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e-business services – Searching for the Holy Grail

For some reason we caused quite a stir with our comments on the problems being faced by a number of the e-business services consultancies. The idea that traditional IT services companies might have the upper hand over the newer e-business services players such as Framfab, didn't go down too well with some staunch supporters of the new economy!

Not surprisingly though, in the first week of November, a raft of articles displaying a similar opinion started to appear. The FT, New Media Age and The Industry Standard to name a few, all put a similar slant on things. All reported on the advantages that the traditional suppliers have in terms of scale, knowledge and resources, and also on the rising number of employees becoming disillusioned with working for a pure e-consultancy and "flocking back to their former homes – the solid, secure traditional management consultancies" (The Industry Standard). Some employees, even if they wanted to stay, would not have had the choice, with MarchFirst discharging 10%, or 1000 of its employees in November. Framfab, Cell Network and others also announced major job cuts. Now the world finally seems to have woken up to the fact e-business services is just a little more complex than designing a wizzo web site. For far too long, hype has surrounded companies with strange names like Razorfish, MarchFirst and Pixelpark. We were amazed when we asked one such company what their largest project to date was, only to be told "\$1m". A project like that wouldn't rank a mention on an IBM sales report! It is therefore not surprising that a series of disaster stories has emerged with websites crashing due to the lack of capacity testing, lax security, or just straightforward poor project management leading to repeated launch delays. While trying to understand the reason for the problems, customers started to think, "Are the skills and methodology required in building an e-business application really that different to those required in the past, when the solution was built on mainframes, minis or PCs?" Hence the increasing return to the established IT services suppliers. But to date nobody seems to have studied the impact of the IBMs, Logicas and Cap Geminis. The main reason for this has been the difficulty in identifying the e-business services figures in company financials, particularly as Internet-related work now forms a part of many projects.

We have made sure to include them along with the newer suppliers in our e-business services report to be published in December. Even with ICL's UK e-business services revenue being 8% of total SCS revenue for its last financial year, at £100m, the figure is still five-times greater than the c£20m reported by Whittman-Hart/MarchFirst for its last financial year. And the signs are that the proportion is likely to be much higher than this in 2000. On top of that, although Cap Gemini's revenue

growth has not been as impressive as we would have liked, unlike Framfab, it has not issued a recent profit warning and subsequently lost its CEO. Cap Gemini is also likely to be around for some time to come!

Following the initial thrust from the new e-consultancies, when dot.coms made up most of the customer base, the traditional suppliers have been catching up - learning from the sometimes radical and forward thinking ideas from the newer suppliers, and have been using their own skills to better the offering.

They too can offer strategy, creativity and technology - the trio well known amongst players in the industry.

Although initially slower on the uptake, the CMGs and Andersens are quickly learning and are starting to adapt to the new market conditions.

And with new technologies surrounding

iTV and the mobile Internet coming onto the market all the time, not only will the

need to adapt and learn become greater in the future, but also the technology requirement will

favour the likes of Logica that are heavily into technology and communications.

Now that the "traditionals" have made some necessary changes, particularly in terms of increasing their creative skills in areas such as design, marketing and

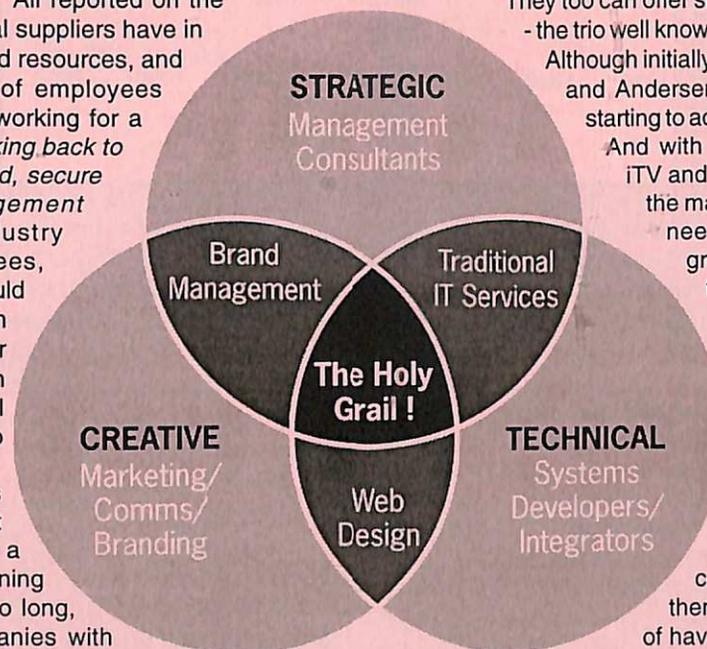
communications, they could find themselves in the fortunate position of having the most ticks in the boxes -

finding the Holy Grail! (see diagram)

Gone are the days of "brochureware" when clients wanted an instant website - although speed is still important, the excitement has died down and it is no longer the dot.coms driving the marketplace. The demand now is from the bricks and mortar clients and is oriented towards integration of websites with backend legacy systems - projects requiring the types of skills acquired from years of experience in the IT industry, and the availability of top-class project managers.

Moreover, although some, at the height of the Internet frenzy, would have had us believe that the way businesses operate would alter forever, the end objective is the same as it always was - to benefit the clients business by reducing cost and increasing profits. The Internet is simply another channel to market that can help to increase efficiencies.

