+39.2%
EPS	£4,972,000	£12,679,000	£3,028,000	EPS	£7,346,000	£9,836,000	+33.9%	EPS	£3,934,000	£1,544,000	-60.8%
											-73.7%
Computacenter plc				Jasmin plc				Oxford Molecular plc			
REV	Final-Dec 98	Final-Dec 99	Comparison	REV	Interim-Sep 98	Final-Mar 99	Interim-Sep 99	REV	Final-Dec 98	Final-Dec 99	Comparison
PBT	£1,586,238,000	£1,760,628,000	+11.0%	PBT	£3,126,000	£5,914,000	+89.4%	PBT	£21,505,000	£19,760,000	-8.1%
EPS	£64,603,000	£75,136,000	+16.3%	EPS	£269,000	£811,000	+200.0%	EPS	£1,228,000	£26	



# Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Primar-E plc				SBS Group plc				Systems International Group plc			
REV	Final - Nov 98	Final - Nov 99	Comparison	Interim - Feb 99	Final - Aug 99	Interim - Feb 00	Comparison	Interim - Dec 98	Final Jun 99	Interim - Dec 99	Comparison
PBT	£11,286,246	£9,194,799	-18.5%	£28,300,000	£53,305,000	£22,900,000	-19.1%	£8,457,000	£17,053,427	£8,368,000	-1.1%
EPS	-£98,447	-£861,861	Loss both	£1,400,000	£2,219,000	£1,240,000	-91.1%	£1,093,000	£2,313,053	£33,000	-97.0%
EPS	-0.07p	-0.69p	Loss both	9.60p	16.10p	0.50p	-90.6%	2.21p	4.77p	0.07p	-96.8%
Protherics plc				Science Systems plc				TelMe.com plc			
REV	Final - Mar 99	Final - Mar 00	Comparison	Final - Dec 98	Final - Dec 99	Comparison		Final - Mar 99	Final - Mar 00	Comparison	
PBT	£2,847,000	£1,598,000	-43.9%	£24,319,000	£30,966,000	+27.3%		£10,014,000	£13,974,000	+39.5%	
EPS	-£13,017,000	-£15,454,000	Loss both	£2,217,000	£2,633,000	+18.8%		£3,381,000	£2,105,000	-37.0%	
EPS	-9.88p	-10.45p	Loss both	8.20p	11.40p	+28.1%		-5.40p	-3.00p	+44.4%	
QSP plc				SDL plc				Terence Chapman Group plc			
REV	Final - Dec 98	Final - Dec 99	Comparison	Final - Dec 98	Final - Dec 99	Comparison		Interim - Feb 99	Final - Aug 99	Interim - Feb 00	Comparison
PBT	£37,006,000	£50,538,000	+36.6%	£10,058,000	£12,960,000	+28.3%		£15,750,000	£30,641,000	£12,220,000	+22.4%
EPS	2.82p	3.58p	+26.6%	0.41p	0.54p	+31.7%		£2,720,000	£4,464,000	£4,600,000	+83.1%
Quanta plc				Sema Group plc				Torex plc			
REV	Final - Nov 98	Final - Nov 99	Comparison	Final - Dec 98	Final - Dec 99	Comparison		Final - Dec 98	Final - Dec 99	Comparison	
PBT	£15,164,000	£18,153,000	+19.7%	£1,250,400,000	£1,410,000,000	+12.8%		£21,770,000	£46,762,000	+114.8%	
EPS	6.79p	8.02p	+18.8%	£97,800,000	£93,800,000	-4.1%		£2,982,000	£4,039,000	+35.4%	
RM plc				ServicePower Technologies plc				Total Systems plc			
REV	Interim - Mar 99	Final - Sep 99	Interim - Mar 00	Comparison	Final - Dec 98	Final - Dec 99	Comparison	Interim - Sep 98	Final - Mar 99	Interim - Sep 99	Comparison
PBT	£71,116,000	£162,210,000	£78,074,000	+9.8%	£3,099,881	£3,760,910	+21.3%	£1,780,866	£3,247,157	£1,180,727	-33.7%
EPS	1.50p	3.80p	1.10p	+22.1%	£14,177	£25,411,087	+79.0%	£495,484	£629,873	£128,216	+25.7%
Rage Software plc				Sherwood International plc				Touchstone Group plc			
REV	Interim - Dec 98	Final - Jun 99	Interim - Dec 99	Comparison	Final - Dec 98	Final - Dec 99	Comparison	Final - Mar 99	Final - Mar 00	Comparison	
PBT	£3,050,000	£8,845,000	£2,680,000	+12.1%	£42,591,000	£47,186,000	+10.8%	£7,663,000	£10,511,000	+37.2%	
EPS	0.18p	0.53p	0.10p	+22.1%	£3,121,000	£3,345,000	+7.2%	£1,048,000	£1,196,000	+14.1%	
RDL Group plc				Skillsgroup plc				Trace Computers plc			
REV	Final - Sep 98	Final - Sep 99	Comparison	Final - Nov 98	Final - Nov 99	Comparison		Interim - Nov 98	Final - May 99	Interim - Nov 99	Comparison
PBT	£15,692,000	£18,172,000	+15.8%	£208,400,000	£198,700,000	-4.7%		£8,684,000	£17,072,781	£8,693,000	+40.1%
EPS	6.75p	8.05p	+19.3%	£14,400,000	£11,400,000	-20.8%		£928,000	£4,367,036	£973,000	+4.8%
Recognition Systems Group plc				Sopheon plc				Triad Group plc			
REV	Interim - Mar 99	Final - Sep 99	Interim - Mar 00	Comparison	Final - Dec 98	Final - Dec 99	Comparison	Final - Mar 99	Final - Mar 00	Comparison	
PBT	£955,000	£2,315,000	£3,021,000	+26.3%	£891,000	£1,510,000	+69.5%	£49,306,000	£48,366,000	-1.9%	
EPS	-1.30p	2.30p	2.70p	+26.3%	£1,142,000	£2,072,000	+81.4%	£8,629,000	£1,905,000	-77.9%	
Retail Decisions plc				Spring Group plc				Ultima Networks plc			
REV	Interim	Interim	Comparison	Final - Apr 99	Final - Apr 00	Comparison		Final - Dec 98	Final - Dec 99	Comparison	
PBT	£11,700,000	£25,000,000	n/a	£403,154,000	£396,106,000	-1.7%		£14,437,000	£12,541,000	-13.1%	
EPS	n/a	n/a	n/a	£14,180,000	£14,180,000	0.0%		£5,093,000	£4,783,000	-6.0%	
RexOnline plc				Staffware plc				Ultrasys Group plc			
REV	Final - Aug 98	Final - Apr 99	Comparison	Final - Dec 98	Final - Dec 99	Comparison		Interim - Jan 99	Final - Jul 99	Interim - Jan 00	Comparison
PBT	£328,206	£273,570	-15.4%	£22,187,000	£25,262,000	+13.9%		£1,093,000	£2,520,000	£1,050,000	-4.0%
EPS	-123,227	-£94,303	not comparable	£250,000	£293,300	+17.3%		£149,000	£2,316,000	£1,839,000	-20.7%
Roife & Nolan plc				StatPro Group plc				Vega Group plc			
REV	Final - Feb 99	Final - Feb 99	Comparison	Final - Dec 98	Final - Dec 99	Comparison		Interim - Oct 98	Final - Apr 99	Interim - Oct 99	Comparison
PBT	£20,988,000	£22,856,000	+8.9%	£3,221,041	£3,144,000	-2.4%		£12,870,000	£28,993,000	£18,531,000	+44.0%
EPS	£1,606,000	£1,838,000	+14.4%	£84,753	£183,000	+115.0%		£1,428,000	£4,292,000	£1,932,000	+35.3%
Romtec plc				Superscape VR plc				VI Group plc			
REV	Final - Jan 99	Final - Jan 00	Comparison	Interims - Jan 99	Interims - Jan 00	Comparison		Final - Dec 98	Final - Dec 99	Comparison	
PBT	£3,900,572	£4,100,000	+5.1%	£2,122,000	£3,071,000	+44.7%		£4,117,000	£4,545,000	+10.4%	
EPS	2.30p	3.60p	+56.5%	£87,000	£2,765,000	+3140.3%		£333,000	£438,000	+31.2%	
Royalblue Group plc				Synstar plc				Vocalis Group plc			
REV	Final - Dec 98	Final - Dec 99	Comparison	Interim - Mar 99	Final - Sep 99	Interim - Mar 00	Comparison	Final - Mar 99	Final - Mar 00	Comparison	
PBT	£29,514,000	£39,693,000	+34.5%	£104,034,000	£214,289,000	+106.0%		£4,820,000	£2,694,000	-44.1%	
EPS	£4,543,000	£6,511,000	+43.3%	£420,000	£8,094,000	+1879.0%		£1,098,000	£4,507,000	+310.6%	
Sage Group plc				Systems Integrated Research plc				Wealth Management Software plc			
REV	Interim - Mar 99	Final - Sep 99	Interim - Mar 00	Comparison	Interim - Nov 98	Final - May 99	Interim - Nov 99	Comparison	Period - Dec 98	Final - Dec 99	Comparison
PBT	£132,545,000	£307,041,000	£202,528,000	+52.8%	£661,000	£1,405,000	£658,000	+0.5%	£4,082,000	£12,818,000	+214.0%
EPS	£35,479,000	£74,313,000	£53,992,000	+52.2%	£32,000	£140,000	£42,000	+31.3%	£355,000	£1,050,000	+197.2%
XKO Group plc											
REV	PFFinal - Mar 99	Final - Mar 00	Comparison								
OP	£28,428,000	£29,628,000	+4.2%								
EPS	£2,667,000	£5,263,000	+97.3%								