Maybe we are being slightly biased here, but let's face it, it's about time the old-timers had some publicity! Yes, there are some very proficient "new" suppliers out there, with excellent ideas and robust business models, but there are also some who would have us believe that they are heads and shoulders above the rest, but rarely reveal any facts and figures. The market is too small for the number of companies chasing the same customer base - those in the FTSE250 and the Fortune 500 - some of the newer companies will be acquired and others will fold, but the traditional IT services companies are likely to be around for some time to come.





Potential to be one of the web's brightest spots

RM's (the supplier of software, services and systems to the education market) results for the year ending 30th Sep. 00 show turnover has increased 28% to £207.6m compared to 1999. PBT was £9.53m compared to £12.26m in 99, a decrease of 22.3%, and EPS was 7.9p, down from 9.8p the previous year. Chief Executive, Richard Girling, commented, "The Year 2000 has seen excellent growth for RM. The innovative technology

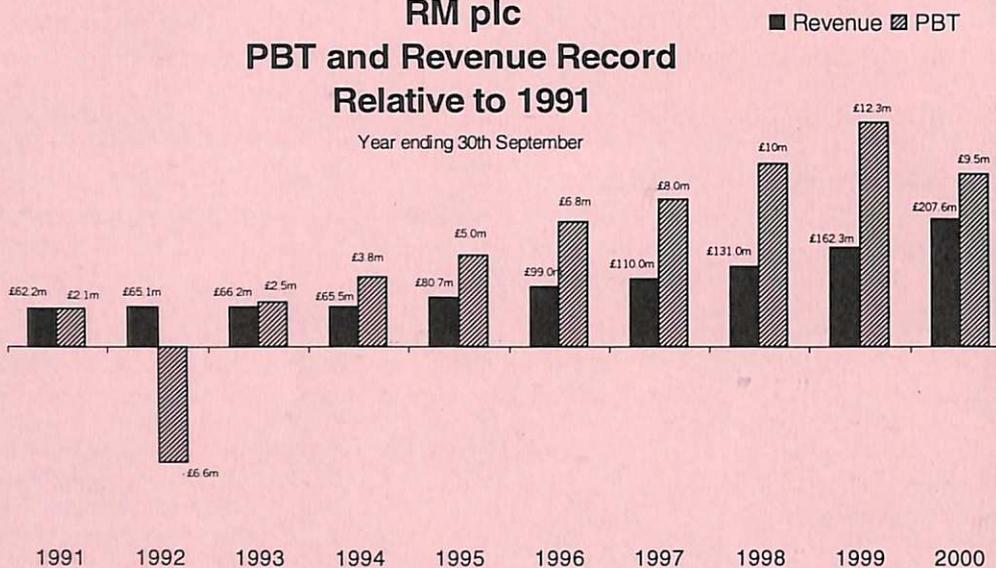
products that we supply are now seen as a fundamental part of the fabric of education establishments and RM is well placed to benefit from further market growth...the Board is confident that RM will continue to be the ICT partner of choice for the UK's educational establishments and as a consequence, results for the full year (2001) will show good progress".

Comment - The delays on the Northern Ireland contract have hit RM hard - indeed, some suspect the contract might not happen at all now. We have been a strong supporter of RM for many years. But we still think it is not grasping the enormous

opportunities presented to it by the internet. It is said that RM.com gets nearly 4m hits a month. If they really did develop this as a link between school and home, it could be one of the web's brightest spots with international potential. But we have said that so many times that even we are getting frustrated with RM's seeming lack of drive in the area. RM shares have performed reasonably well (OK, that means they have not fallen quite as much as the rest) and (at 545p) are "only" 48% off their 2000 high. But even these levels infer some future "excitement" which now seems less likely.

RM plc PBT and Revenue Record Relative to 1991

Year ending 30th September



Trading updates...

The GOOD....Morse Holdings said that trading is in line with group expectations and future prospects continued to be excellent....**Logica's** Chairman commented on the company's performance at its AGM stating that the company's performance in Q1 was strong, led by the telecoms and energy & utility sectors. Commenting on weaker sectors, industry, distribution and transport were pinpointed. Predictions were that revenue growth would be significant for the first half of the year and margin improvement would continue "driven by strong performances from our mobile networks and UK businesses"....**VI Group**, the CAD/CAM software designers and distributor, stated that revenues for the group to the end of Q3 increased to £3.7m, up nearly 22% from the same period in 99. Growth was particularly strong in Germany, Italy and France with significant contribution from some of the new territories such as Brazil and South Korea....**Epic Group**, the e-learning company, has issued a trading update following a statement by Chairman, Michael Inwards, at the AGM. Inwards said current sales are running at double the level of the first five months of the company's last financial year and a healthy set of results is anticipated when interim figures are announced in early February....**FI Group** has issued a trading update stating that the company has continued to perform well during the second quarter and that the expected outcome remains in line with management expectations for the whole year. The company reiterated that Druid would make a loss at the half year but that it has improved performance and has been profitable for the last two months. FI Group will launch a new brand at the start of the next financial year....**Misys** has stated that the outlook for the year remains in line with expectations. The company is increasingly confident that

it should enjoy a much better year and "a progressive return to the Group's long-term growth rate". The company also stated that the uncertainties surrounding Y2K are behind it....**Anite** has reported that H1 trading was "ahead of management expectations, with a strong performance in both core divisions ... Order intake remains strong". Anite will announce interims in Jan. 01....

The BAD and the really UGLY can be found on page 6...