ICL Invia has announced that it is to pull its Helsinki Stock Exchange IPO "due to unfavourable market conditions". The great general public who had already reserved their shares will be reimbursed. Must be another bitter blow to Keith Todd. How many more can one guy take?

## Sun Shines on Touchstone

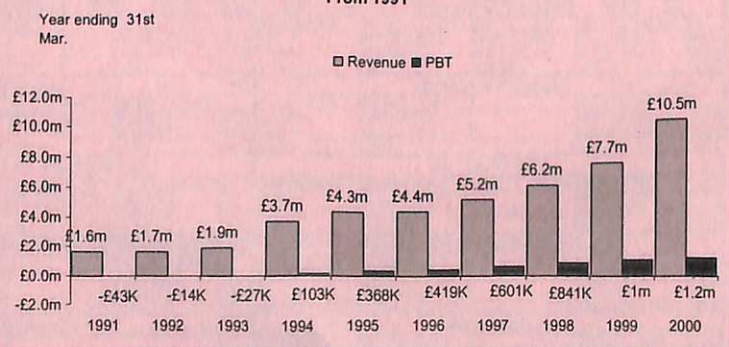
Touchstone, a leading supplier of financial management and business systems, has announced results for the year ended 31 Mar. 00. Highlights: turnover up 37% to £10.5m (continuing operations grew by just 4%), PBT up 14% to £1.2m and EPS up 25% to 9.5p. Commenting on the outlook, MD, Keith Birch, said: "Some slowness was experienced at the start of the year, but more recently there has been an improvement and total order books are now ahead of the same period last year. We look forward to another year of progress."

Touchstone provides solutions to 'mid-market' companies based primarily on SunSystems and to a lesser extent Dynamics. With revenue split between software sales (32% of the total last year), consulting and support (32%), maintenance and hardware, Touchstone is looking to climb the value chain and supply a greater proportion of higher margin services to customers. It will be interesting to see what difference it makes to Touchstone now that Systems Union (privately owned until May) is now part of Freecom.Net. Given the dependency on the Systems Union software Touchstone may face some uncertainty in the future. During the month Touchstone also announced the acquisition of the exclusive worldwide distribution rights from Kewill Systems for its Job Costing software for £700K. The software works in conjunction with Great Plains accounting software - this acquisition positions Touchstone as one of the UK's largest Great Plains resellers. As part of the agreement the staff and clients of the Kewill Great Plains division will be transferred to Touchstone.

Touchstone's share price ended June at 195p, a fall of 4%.

## TOUCHSTONE

Touchstone Group plc  
10 year Revenue and PBT Record  
From 1991





## Kewill Plans further Prudent Investment

**Kewill Systems**, who have rebranded themselves as a B2B e-commerce company specialising in supply chain management solutions, has announced results for the year ended 31 Mar. 00. Highlights: revenue up 25% to £75.2m with PBT down from £7.2m to £1.8m. After tax EPS is now negative. US revenue now exceeds 50% - and this is expected to grow to 60%. Chairman Andy Roberts, said: "The Board considers that this is a time of unprecedented B2B E-Commerce opportunities for the Group and it intends to exploit Kewill's strong position through further prudent investment in organic growth - pertaining especially to the addition of content and infrastructure for Kewill.Net, the company's recently launched Business Portal - as well as via strategic acquisitions in the year ahead."

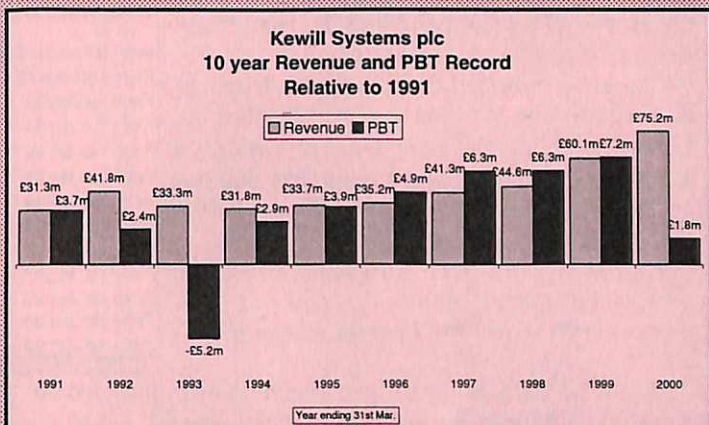
Kewill also announced the acquisition of US-based **EVCOR** - a systems integration company whose business is "overwhelmingly focused" on Kewill systems - for an initial consideration of \$45.5m and a deferred consideration of \$15m.

Kewill seem to be experiencing the same "good-in-parts" trading as most other IT services companies. Its e-commerce/e-services bits are racing ahead but it's a lot more difficult in its traditional business - e.g. its Logistics Division where its US division reported a £1.7m loss.

However, its ERP division seems to have stood up remarkably well with a 47% increase in revenue to £31.8m with a similar 22% profit margin. Not much said about the "near break even" (i.e. loss-making) Logistics business - sounds like this is soon for the chop.

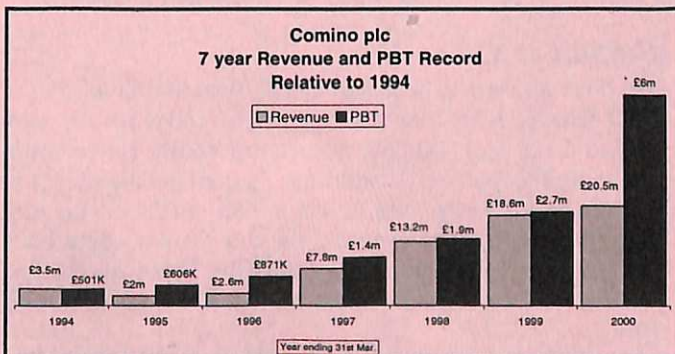
The analyst briefing was a little unusual as Kewill CE Geoff Finlay chose to pitch the product and the strategy rather than the numbers. The key premise is that not only must major retailers (primarily) buy Kewill's 'hub' products, but that their suppliers (and parcel carriers) must also 'subscribe' to Kewill's 'spoke' products in order to get the supply chain working. Indeed, they are rather coy about contract size, only giving 'guideline' licence and subscription fees. Now, we are great supporters of 'little British battlers' like Kewill, especially those trying to make it big in the US - but Kewill's competition is formidable and the dependencies greater than for, say, **NSB Retail**. If Kewill can get the critical mass then the rewards could be substantial. But the business still carries some risk. In any event the Kewill IP could be a great buy for a bigger player. Kewill ended the month down 12% at 762p.

**KEWILL**



## Comino Enjoys Recurring Revenues

**Comino Group**, provider of software solutions for the social housing, occupational pensions and local government sectors, has announced results for the year ended 31 Mar. 00. Highlights: turnover up 10% to £20.5m, PBT more than doubled to £6m (profit on disposal £2.55m), Operating Profit grew by 28% to £3.1m, and EPS up 18% to 17.9p.



CEO Garth Selvey, said: "Comino starts the new financial year with clearly identifiable opportunities, a substantial order book and a base of recurring revenue from support contracts for existing customers." Comino gained 21% to 480p.

## Gresham confirms increased losses

**Gresham** issued a trading statement saying "results for the six months ending 30 Apr. will show losses slightly greater than those of the previous six months. It is anticipated, however, that the Group will return to month on month profitability by the end of the year". "Processes and technologies which do not fit within the chosen core activities of the Group in the future and which have yet to be exploited to the full....will be developed to a stage where divestment can take place". The new management team put in place in April now claim to have a "clear strategy"...

## Tell us TelMe.com

**TelMe.com** has announced results for the year ended 31st Mar. 00. Highlights: turnover increased by 40% to £14m, gross sales increased 62% to £51.6m, LBT decreased by 38% to £2.1m and Loss Per Share of 3p compared to 5.4p in 1999. Sir Gordon Brunton, Chairman, commented on the outlook saying "It is our strong expectation that our improving performance in the year ahead will create a Group of stability and strength." Shares ended the month up 4% at 43p.

**telme.com plc**

## Maiden Results from QXL

**QXL.com**, the on-line auction company, has announced results for year ended 31st Mar. 00 - its first results since admission to the main market in Oct. 99. Highlights: turnover increased 170% to £6.9m, but LBT deepened from £2m to £75.8m. Commenting on the results Jim Rose, Chief Executive Officer, said: "We now believe that the nature of our integrated offering, combined with the local customisation of our sites... position us well to take advantage of the growth in the European on-line auction market".

## Focus on B2B e-commerce Solutions

AIM-listed **Focus Solutions** has announced maiden results for the year to 31 Mar. 00. Highlights: turnover exceeded expectations at £721K (£360K) but LBT deepened to £1.04m (£368K). Commenting on the results the company stated "The Board to be confident that the business will continue to build its position as the leading developer of business to business e-commerce software solutions for the financial services industry".

Focus Solutions' share price gained 12% to end the month on 190p and almost back to the flotation price of 195p.



## Modest recovery in June

The SCS Index staged a modest 7% recovery in June - the first rise since Feb. 00. This now means that the index is down just 7% on the year but off 34% from its early Mar. 00 high. On the other hand, as we put the final touches to our CSSA speech on 13th July, it is worth noting that this still means that the SCS Index is over twice that of a year ago!

Perhaps even more telling is that average P/E's on 30th June 99 were 34 - they are now 58. Given the raft of Y2K hangover-type warnings which seem to have filled the last few editions of *System House*, can these still historically high valuations be sustained?

In June it was the software products companies which lead the recovery - up 11% in the month. Even the Internet stocks put on 6%.

JSB put on 68% in June as a result of their significant \$100m acquisition of US Cyber Patrol. JSB has also entered the FTSE250 and Techmark in a month when most other IT stocks were being excluded.

Eidos "recovered" by 62% (still down 55% on the year) as bid talks were confirmed. AIT was up 60% on encouraging full year results (p8).

Computacenter led the laggards - down a

massive 48% on its profits warning (p4) and Freeserve was down 37% as the possibility of a bid evaporated. ICM fell 38% as it joined the Y2K hangover club (p3). Freecom lost 35% (that's a 76% fall this year) and are to join the club of those changing their name (to Systems Union) in the hope that their fortunes will change too.

30-Jun-00	SCSI Index	10636.93				
	FTSE IT (SCS) Index	2791.81				
	techMARK 100	3391.14				
	FTSE 100	6312.70				
	FTSE AIM	1717.60				
	FTSE SmallCap	3354.25				
SCSI Index =1000 on 15th April 1989						
Changes in Indices	SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (31/5/00 to 30/6/00)	+7.07%	-0.73%	+4.14%	-7.81%	+4.40%	+5.30%
From 15th Apr 89	+963.69%	+207.40%				
From 1st Jan 90	+1056.06%	+167.26%				
From 1st Jan 91	+1402.67%	+192.20%				
From 1st Jan 92	+918.02%	+153.21%				
From 1st Jan 93	+567.48%	+121.77%				+141.77%
From 1st Jan 94	+537.10%	+84.67%				+79.50%
From 1st Jan 95	+609.52%	+105.93%				+92.07%
From 1st Jan 96	+370.97%	+71.11%	+329.67%		+80.15%	+72.76%
From 1st Jan 97	+297.28%	+53.28%	+270.75%		+75.96%	+53.65%
From 1st Jan 98	+250.47%	+22.92%	+255.46%	+179.18%	+73.15%	+45.00%
From 1st Jan 99	+169.87%	+7.31%	+132.91%	+93.07%	+114.27%	+61.97%
From 1st Jan 00	-7.27%	-8.91%	-10.27%	-24.91%	-11.13%	+8.28%

End Jun 00	Move since 1st Jan 98	Move since 1st Jan 99	Move since 1st Jan 00	Move in June 00
System Houses	249.6%	126.3%	-11.8%	3.6%
IT Staff Agencies	-26.0%	-11.4%	-22.9%	-0.3%
Resellers	50.7%	60.3%	-22.8%	4.2%
Software Products	390.4%	319.2%	0.8%	11.0%
Holway Internet Index		664.0%	-7.1%	6.4%
Holway SCS Index	250.5%	169.9%	-7.3%	7.1%



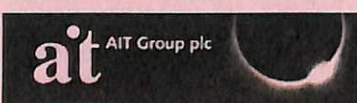
Freeserve shares have slumped 39% or 205p to 325p this month on news that a bid is unlikely in the near term. There had been speculation that T-Online would confirm their bid at as much as 600p, but press speculation had suggested that differences of approach/reward expectations amongst Freeserve's management had scuppered the deal.