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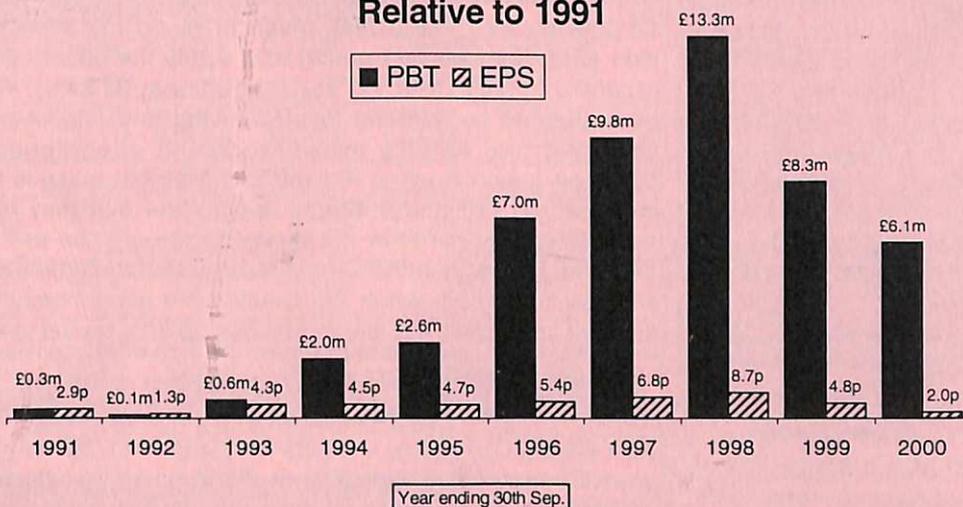


LYNX Group plc

Mixed year for Lynx

Presaged in a profit warning in Jul. 00, mixed business **Lynx Group** suffered a year of equally "mixed fortunes" and announced mixed results for the year ending 30th Sep. 00. Top line revenue increased 18% to £250.5m (continuing operations grew 7%), PBT declined 26% to £8.3m and EPS fell from 4.8p to 1.98p. Lynx's Financial Software & Systems division showed best performance, lifting revenue 25% to £38.1m. However, operating profit (pre-goodwill etc.) plummeted 41% to £3.3m due to "lower than expected sales coupled (with) continued product development" in their Offshore Trust & Asset Finance Systems business. New (May 00) IFA services acquisition **Bankhall** contributed £19.4m revenue and £2.7m profits. The soon-to-be-demerged Commercial Systems (**Sage** and **SAP** reseller) division grew revenue 2% to £26.1m, but profits dropped 4% to £2.4m. Automotive division saw revenue decline 12% to £17.6m but managed to hold profits at a wafer thin £400K. Lynx's IT Communications business fell into losses of £200K ("increased development costs and the timing of completion of contracts") although revenue increased 24% to £7.8m. Computer Services division was badly hit – revenue down 10% to £35.2m ("reduced emphasis on product sales") and profits down 28% to £2.5m ("costs incurred in establishing new lines of business"). Reseller Sphinx CST contributed £111m revenue, up 19% and £3.1m profits (there's no direct comparison to last year due to some £5m in 'accounting errors' in the 1999 accounts – due to which the FD of the division 'resigned'). CEO Richard Last believes: "There is significant value in Lynx Group that has yet to be unlocked. By focusing more on the financial services sector, we are confident of realising that value for our shareholders".

Lynx Group plc 10 year PBT and EPS Record Relative to 1991



Indeed, to 'prove the point' Last and Chairman Stuart Douglas-Mann purchased 20,000 shares at 96p and 25,000 shares at 93p respectively.

Comment: Lynx is another of those 'conglomerate' type SCS companies we worry about – i.e. too many irons in the fire. Indeed, a couple of weeks before announcing these results they advised they are to 'pull some irons out.' Lynx will demerge its Commercial Systems division in early 2001 into a separate listed company to be called **Ascent**, which they expect "will have a value not less than £50m". As a result, Lynx will now become "a focused software and services group specialising in the

financial services sector", based around Bankhall and the Financial Systems Division. Lynx is also "actively pursuing a number of initiatives" for the rest of the Group. We have said for some time that they should work out 'what the knitting is' and stick to it – and it appears that is what they are now planning to do. As a result, Lynx will be a much smaller business (rather like the transition from P&P to Skillsgroup but hopefully not as painful or as long). Unfortunately this is not a good time to dispose of resellers and distributors. Indeed, a £50m valuation for a £26m reseller business looks very optimistic in the current climate, given that resellers in our Holway index are currently trading at a PSR of around 0.8. There will therefore be a lot of pressure on the 'healthy' side of the business, so we think they will have to move quickly. Lynx's shares finished the month at 87p, 48% down on the year and 77% off from its 371p peak in Feb. 00.



Merger of 'Print-Heads' with 'Think-Heads'..is off

Hewlett-Packard was the first of the US 'majors' to announce full year results, and these fell short of analyst expectations. Revenues for the year ended 31st Oct. 00 grew 15% to \$48.8bn and pre-tax earnings (on continuing operations) grew 10% to \$4.6bn. Revenue from what HP calls "IT Services" (includes financing services!) grew 14% to \$7.1bn but pre-tax earnings only increased 10% to \$634m, so margins dropped a shade from 9.2% to 8.9%. HP's consulting business apparently achieved 46% revenue growth, but from what base they do not say. Computing Systems (i.e. PC's and servers) are now the largest bit of HP's business at \$21.1bn, knocking Imaging & Printing Systems in second place at \$20.5bn. They also announced they were abandoning the proposed acquisition with PwC's consulting business.