Freeserve brought forward its results announcement. In year to 29th April pretax losses increased from £1.51m to £22.9m on sales up from £2.74m to £19.56m.

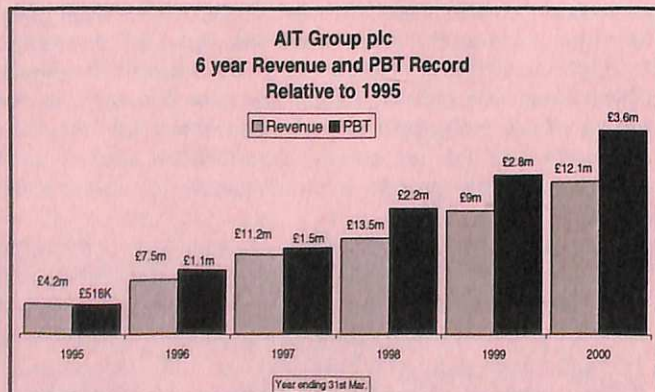
Although most of the figures were what analyst's expected, the number of active subscribers was 1.93m against 2.05m expected. Freeserve blamed the large number of un-metered internet access deals which had unsettled the market.

## Another Year of Growth

AIT, suppliers of eCRM software for the retail financial services sector,



results for the year ended 31st Mar. 00 show turnover up 24% to £21.7m, PBT up 32% to £3.7m, and EPS up 30% to 11.81p.



Richard Hicks, who moves to become non-exec Chairman, commented: "The Board remains convinced that the Group's approach and structure are right, and that 2000/2001 will see yet another year of success and progress." AIT shares enjoyed a massive rise of 60% to end the month on £12.35p.

## Bullish at XKO

We have spoken to a bullish Brian Beverley, Chairman of **XKO Group**, after they declared their results for the year ended 31st Mar. 00. Bit surprising really as revenue (compared to last year's proforma figures) is only up 4% at £29.6m with PBT up from £2.7m to £3m. EPS was up 16% at 9.5p. And, as Beverley told us, the results would have been pretty dire without e-services/ASP. These contributed £1.5m last year and a 400% increase is expected next year.

XKO has also announced the acquisition of **CP Computers** (CRM software development) for up to a maximum of £4.9m (£2m initial cash payment). CP had FY99 revenues of £2.4m and a PBT of £193K. The company has also acquired **SP New Media** (e-business systems) for a maximum of £6.5m (initial £970K). At the Apr. 00 interim stage, SP had only £190K revenue and an OP of £70K. To help fund these acquisitions, XKO is raising £5m in a placing at 265p. XKO's shares ended the month up 2% on 285p.

## Computerland into the red

Reseller **Computerland** saw revenue in the year to 30th Apr. 00 fall 25% to £28.3m and the previous PBT of £914K turn into a LBT of £182K. But the good news is that H2 was much better than H1 - indeed in H2 the company actually made a trading profit.