Comment: When Cap Gemini E&Y CEO Geoff Unwin was asked by a Bloomberg reporter in New York what advice he would give to HP's CEO Carly Fiorina on the PwC acquisition. He replied "Don't". And he should know! We shall shed no tears on the abandonment of the ill-conceived acquisition of **PwC's** consulting business. As we said before, a 'merger' of 'print heads' with 'think heads' was a crazy idea to start with and had about as much chance of success as the aborted attempt by Computer Associates to acquire Computer Sciences. But what about their own IT services business? Why can't HP be more transparent on their 'true' IT services revenues instead of obfuscating them with their financing services revenues? Much like Compaq's (i.e. Digital's) services business, HP's roots are firmly based in support and infrastructure services. They are making a valiant attempt to climb up the value chain into "e-services", mostly through partners, but why bother? They'd do much better sticking to what they do best and leave the 'thought leadership' stuff to the experts. Frankly, they should do like Sun does, i.e. promote the hardware like fury and then aim to provide the best and broadest system and infrastructure services to support the brand. It's a nice little earner for Sun and should be too for HP.

KEWILL Pressure on margins

At the halfway stage, Kewill Systems, the increasingly e-commerce focused SME supply chain solutions provider, announced turnover down 7% to £33.2m for the six months to 30th Sep. 00. However, turnover on continuing operations (including £4.2m from US systems integrator – and Kewill specialist – EVCOR acquired in Jun. 00) rose 27% to £29.3m. 'True' organic growth was 9%. Pretax profit decreased 9% to £2.1m, including £3.1m amortisation costs. An additional £3.4m R&D expense on their core B2B e-fulfilment offering, Kewill.net, was offset by a similar £3.4m net profit on the disposal of their logistics division and 'legacy' UK ERP products. Diluted EPS was 1.3p compared to a loss per share of 1.1p for the same period the year prior. CEO Geoffrey Finlay sees Kewill now positioned as "a leading e-commerce business, poised to take advantage of the emerging market opportunity in e-fulfilment." A NASDAQ listing is under consideration, as are "further strategic acquisitions".

Comment: Kewill is basically betting the business on its Kewill.net offering, having bowed out of (loss-making) logistics and, in the UK, ERP products. However, they are holding on to their ERP business in the US, although revenues only grew 3% to £13m and operating margins dropped from 23% to 17%. At least their organic e-commerce revenues grew 16%, but again operating margins fell, from 42% to 36%. Ongoing investment in Kewill.net and acquisitions will continue to put pressure on margins, so the race is on to ramp up the remaining core businesses fast enough to keep the momentum – and profits – moving. Their strong sales growth is promising – nonetheless, Kewill's share price dropped nearly 20% to 410p when these results were announced, then fell further and finished the month at 376p, down 76% on the year.

Continuing to meet its objectives



Dimension Data Holdings' (South African global network services and interactive commerce solutions group) maiden results as a UK-listed company (reported in US\$!) showed turnover up 71% to \$1,942.6m (£1,357m), with UK revenue increasing by an even more impressive 88% to \$311.1m (£217m) for the year ending 30th Sep. 00. But last year's PBT of \$138.2m (£96.5m) has become an LBT of \$50.7m (£35.4m). Losses have been reported due to the termination of an operation and a number of acquisitions being undertaken during the period. EPS has also moved into the red with a loss of 16.9c compared with a profit of 10.1c in 99. Commenting on the results, Jeremy Ord, Chairman, stated, "Much has been achieved by the Group over the last 12 months. Our vision of becoming a global company, providing network services and interactive commerce solutions to our customers around the world has been substantially realised".

Comment: Dimension Data, which is now a FTSE 100 company, continues to meet its objectives – its avowed intent is to become a global player in the networking and systems integration markets. In fact only 16% of turnover is in the UK – 26% for Europe as a whole. The European total was helped by the acquisition of the European operations of its fellow JSE-listed **Comporex Networks**. In the UK, the company also acquired the remaining 50% of **Chernikeeff Networks** that it didn't already own. (Chernikeeff and GK Communications were rebranded to Dimension Data). Asia, Africa and Australia are the three largest regions for the company, but it is looking for acquisitions in the US – services companies with integration skills – and a NASDAQ listing is also on the cards.

azlan. Networking is the place to be...

Once upon a time all the bad news came from Azlan whilst everyone else prospered – now it's the other way around for once! Networking products and services supplier Azlan had a pretty impressive first half, showing turnover up 35% to £262m, PBT up 127% to £5.4m and EPS up from 1.5p to 3.3p for the six months to 30th Sep. 00. What's more, it's all organic growth! Revenue from continental Europe now makes up 69% of Azlan's business, though this was "impacted negatively" by the Euro. Revenue from the resale of networking products (notably Cisco) rose 38% to £231m and is now 88% of total turnover, up from 86% in the same period last year. Azlan's training business grew 11% to £21.5m, whereas other services grew 30% to £9m. However, training was more profitable with a 14% operating margin, compared to 7% on products and just 5% on other services. Azlan Chairman, ex-IBM UK MD Barrie Morgans, (who must be more pleased than anyone to see the horrendous problems behind him) saw the trend in networking "benefiting product, training and services for the remainder of 2000/01".

Comment: Networking is the place to be and Azlan is there. Of course, we'd like to see much more on the services side (both revenue and profit!) and surely the opportunity is there, given that IT staff agencies (ITSAs) are overwhelmed by demand for networking and telecomms staff. We like Azlan's ever-broadening geographical coverage (new offices in Finland and Portugal make it 15 countries so far) and it seems appropriate that they are proposing to reinvest in the business rather than pay a dividend. Reaction in the City was somewhat muted – their shares initially rose when the results were announced but then fell and ended the month at 173p, up 20% on the year.

SUPERSCAPE Some things never change

Superscape's – a developer of interactive 3D software – results for the year to 31st Jul. 00 showed turnover down 30% to £2.15m, pre-tax losses deepened from £2.8m to £6.8m and Loss Per Share went up from 22.5p to 26.8p. Commenting on the outlook Kevin Roberts, Chief Executive commented: "The Board believes that Superscape now has sufficient critical mass for sustained business growth. We have the strength to create the right balance between short-term revenues and long-term shareholder value that we anticipate will be derived from our strategic partnerships and joint ventures".

Comment: Following a strategic review of operations Superscape "relaunched" itself in Nov. 99 with the focus on e-commerce opportunities. A new management team has presided over a new business strategy (partnerships and JVs) and the move from the sale of licensed software to provision of solutions, designed to "consistently build shareholder value over time". But some things never change! Since listing in 1994, Superscape has never returned a profit, and this year is no different – at least last year revenues exceeded losses.

We wrote in the Holway Report that the development of Superscape SeV product (designed specifically for the internet) provided the company with a tremendous opportunity, but revenues are slow to materialise. Superscape's target audience for SeV includes customers in e-business environments so it comes as no surprise to read that "stronger growth in this market would undoubtedly have been achieved, had some of our "dot.com" customers not encountered uncertainties regarding their future funding". Those dot.com customers have a lot to answer for! Superscape's share price ended the month down 26% at 227p.