# Holway/System House SCS Share Prices and Capitalisation

	SCS Cat	Share Price 30-Jun-00	Capitalisation 30-Jun-00	Historic P/E	PSR Ratio Cap./Rev.	SCS Index 30-Jun-00	Share price move since 31-May-00	Share price % move in 2000	Capitalisation move since 31-May-00	Capitalisation % move in 2000
Adnic	SP	£0.88	£120.50m	Loss	211.03	1209.88	20.99%	20.99%	£20.90m	£20.90m
Admiral	CS	£15.50	£992.00m	63.1	5.83	56022.45	7.83%	0.65%	£120.00m	£6.40m
AFA Systems	SP	£5.88	£135.70m	Loss	76.28	4895.83	52.99%	120.45%	£51.00m	£87.20m
AIT Group	CS	£12.35	£250.70m	104.6	11.56	8293.33	59.87%	-18.21%	£98.50m	£55.80m
Alphameric	SP	£3.39	£345.30m	93.5	13.63	1552.75	11.53%	130.27%	£77.80m	£232.10m
Anite Group	CS	£1.58	£408.70m	45.5	2.26	921.05	16.24%	2.47%	£73.60m	£73.60m
Axon	SP	£9.83	£479.50m	172.4	18.89	5614.29	20.55%	65.82%	£134.20m	£190.40m
Azlan Group	R	£1.61	£172.10m	26.4	0.42	697.83	15.89%	11.46%	£17.70m	£17.70m
Baltimore Technologies	SP	£5.00	£2,010.00m	Loss	86.37	51282.05	9.89%	-2.44%	£443.00m	£99.00m
Baron	SP	£1.83	£7.30m	Loss	2.61	1825.00	-20.65%	-57.56%	£2.70m	£6.50m
Bond International	SP	£0.67	£9.51m	Loss	1.12	1023.08	31.68%	-9.52%	£3.29m	£0.99m
Dialog Corporation	CS	£0.83	£141.30m	Loss	0.91	750.00	10.74%	-9.34%	£29.10m	£0.40m
Cadcentre Group	SP	£4.65	£77.70m	22.9	3.25	2325.00	30.25%	43.96%	£19.20m	£24.10m
Capita Group	SP	£16.17	£3,508.00m	163.3	10.72	145675.68	8.16%	43.10%	£672.00m	£1,149.00m
Cedar Group	SP	£6.65	£446.20m	127.9	12.29	6333.33	-14.74%	19.28%	£68.80m	£100.60m
CFS Group	SP	£1.96	£40.30m	18.2	2.96	2172.22	-4.17%	-25.10%	£3.60m	£1.20m
Clinical Computing	SP	£0.46	£11.50m	30.2	3.70	370.97	-8.91%	-26.40%	£1.20m	£4.20m
CMG	CS	£9.36	£5,587.00m	79.2	9.18	25820.69	0.32%	-17.82%	£1,518.00m	£246.00m
Comino	CS	£4.80	£65.30m	26.8	3.19	3692.31	20.75%	-20.99%	£11.60m	£17.30m
Compel Group	R	£2.63	£81.40m	7.5	0.28	2100.00	23.53%	-51.34%	£18.50m	£89.60m
Computacenter	R	£3.78	£689.70m	12.3	0.39	563.43	-46.26%	-62.90%	£319.30m	£1,135.30m
DCS Group	CS	£7.08	£171.20m	26.1	1.04	11791.67	-11.29%	-32.94%	£28.50m	£84.10m
Delcam	SP	£2.08	£12.20m	15.3	0.77	798.08	23.88%	1.22%	£2.91m	£0.10m
Diagonal	CS	£4.05	£339.60m	51.2	4.68	5888.19	-8.47%	7.28%	£32.50m	£93.60m
DRS Data & Research	SP	£0.20	£7.01m	38.5	0.86	184.09	22.73%	-11.96%	£1.30m	£0.95m
Easyscreen	SP	£2.38	£105.00m	Loss	99.43	1397.06	12.56%	-27.32%	£7.10m	£40.60m
ECSoft	CS	£9.88	£116.50m	34.1	1.73	546.49	20.06%	-12.61%	£25.10m	£6.70m
Eidos	SP	£4.85	£498.60m	Loss	2.45	24239.35	0.67%	-55.38%	£215.90m	£615.40m
Electronic Data Proc	SP	£1.09	£28.40m	21.9	2.71	3322.11	-23.86%	-71.18%	£6.30m	£70.20m
Eurolink	CS	£1.03	£10.66m	n/a	1.28	1025.00	-4.65%	-15.99%	£0.52m	£1.94m
FI Group	CS	£3.85	£1,223.00m	98.5	3.97	9871.80	-12.99%	-49.84%	£158.00m	£538.00m
Financial Objects	SP	£1.78	£67.50m	16.1	3.03	771.74	-6.58%	-73.99%	£4.70m	£175.50m
Flomerics Group	SP	£8.63	£23.30m	43.1	2.67	6634.62	18.97%	93.82%	£7.40m	£11.30m
Focus	SP	£1.90	£47.70m	Loss	66.16	974.36	11.76%	-2.56%	£5.10m	£1.20m
Freecom	CS	£0.79	£76.20m	Loss	127.21	607.69	-35.51%	-75.69%	£37.40m	£25.80m
Freemove	CS	£3.25	£3,289.00m	Loss	168.15	2166.67	-38.68%	-44.92%	£678.00m	£2,654.00m
Gresham Computing	CS	£0.30	£13.70m	Loss	0.45	322.58	5.26%	-51.22%	£0.70m	£13.30m
Guardian IT	CS	£13.60	£730.30m	124.8	14.83	5333.33	3.62%	41.89%	£64.40m	£239.50m
Harvey Nash Group	A	£7.58	£221.20m	25.5	1.46	4328.57	5.94%	25.52%	£20.40m	£49.20m
Highams Systems Servs	A	£0.43	£8.29m	Loss	0.31	1180.56	-19.05%	-24.78%	£1.91m	£2.41m
IGM Computer	CS	£3.43	£65.10m	22.6	1.63	1902.79	-38.29%	-57.32%	£40.40m	£87.40m
IE Group	SP	£0.87	£36.50m	Loss	5.06	920.21	2.98%	-68.94%	£3.56m	£81.00m
Innovation Group	SP	£3.29	£346.20m	Loss	82.53	1434.50	43.45%	43.45%	£104.78m	£104.78m
IS Solutions	SP	£2.35	£59.80m	66.9	4.98	8757.36	49.68%	193.75%	£17.80m	£39.60m
ITNET	CS	£6.58	£462.20m	61.0	3.53	1878.57	6.91%	-3.66%	£26.30m	£17.60m
Jasmin	SP	£1.53	£7.17m	16.4	1.04	1016.67	-7.01%	22.00%	£0.12m	£1.28m
JSB Software	SP	£23.88	£623.10m	Loss	155.78	11937.50	67.54%	132.93%	£241.40m	£364.80m
Kalamazoo Computer	CS	£0.32	£13.50m	Loss	0.22	900.00	-14.86%	-72.73%	£3.20m	£36.00m
Kewill Systems	SP	£7.62	£578.40m	Loss	7.69	15059.29	-12.11%	-51.31%	£58.30m	£588.60m
Keystone	SP	£0.72	£30.50m	Loss	19.24	800.00	7.46%	-26.90%	£4.10m	£0.30m
Knowledge Management	SP	£1.93	£199.60m	Loss	259.22	1480.77	48.08%	48.08%	£64.73m	£64.73m
Knowledge Support	SP	£2.83	£208.50m	Loss	113.44	1284.09	32.94%	28.41%	£51.57m	£46.03m
Logica	CS	£15.64	£6,287.00m	144.8	9.53	21418.73	-12.58%	-2.07%	£539.00m	£69.00m
London Bridge Software	SP	£4.85	£782.80m	152.5	18.57	12125.00	-22.40%	-42.60%	£114.90m	£547.20m
Lorien	A	£0.90	£17.50m	Loss	0.13	895.00	-3.24%	-29.25%	£0.60m	£7.30m
Lynx Holdings	SP	£1.73	£269.40m	1.27	4312.50	3477.82	21.48%	15.38%	£40.00m	£91.20m
Macro 4	SP	£8.63	£179.40m	24.7	5.78	671.34	-0.71%	-65.51%	£6.70m	£373.20m
MERANT	SP	£1.39	£207.50m	20.3	0.91	671.34	-0.71%	-65.51%	£6.70m	£373.20m
Microgen Holdings	CS	£4.18	£212.50m	73.2	6.78	1794.19	3.73%	-37.45%	£16.50m	£127.30m
Misys	SP	£5.58	£3,208.00m	34.5	5.51	6942.18	-3.79%	-42.18%	£184.00m	£2,263.00m
MMT Computing	CS	£6.08	£73.50m	19.7	1.79	3616.07	9.95%	-36.22%	£16.00m	£41.80m
Mondas	SP	£0.84	£10.50m	Loss	10.99	1113.33	2.45%	-23.04%	£1.49m	£3.20m
Morse	R	£4.10	£489.80m	23.9	1.76	1640.00	12.33%	14.05%	£67.10m	£60.10m
MSB International	SP	£1.11	£22.60m	13.3	0.12	584.21	-8.26%	-60.71%	£1.70m	£35.00m
MSW Technology	SP	£0.31	£3.81m	Loss	1.31	319.59	-6.06%	-72.93%	£0.06m	£10.28m
NetBenefit	CS	£5.75	£92.00m	Loss	46.72	2875.00	53.39%	-35.39%	£32.00m	£19.20m
Northgate	CS	£0.46	£127.20m	Loss	0.97	175.00	15.92%	49.18%	£24.40m	£56.30m
NSB Retail Systems	SP	£2.58	£544.40m	Loss	715.3	22391.30	41.10%	23.35%	£174.50m	£126.30m
Oxford Molecular	CS	£0.26	£23.10m	Loss	1.17	325.00	1.96%	-13.33%	£3.10m	£3.00m
Parity	A	£1.63	£248.20m	20.1	0.79	27166.57	-11.41%	-56.42%	£9.40m	£318.00m
Patsystems	SP	£1.42	£178.10m	18.2	292.93	1322.43	25.78%	32.24%	£40.90m	£49.10m
Planit	SP	£1.26	£102.70m	45.0	10.61	5229.17	30.05%	-24.85%	£27.90m	£21.20m
Polymaster	SP	£7.10	£111.50m	41.0	6.66	4733.33	2.16%	42.71%	£0.80m	£41.40m
Primar-E (was Stordata)	CS	£0.15	£20.00m	Loss	2.18	1270.83	0.00%	74.29%	£0.00m	£8.50m
Protherics	SP	£0.30	£47.80m	Loss	29.91	351.19	-3.28%	-20.27%	£0.80m	£12.10m
QSP	SP	£1.48	£132.80m	25.1	2.63	1938.84	-7.00%	-2.83%	£9.00m	£3.80m
Quantica	A	£0.63	£24.50m	10.4	1.35	504.03	7.76%	19.05%	£1.80m	£3.90m
Rage Software	SP	£0.29	£90.00m	39.0	10.18	1096.15	12.87%	-51.07%	£14.30m	£70.50m
RDL	CS	£2.37	£26.50m	29.1	1.46	2627.78	2.89%	147.64%	£0.70m	£15.80m
Recognition Systems	SP	£2.72	£246.80m	Loss	106.61	3878.57	46.76%	-22.21%	£98.20m	£70.40m
Retail Decisions	SP	£1.15	£157.60m	n/a	13.47	1553.34	-9.09%	55.41%	£3.30m	£56.60m
RexOnline	A	£1.33	£8.74m	Loss	11.89	1577.37	1.15%	30.54%	£0.65m	£2.75m
RM Group	SP	£6.63	£618.90m	71.4	2.07	3988.10	0.76%	-22.74%	£69.50m	£170.10m
Rolle & Nolan	SP	£3.35	£47.20m	31.1	2.07	3988.10	5.51%	-12.99%	£4.20m	£4.80m
Royalblue Group	SP	£12.68	£375.20m	98.8	9.45	7455.88	6.96%	21.00%	£64.40m	£19.20m
Sage Group	SP	£5.35	£6,778.00m	129.3	22.08	205769.28	-17.50%	-29.19%	£633.00m	£2,439.00m
SBS Group	A	£1.85	£16.80m	21.3	0.32	1850.00	-9.76%	-9.76%	£2.20m	£1.20m
Science Systems	CS	£5.80	£146.20m	49.4	4.72	4496.12	24.05%	59.56%	£28.40m	£93.70m
SDL	CS	£3.13	£122.70m	Loss	9.47	2086.67	-22.91%	-22.91%	£0.80m	£13.70m
Sema Group	SP	£9.40	£4,371.00m	66.1	3.10	11823.90	0.86%	-15.62%	£559.00m	£786.00m
ServicePower	SP	£0.95	£46.50m	Loss	12.90	950.00	6.74%	-17.39%	£3.32m	£10.22m
Sherwood International	CS	£6.12	£251.50m	27.6	5.33	20388.77	-5.85%	-50.65%	£2.90m	£248.20m
Skillsgroup	SP	£1.39	£121.30m	9.1	0.61	621.08	-16.31%	-53.99%	£19.70m	£142.40m
Sopheon	SP	£4.98	£175.60m	Loss	116.29	7158.27	-1.00%	51.91%	£7.90m	£70.50m
Spring	A	£1.34	£200.40m	Loss	0.51	1483.33	16.09%	-21.70%	£31.80m	£46.30m
Staffware	SP	£20.63	£280.50m	119.9	11.10	9166.67	15.38%	153.85%	£86.70m	£177.30m
StatPro	SP	£0.67	£18.00m	Loss	5.73	831.25	-16.88%	-16.88%	£3.60m	£3.60m
Superscape VR	SP	£2.03	£66.60m	Loss	21.69	1022.73	12.50%	-40.70%	£10.70m	£45.80m
Synstar	CS	£0.82	£132.40m	16.7	0.62	493.94	-30.04%	-64.33%	£68.30m	£238.90m
Systems Integrated	SP	£0.38	£5.09m	43.9	3.62	330.43	1.33%	0.27%	£0.06m	£0.06m
Systems International	CS	£0.43	£14.70m	16.3	0.86	747.83	14.67%	-41.89%	£1.90m	£10.60m
Telme.com	CS	£0.43	£30.70m	Loss	2.20	274.19	-57.50%	55.10%	£5.10m	£41.50m
Terence Chapman	CS	£1.90	£129.00m	71.1	4.21	1407.41	-9.52%	-69.96%	£13.60m	£300.50m
Torex Group	CS	£5.28	£185.20m	35.8	3.96	10242.72	26.35%	-13.31%	£43.00m	£25.30m
Tornado	SP	£1.30	£52.50m	n/a	n/a	866.67	42.08%	-13.33%	£15.50m	£9.00m
Total Systems	CS	£0.85	£8.84m	19.8	2.72	1603.77	13.33%	-41.38%	£1.58m	£6.26m
Touchstone	SP	£1.95	£19.10m	20.5	1.82	1857.14	-3.70%	-40.28%	£1.20m	£12.90m
Trace Computers										