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Actinic plc				Delcam plc				Kewill Systems plc			
Int 9 mos Jun 99	Final - Sep 99	Int 9 mos Jun 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison
REV	£355,000	£571,000	£1,437,000	REV	£7,677,884	£15,774,254	£8,302,280	REV	£23,129,000	£75,245,000	£50,419,000
PBT	£477,000	£1,775,000	£2,159,000	PBT	£509,549	£1,042,075	£611,162	PBT	£2,336,000	£1,803,000	£1,803,000
FPS	-0.53p	-0.81p	-2.25p	FPS	7.00p	13.20p	8.10p	FPS	1.30p	-1.20p	-1.10p
AFA Systems plc				Diagonal plc				Keystone Software plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - May 99	Final - Nov 99	Interim - May 00	Comparison	Final - Mar 99	Final - Mar 00	Final - Mar 00	Comparison
REV	£386,000	£1,779,000	£2,172,000	REV	£37,141,000	£72,376,000	£37,555,000	REV	£1,585,217	£4,799,000	£4,799,000
PBT	£716,000	£581,000	£420,000	PBT	£4,358,000	£8,184,000	£1,745,000	PBT	£2,400,057	£1,615,000	£1,615,000
FPS	-4.70p	-3.40p	-2.20p	FPS	3.66p	7.52p	1.32p	FPS	-18.90p	-0.60p	-0.60p
AIT Group plc				Easyscreen plc				Knowledge Management Software plc			
Final - Mar 99	Final - Mar 00	Final - Mar 00	Comparison	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Final - Dec 98	Final - Jun 00	Final - Jun 00	Comparison
REV	£17,460,000	£21,693,000	£24,221,000	REV	£335,957	£1,056,519	£969,022	REV	£713,010	£2,091,986	Not comparable
PBT	£2,764,000	£16,511,000	£31,651,000	PBT	£453,525	£3,425,999	£3,767,777	PBT	£58,987	£3,077,772	£3,077,772
FPS	9.88p	11.81p	30.17p	FPS	-1.23p	9.96p	-8.23p	FPS	0.35p	5.40p	5.40p
Alphameric plc				ECsoft Group plc				Knowledge Support Systems Group plc			
Interim - May 99	Final - Nov 99	Interim - May 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison
REV	£11,161,000	£25,378,000	£22,007,000	REV	£34,186,000	£67,304,000	£34,705,000	REV	£19,535,699	£1,838,025	£895,739
PBT	£10,010,000	£23,050,000	£16,100,000	PBT	£2,840,000	£3,416,000	£447,000	PBT	£317,812	£83,497	£425,722
FPS	1.20p	3.62p	0.10p	FPS	15.20p	17.30p	-4.10p	FPS	0.60p	-0.10p	-0.60p
Alterian plc				Eidos plc				Logica plc			
Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Final - Jun 99	Final - Jun 00	Final - Jun 00	Comparison
REV	£374,074	£1,011,140	£606,000	REV	£44,060,000	£203,265,000	£40,715,000	REV	£559,468,000	£847,400,000	£847,400,000
PBT	£75	£3,905	£976	PBT	£37,907,000	£49,275,000	£82,348,000	PBT	£68,604,000	£98,100,000	£98,100,000
FPS	-0.40p	0.38p	-2.10p	FPS	-29.20p	22.80p	-72.70p	FPS	10.80p	17.50p	-62.02p
Anite Group plc				Electronic Data Processing plc				London Bridge Software Holdings plc			
Final - Apr 99	Final - Apr 00	Final - Apr 00	Comparison	Interim - Mar 99	Final - Sep 99	Interim - Mar 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison
REV	£180,829,000	£165,511,000	£158,976,000	REV	£5,469,000	£10,492,000	£4,529,000	REV	£19,454,000	£42,165,000	£27,160,000
PBT	£6,788,000	£16,171,000	£7,171,000	PBT	£1,225,000	£2,377,000	£1,004,000	PBT	£3,533,000	£7,092,000	£3,334,000
FPS	1.50p	1.30p	-13.32p	FPS	3.24p	6.85p	2.56p	FPS	1.30p	3.18p	1.31p
Autonomy Corporation				Epic Group plc				Lorien plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - Nov 98	Final - May 99	Interim - Nov 99	Comparison	Interim - May 99	Final - Nov 99	Interim - May 00	Comparison
REV	£5,456,250	£16,511,000	£16,453,750	REV	£1,362,000	£3,084,000	£1,904,000	REV	£70,941,000	£138,817,000	£53,188,000
PBT	£588,875	£678,000	£3,457,500	PBT	£114,000	£479,000	£216,000	PBT	£1,572,000	£1,649,000	£2,767,000
FPS	-0.01p	-2.80p	0.02p	FPS	0.46p	1.66p	0.85p	FPS	-8.00p	-8.50p	-14.10p
Axon Group plc				Eurolink Managed Services plc				Lynx Group plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Final - Mar 99	Final - Mar 00	Final - Mar 00	Comparison	Final - Sep 99	Interim - Mar 00	Final - Sep 00	Comparison
REV	£11,744,000	£25,378,000	£17,210,000	REV	£8,323,171	£7,596,000	£7,596,000	REV	£212,541,000	£111,018,000	£250,482,000
PBT	£1,686,000	£4,560,000	£2,803,000	PBT	£844,762	£340,000	£340,000	PBT	£8,269,000	£1,789,000	£56,106,000
FPS	2.20p	5.70p	3.40p	FPS	5.35p	2.13p	-59.12p	FPS	4.80p	0.98p	1.98p
Azlan Group plc				F.I. Group plc				MMT Computing plc			
Interim Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Final - Apr 99	Final - Apr 00	Final - Apr 00	Comparison	Final - Aug 99	Interim - Feb 00	Final - Aug 00	Comparison
REV	£193,984,000	£410,604,000	£261,744,000	REV	£228,353,000	£307,696,000	£347,790	REV	£41,024,210	£16,800,000	£37,734,000
PBT	£2,369,000	£9,258,000	£5,374,999	PBT	£17,025,000	£17,391,000	£17,391,000	PBT	£9,710,952	£2,000,000	£5,976,000
FPS	1.50p	6.10p	3.30p	FPS	5.80p	3.91p	-32.62p	FPS	52.20p	10.50p	32.20p
Baltimore Technologies plc				Financial Objects plc				Macro 4 plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Final - Jun 99	Final - Jun 00	Final - Jun 00	Comparison
REV	£9,807,000	£23,272,000	£25,704,000	REV	£10,690,000	£22,301,000	£8,874,000	REV	£31,025,000	£38,671,000	£38,671,000
PBT	£15,991,000	£31,351,000	£20,659,000	PBT	£2,649,000	£4,656,000	£1,573,000	PBT	£10,400,000	£10,611,000	£10,611,000
FPS	-5.70p	-10.27p	-5.50p	FPS	5.20p	8.87p	-3.36p	FPS	34.80p	33.20p	-4.62p
Baron Corporation plc				Flomerics Group plc				Manpower Software			
Final - Aug 98	Interim - Feb 00	9/4-99 - Aug 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Final - May 99	Final - May 00	Final - May 00	Comparison
REV	£2,384,000	£1,392,585	£3,294,936	REV	£3,443,000	£8,713,000	£4,890,000	REV	£1,896,518	£1,611,619	£1,611,619
PBT	£175,000	£127,831	£489,490	PBT	£149,000	£807,000	£41,000	PBT	£1,641,522	£2,790,867	£2,790,867
FPS	n/a	-3.70p	-16.00p	FPS	-5.80p	18.60p	-1.40p	FPS	-20.86p	-27.73p	-27.73p
Bond International Software plc				Focus Solutions Group plc				MERANT plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Final - Apr 99	Period to Apr 99	Final - Apr 00	Comparison
REV	£4,567,000	£8,457,169	£4,519,000	REV	£238,000	£721,000	£828,000	REV	£186,104,000	£215,473,000	£227,283,000
PBT	£327,000	£789,085	£1,411,000	PBT	£504,000	£1,039,000	£1,224,000	PBT	£16,655,000	£11,572,000	£35,369,000
FPS	1.58p	4.81p	0.55p	FPS	-2.70p	-5.60p	-6.20p	FPS	-16.30p	-14.32p	-24.20p
Bright Station plc				Freemove plc				Microgen plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Final - Apr 99	Final - Apr 00	Final - Apr 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison
REV	£17,243,000	£17,452,000	£52,560,000	REV	£2,732,000	£19,557,000	£16,517,000	REV	£15,472,000	£31,324,000	£13,760,000
PBT	£1,699,000	£3,857,000	£11,020,000	PBT	£1,511,000	£22,932,000	£22,932,000	PBT	£1,516,000	£1,834,000	£2,808,000
FPS	0.70p	3.50p	7.00p	FPS	-5.20p	2.20p	-2.20p	FPS	2.10p	5.70p	-4.70p
Business Systems Group Holdings plc				Gresham Computing plc				Misys plc			
Interim - Sep 99	Final - Jun 99	Interim - Sep 00	Comparison	Interim - Apr 99	Final - Oct 99	Interim - Apr 00	Comparison	Final - May 99	Final - May 00	Final - May 00	Comparison
REV	£17,085,000	£32,386,000	£17,602,000	REV	£16,301,000	£30,350,000	£11,206,000	REV	£671,100,000	£708,800,000	£671,100,000
PBT	£459,000	£750,000	£1,415,000	PBT	£1,483,000	£864,000	£2,723,000	PBT	£91,400,000	£113,600,000	£113,600,000
FPS	0.43p	0.63p	-0.26p	FPS	2.35p	2.29p	-6.66p	FPS	10.60p	14.20p	-84.02p
Cadcentre Group plc				Guardian IT plc				Mondas plc			
Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Final - Apr 99	Final - Apr 00	Final - Apr 00	Comparison
REV	£10,932,203	£23,689,000	£12,900,000	REV	£19,647,000	£49,245,000	£33,277,000	REV	£955,301	£1,358,811	£1,358,811
PBT	£1,869,919	£4,338,000	£2,300,000	PBT	£3,614,000	£7,048,000	£2,823,000	PBT	£520,770	£857,573	£857,573
FPS	7.92p	17.40p	9.35p	FPS	4.79p	10.90p	5.30p	FPS	-5.70p	-6.80p	-6.80p
Capita Group plc				Harvey Nash Group plc				Morse Holdings plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - July 99	Final - Jan 00	Interim - July 00	Comparison	Final - Jun 99	Final - Jun 00	Final - Jun 00	Comparison
REV	£150,000,000	£327,199,000	£208,000,000	REV	£71,900,000	£150,958,000	£53,200,000	REV	£283,943,000	£506,316,000	£506,316,000
PBT	£12,600,000	£32,200,000	£13,800,000	PBT	£5,326,000	£11,974,000	£5,756,000	PBT	£18,853,000	£22,919,000	£22,919,000
FPS	1.32p	3.30p	1.33p	FPS	11.81p	27.64p	12.25p	FPS	22.20p	10.10p	55.52p
Cedar Group plc				Highams Systems Services Group plc				MSB International plc			
Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	Comparison	Interim - Jun 99	Final - Jan 00	Interim - Jun 00	Comparison
REV	£11,688,000	£36,314,000	£23,367,000	REV	£14,967,000	£26,863,817	£10,262,000	REV	£99,869,000	£184,936,000	£75,040,000
PBT	£55,000	£4,829,000	£852,000	PBT	£2,000	£308,504	£1,744,000	PBT	£25,000	£4,958,000	£4,185,000
FPS	0.10p	4.20p	-2.10p	FPS	-0.08p	-1.58p	-8.99p	FPS	0.10p	17.30p	15.35p
Charteris Plc				ICM Computer Group plc				NetBenefit plc			
Final - Jul 99	Final - Jul 00	Final - Jul 00	Comparison	Final - Jun 99	Final - Jun 00	Final - Jun 00	Comparison	Final - Jun 99	Final - Jun 00	Final - Jun 00	Comparison
REV	£4,654,000	£6,716,000	£6,716,000	REV	£40,047,000	£49,535,000	£49,535,000	REV	£1,969,751	£7,520,100	£7,520,100
PBT	£476,000	£3,711,000	£22,110,000	PBT	£4,335,000	£4,513,000	£4,513,000	PBT	£279,862	£4,591,500	£4,591,500
FPS	35.30p	25.70p	-27.22p	FPS	14.90p	15.40p	-34.8p	FPS	0.02p	-0.32p	-0.32p
Clinical Computing plc				IDS Group plc				Netstore plc			
Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	Comparison	Final - Jun 99	Final - Jun 00	Final - Jun 00	Comparison
REV	£1,561,000	£3,112,623	£1,331,000	REV	£6,088,000	£13,614,000	£6,863,000	REV	£757,911	£1,272,632	£1,272,6