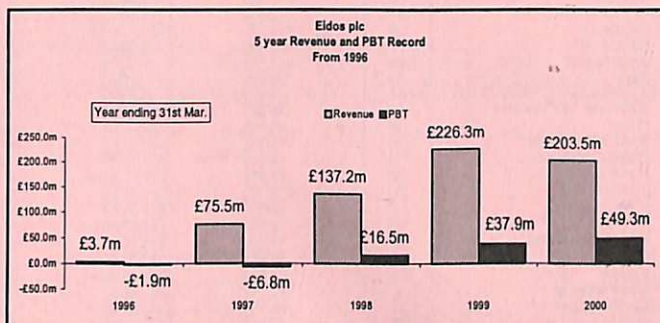
## Tough Trading for Lara & Friends!

**Eidos** (computer games, many featuring Lara Croft) has announced revenues down 10% to £203.3m in year to 31st Mar 00, operating losses of £26.8m compared to previous year's operating profit of £39.2m, PBT up 30% to £49.3m (due to £88m profit on disposals), and EPS down 5%.

Commenting on the outlook Charles Cornwall, CEO said:

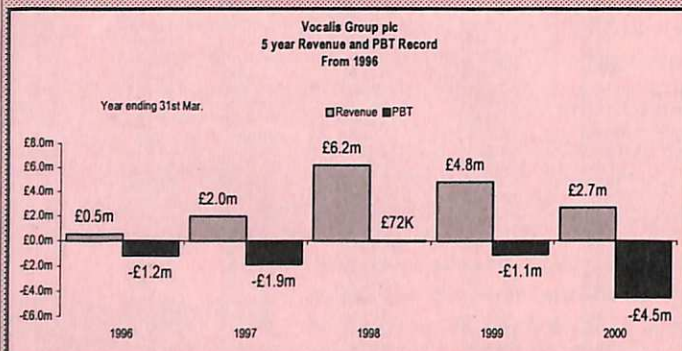
*"The video games market is being adversely affected by the impending launch of a new generation of gaming platforms due in late calendar 2000 and during 2001. The hiatus in demand for games software which this transition is occasioning is expected to continue throughout our current financial year. Although this market environment will inevitably affect the profitability of the Group in the short term, the Directors are confident.....(of) strong growth over the medium and longer term, and the underlying potential for profit generation".*

On the 20th June Eidos issued a statement noting *"the recent rise in share price"* and confirmed they are in talks *"which may or may not lead etc. etc."*. Eidos share price gained 28% on the day of the statement closing at 550p, but has fallen since to end the month up 62% overall at 485p.



## Vocalis Suffers from Lumpy Revenues

**Vocalis**, a speech technology group, results for the year ended 31 Mar. 00 show turnover down 44% to £2.7m (due to a combination of switching from one-off licence fees to ongoing revenue stream for its internet products, and equipment orders that *"have not come as quickly as anticipated"*). LBT more than quadrupled to £4.5m, and Loss Per Share almost tripled. Charles Halle, CEO, commented: *"Following the steps we have taken, we are now well positioned to capitalise on the expected rapid expansion of these markets (internet, mobile comms and new technology) and create volume businesses. As a result we view the future with enthusiasm and confidence."*



Vocalis had issued a profits warning in April so the loss was no great surprise. However the rationale behind the move from product licence to the new business model is supposed to deliver a more predictable revenue stream, and overcome the traditionally *"lumpy"* revenue pattern (their description not ours!). Delays in orders for Vocalis' main revenue spinner, SPEECHtel, has not helped the bottom

line. With consolidation taking place amongst rivals in the US, Vocalis needs to get big, and fast, if it is not to get gobbled up! Vocalis shares ended the month up 20% at 240p.

## Refocus at Skillsgroup

Skillsgroup has sold its IT staff agency **QA Myriad** to a subsidiary of **Hays** for £31.2m. The statement says that *"the Board's perception is that scale is becoming more important in the IT staffing market leading to a drive for consolidation....the consideration payable by Hays, a Group which has a much larger share of the staffing market, recognises the fact that QA Myriad has more potential value under their ownership than under ours"*. The statement goes on to say that the sale of QA Myriad *"will allow Skillsgroup to focus management and financial resources more effectively on its core IT training and consulting businesses"*. This deal makes heaps of sense for both parties. For Skillsgroup it rounds off the transformation from 'mixed business' to 'pure' services (once Acuma is gone) and finally answers the question *"what's the knitting?"*. The answer is *"training and complementary consultancy"*. We spoke to Skillsgroup's retiring chairman David Southworth who pointed out that the disposal of Myriad and Acuma will leave Skillsgroup with a *"20% net margin business"* – a whole lot better than the c6% at YE1999. Meanwhile, Hays gets another lift up the UK IT staff agency (ITSA) rankings – perhaps as high as #2 – it's hard to say as Hays are very coy about their ITSA business.

## Ultrasis Static at Interims

**Ultrasis** results for the six months ended 31st Jan. 00 showed turnover static at £1.1m, LBT of £1.8m (compared to a LBT of £149K in the six months to 31st Jan. 99). But their shares rose this month by 16% to end on 27p.

## Double whammy time at.....



**Kalamazoo** has announced its full year results to 31st Mar. 00 and at the same time issued a profits warning stating that whilst they have seen continuing performance in H2 *"demand since January 2000 has been weaker than envisaged as a result of both completed Y2K projects and general lack of investment by car dealers in the light of difficult trading conditions in the automotive sector, particularly in the UK"*. The headline results to March show total revenue down 5% to £62.8m (but up 4% at £59.2m on continuing ops) and the loss before tax went up from £2.2m to £6.9m. The LPS increased from 3.3p to 11.7p. Included in this years figures are exceptional costs totalling £7.3m including goodwill written off on disposals (1999 exc. were 'only' £1.6m). But the good news is that at least there was a small OP of £352K on continuing ops.

CEO Malcolm Roberts stressed the difficult market conditions but is *"confident that core product Elite 4 will help us gain significant market share in Europe"*. Chairman Bob Jordan *"believes that market demand will improve in the medium term"* and then went on to say that the Group *"will report a trading loss in H1. However we expect an improvement towards the end of the financial year"*.

**Comment.** Kalamazoo has suffered the double whammy of Y2K combined with the woes of the UK car industry. They can expect more touch times ahead. And this was reflected in the share price - down this month 15% to 32p.



**Baltimore** is to merge **Cyber Trust Japan** (it acquired a minority in Cyber Trust through the acquisition of US parent **Cyber Trust Solutions**, for \$150m in Jan. 00) with **Baltimore Technologies Japan**. Baltimore dropped out of the FTSE100 in the recent review.

**Anite** has acquired **Datavance Group SARL**, a Paris-based company that "provides IT consultancy services to banking, telecoms, public sector and other customers in France", for a max. of FFr 520.3m (£49.4m) comprising an initial consideration of £29.4m, plus a maximum earnout of £20m based on profits. Anite has also announced a placing of 8.6m shares at 138.5p to raise £12m, partly to satisfy the cash element of the acquisition.

**Hilfe Communications** has acquire 83.3% of **Paston Chase**, a Norwich-based ISP, for £900K.

**Guardian IT** acquired the business continuity and disaster recovery business of **Catalyst Solutions** (for £26.6m in cash), and **Safetynet Group** (for £170m, funded by a 1 for 4 rights issue of 13.4m new shares at 1000p per share raising £128.4m and 2.4m consideration shares). With Safetynet, Guardian reckons to be the largest supplier of disaster recovery services in the UK and the third largest in Europe.

AIM-listed **Goodwood Group** has announced the acquisition of **Names.co Internet Services**, a provider of domain registration and web hosting services, for £11.4m.

**Macro 4**, the systems software company, has acquired Manchester-based **Viewpoint Systems** including its wholly owned subsidiary **Image System Integrators**. Viewpoint develops document archiving and analysis software. The total consideration of £19m is made up 985K shares at 710p per share, £11.6m in loan notes, and £400K cash.

**Planit**, developer of interactive design and sales software, has acquired **Cabnetware Inc.** ("design to manufacture software for furniture retailers and manufacturers") through its USA subsidiary **ICADS USA**, for \$5.1m cash.

**Affinity Internet** has acquired Amsterdam-based **Mister Mail**, an email and web content provider, for an initial consideration of £300K plus 30K in shares, with up to 20K additional shares dependent upon performance.

**Diagonal** has acquired **Datel's** SAP reseller and support business, for a maximum consideration of £457K, made up of an initial consideration of £297K in cash and further payments dependent upon customer contracts.

**Hemscott.net** -the on-line financial news and information service - is in talks with **Bridgend** (a shell company) regarding a reverse takeover.

**Myratech**, the AIM-listed web and e-commerce solutions provider and accounting software VAR has acquired **Forsyth Whitehead**, a Sage VAR for £600K cash.

**Udata** has acquired **Fairshares Software**, the portfolio management software provider.

**PA Consulting**, the employee-owned consultancy, has acquired US consultancy **Haggler Bailly** for £63m. Haggler has expertise in the energy and transport sectors, and will add 700 staff to PA's 2700.

**ICL** has announced a significant investment in US-based **BillMatrix**, who will provide payment solutions as part of ICL's e-business offerings.

**Freecom.Net** has announced that its talks to sell a significant part of the group have collapsed. On the other hand, Freecom (soon to be renamed **Systems Union Group**) said that it expects that its reorganisation will generate profits earlier than expected. They will develop a new Sun Systems product.

**Systems International** has acquired the UK division of

**MSI International (ITSA)** for a "nominal" sum MSI has revenue of c£1.6m. Interestingly Systems International reports a significant improvement in trading in H1 2000.

**Debug Holdings** has called in the receivers blaming "the millennium-related slowdown in business". Debug made losses of £144K on revenue of £10.1m in FY99.

**JSB Software Technologies** has acquired **Cyber Patrol** ("internet filtering s/w for corporate, education and home markets") from Mattrec Inc. for \$100m.

**Orchestream** enjoyed a 9 times oversubscription for its placing this month of 42m shares at 185p. Orchestream has raised c£49m, and was valued at £214m when it joined the main market on 28th Jun. It provides software that manages the performance of IP networks.

**Hays** has acquired **Argon Groupe**, a French consultancy specialising in supply chain and CRM, for £6.5m in cash.

### All change

**CSC Europe** President Ron Mackintosh is leaving CSC to start up his own pan-European e-business services company. It's an amicable split - Ron will hand over to Mike Laphen (CSC US) over the next few weeks.

**Oracle** has confirmed the departure of its long standing President and CEO Ray Lane. Given his amazing track record (Oracle stock up 4500% in last four years) he is unlikely to be on the dole for long. The CEO positions at HP or Compaq were rumoured in the press.

Philip Crawford is also leaving his top European role at **EDS** which he only joined from Oracle UK in Q4 99 and is taking up the reins as Chief Exec of **InterX**.

We are delighted to learn that Mike Lynch's **Autonomy** is likely to move its primary listing to London (it was originally launched onto EASDAQ in July 98 with a NASDAQ quote last month). Lynch and Autonomy (with a market cap. of c£3.5b and a FTSE100 contender) are exactly the kind of people and company that we need in the UK.

**Dimension Data Holdings Ltd**, "an international network and interactive integration services group" with over 10,000 employees and revenue c\$1.14b is currently listed on the Johannesburg Stock Exchange, is to list on the LSE in July. The directors anticipate that the newly formed **Dimension Data Holdings plc** will qualify for inclusion in the FTSE 100 with its c£4.8b capitalisation.

### A few more Y2K hangover warnings



It wasn't just the UK or the minnows which are suffering from the Y2K hangover (see further warnings p3/4etc) **EDS** has issued a profits warning stating that Q2 revenue growth will be low single digit not the mid-single digit as expected. However EDS remains confident that it will meet expectations for the year with revenues picking up and continuing to improve in H2.

**Unisys'** shares crashed as Q2 rev. down 13% and profits halved. **Computer Sciences**, **Getronics**, **Perot Systems** and **WM-data** were amongst other internationals putting out warnings.

**Logica** issued a "revenue" rather than "profits" warning. Although they "expect to meet market forecasts for profit" for the year ending 30th Jun. 00 with "Margins slightly above expectations" revenues are likely to be below forecast/£890m.

**ECsoft's** CEO Terje Laugerud commented that "market conditions in the first quarter of 2000 were challenging and the underlying trend as anticipated showed a very weak start to the quarter followed by a profit in March." The outlook for H2 is "positive" with the company anticipating to benefit from "a return to normal market dynamics". ECsoft now generate 17% of revenues from e-business related activities (up from 9% in the period last year).



## Excellent results from FI Group

**FI Group** is one of the leading suppliers of application management (AM) services in the UK. They now have a substantial consultancy business as well as smaller recruitment and training divisions. In the year ended 30th Apr. 00, they have produced some excellent figures. Revenue was up 35% to £307.7m (organic growth was up 10%), PBT increased 59% at £27m pre goodwill amortisation but only up 2% to £17.4m after. Mind you PBT was boosted by some one-offs including reversal of provisions for property now let plus no payout on the staff profit share scheme. Diluted EPS actually fell 30% after goodwill (up 34% pre-goodwill). FI expect margins to be down a tad next year but "still in the high eights". The forward order book stands at a record £443m (yes, that's c1.4x revenue) boosted by the £197m/5 year extension to the excellent First Banking Systems JV with Bank of Scotland. Overseas revenue did well and was up 15% - FI

## The Richard & Anthony Show Your last chance

As we write there are hardly any tickets left for Thursday 13th July - Holway's Presentation on behalf of the CSSA at the Grosvenor House, Park Lane, London. Over 400 top CEOs already booked

The advance orders this year are fantastic with almost every CEO of note booked months in advance.

The evening starts at 5.30pm (for 6.00pm) and includes drinks and a really special dinner.

A **free place** will be awarded to all 2000 Holway Report customers who purchase before that date. An advance order form is enclosed.

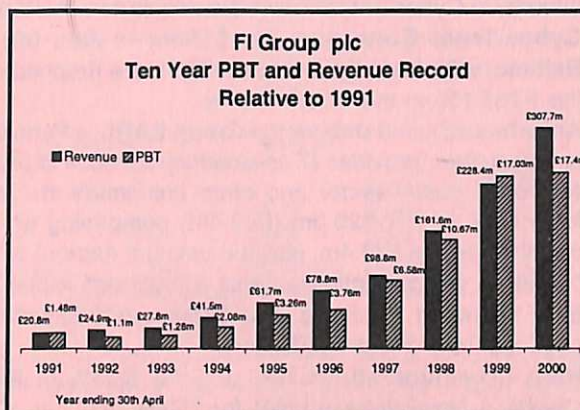
Normal price for the evening from the CSSA (Tel: 020 7395 6717 or you can e-mail: zoe.hemming@cssa.co.uk) is £180 + VAT for CSSA members and £230 + VAT for non-members.

now has plans to move into Germany.

But it's not all good news. Even

FI have not been immune to the Y2K hangover. "The market is not fully recovered, especially in the ERP arena ... the priority is to restore Druid to acceptable profitability in H2". Indeed recent acquisition **Druid** lost £1.8m although another acquisition **OSI** did better with a £2.4m profit - still only a 4.7% margin which needs some attention.

**Comment.** Good results despite a pretty dire Q3 although Q4 was "quite a bit better" (unlike some others). Not surprisingly their ITSA business suffered with revenue down 8%. OSI seems to be fitting in well and we are impressed by the e-services capabilities of their Indian operation. With their record order book and their long term relationships with clients, FI is as safe a haven as you are likely to get. Druid needs sorting as ERP is currently out of favour and even its CRM activities have been affected by product delays. But Hilary Cropper "remains convinced of the strategic logic of the acquisition" - even though it didn't come cheap. FI shares fell 13% this month to end on 385p.



## 365 Investing for Growth

**365 Corporation**, the digital media and communications company, has announced results for the year ended 31 Mar. 00. Highlights: turnover grew to £22.4m, compared to £2.6m for the 8 months to 31 Mar. 99, LBT of £14.8m compared to LBT of £1.1m, and Loss Per Share of 9.5p from 1.7p. Commenting on the results Dan Thompson, CEO, said: "We are very well placed to meet our operating and acquisition requirements for the foreseeable future as we continue to invest in our growth strategy". 365's share price fell 9% during the month, ending on 72p.

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Richard Holway has been a director of several computing services companies and might hold stock in companies featured.

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