Planit Holdings plc				SDI plc				TelMe.com plc			
Final	Final	Final	Comparison	Interim	Final	Interim	Comparison	Final	Final	Final	Comparison
Apr 99	Apr 00	Apr 00		Jun 99	Dec 99	Jun 00		Mar 99	Mar 00	Mar 00	
REV	£9,676,000	£13,304,000	+37.5%	REV	£5,964,000	£12,960,000	+115.5%	REV	£10,014,000	£13,974,000	+39.5%
PBT	£1,570,000	£2,483,000	+57.5%	PBT	£163,000	£796,000	+389.6%	PBT	£1,321,000	£2,105,000	+59.3%
EPS	1.60p	2.30p	+43.8%	EPS	-0.53p	2.63p	+592.3%	EPS	5.40p	8.00p	+48.1%
Policy Master Group plc				Sema Group plc				Terence Chapman Group plc			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Final	Final	Final	Comparison
Jun 99	Dec 99	Jun 00		Jun 99	Dec 99	Jun 00		Aug 99	Feb 00	Aug 00	
REV	£7,715,000	£16,730,281	+116.8%	REV	£668,600,000	£1,410,000,000	+210.8%	REV	£30,641,000	£12,220,000	-60.1%
PBT	£500,000	£1,062,587	+112.5%	PBT	£37,900,000	£93,800,000	+247.5%	PBT	£4,464,000	£450,000	-89.9%
EPS	3.50p	6.90p	+97.1%	EPS	8.80p	18.70p	+113.7%	EPS	8.82p	0.82p	-90.7%
Protherics plc				ServicePower Technologies plc				Torex plc			
Final	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
Mar 99	Mar 00	Mar 00		Jun 99	Dec 99	Jun 00		Jun 99	Dec 99	Jun 00	
REV	£2,847,000	£1,598,000	-43.9%	REV	£1,854,000	£3,760,910	+102.5%	REV	£18,532,000	£46,762,000	+152.4%
PBT	£13,017,000	£15,454,000	+18.7%	PBT	£1,279,000	£2,541,087	+97.8%	PBT	£1,775,000	£4,039,000	+126.2%
EPS	-9.80p	-10.40p	+6.3%	EPS	-3.20p	6.37p	+98.8%	EPS	3.90p	14.50p	+270.0%
PSD Group plc				Sherwood International plc				Tornado Group			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
Dec 99	Dec 99	Jun 00		Jun 99	Dec 99	Jun 00		Jan 00	Jan 00	Jan 00	
REV	£29,568,000	£63,428,000	+114.3%	REV	£22,493,000	£47,186,000	+109.3%	REV	£0	£0	n/a
PBT	£6,831,000	£11,545,000	+68.0%	PBT	£2,881,000	£7,345,000	+254.8%	PBT	£77,870	£1,919,700	+2335.0%
EPS	18.90p	27.30p	+44.4%	EPS	4.30p	11.40p	+262.3%	EPS	-	-7.10p	n/a
QSP plc				Skillsgroup plc				Total Systems plc			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Final	Final	Final	Comparison
Jun 99	Nov 99	Jun 00		May 99	May 99	May 00		Mar 99	Mar 00	Mar 00	
REV	£19,961,000	£50,538,000	+153.2%	REV	£96,400,000	£198,700,000	+106.7%	REV	£3,247,157	£1,958,040	-39.7%
PBT	£7,833,000	£4,212,000	-46.3%	PBT	£6,400,000	£11,400,000	+78.2%	PBT	£629,873	£579,589	-8.5%
EPS	-1.11p	5.20p	+563.1%	EPS	6.50p	10.70p	+63.1%	EPS	4.20p	-3.97p	-105.7%
Quantica plc				Sophen plc				Touchstone Group plc			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
May 99	Nov 99	May 00		Jun 99	Dec 99	Jun 00		Sep 99	Mar 00	Sep 00	
REV	£1,593,000	£3,224,000	+102.2%	REV	£657,000	£2,072,000	+213.7%	REV	£678,000	£1,196,000	+75.9%
PBT	£1,593,000	£3,224,000	+102.2%	PBT	£657,000	£2,072,000	+213.7%	PBT	£678,000	£1,196,000	+75.9%
EPS	2.60p	6.00p	+129.2%	EPS	-3.40p	10.10p	+294.1%	EPS	4.75p	2.48p	-47.8%
RM plc				Spring Group plc				Trace Computers plc			
Final	Final	Final	Comparison	Final	Final	Final	Comparison	Interim	Final	Interim	Comparison
Sep 99	Mar 00	Sep 00		Apr 99	Apr 00	Apr 00		Nov 98	May 99	Nov 99	
REV	£162,210,000	£78,074,000	-51.7%	REV	£403,154,000	£396,106,000	-1.7%	REV	£8,684,000	£17,072,781	+95.7%
PBT	£12,262,000	£1,432,000	-88.3%	PBT	£14,180,000	£6,420,000	-54.4%	PBT	£928,000	£4,367,036	+368.1%
EPS	9.80p	1.10p	-88.8%	EPS	6.00p	5.00p	-16.7%	EPS	4.47p	25.94p	+478.1%
Rage Software plc				Staffware plc				Triad Group plc			
Final	Final	Final	Comparison	Interim	Final	Interim	Comparison	Final	Final	Final	Comparison
Jun 99	Jun 00	Jun 00		Jun 99	Dec 99	Jun 00		Mar 99	Mar 00	Mar 00	
REV	£8,845,000	£4,218,000	-52.3%	REV	£11,223,000	£25,262,000	+124.2%	REV	£49,306,000	£48,356,000	-2.0%
PBT	£3,121,000	£2,641,000	-15.7%	PBT	£716,000	£2,993,000	+319.3%	PBT	£8,629,000	£1,906,000	-77.9%
EPS	1.00p	0.94p	-6.0%	EPS	3.50p	12.20p	+248.6%	EPS	22.74p	5.66p	-75.1%
RDL Group plc				StatPro Group plc				Ultima Networks plc			
Final	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
Sep 98	Sep 99	Sep 99		Jun 99	Dec 99	Jun 00		Jun 99	Dec 99	Jun 00	
REV	£15,692,000	£18,172,000	+15.8%	REV	£1,772,000	£3,144,000	+77.2%	REV	£6,476,000	£12,541,000	+93.2%
PBT	£1,154,000	£1,335,000	+15.7%	PBT	£360,000	£1,183,000	+229.7%	PBT	£610,000	£783,000	+29.2%
EPS	6.75p	7.95p	+17.9%	EPS	-2.50p	2.85p	+114.0%	EPS	-0.36p	0.64p	+277.8%
Recognition Systems Group plc				Superscape VR plc				Ultrasig Group plc			
Final	Final	Final	Comparison	Final	Final	Final	Comparison	Interim	Final	Interim	Comparison
Sep 99	Mar 00	Sep 00		Jul 99	Jan 00	Jul 00		Jan 99	Jul 99	Jan 00	
REV	£2,315,000	£3,021,000	+30.3%	REV	£3,071,000	£7,008,000	+129.8%	REV	£1,099,000	£2,520,000	+128.8%
PBT	£1,609,000	£2,258,000	+40.3%	PBT	£2,765,000	£2,897,000	+4.8%	PBT	£149,000	£2,316,000	+1482.6%
EPS	-2.30p	-2.70p	-17.4%	EPS	-22.60p	-16.30p	+28.3%	EPS	-0.10p	1.60p	+1700.0%
Retail Decisions plc				SurfControl plc (was USB Software)				Vega Group plc			
Final	Final	Final	Comparison	Final	Final	Final	Comparison	Final	Final	Final	Comparison
Jun 99	Dec 99	Jun 00		May 99	May 99	May 00		Apr 99	Apr 00	Apr 00	
REV	£5,875,000	£11,937,000	+103.2%	REV	£4,003,000	£2,706,707	-32.6%	REV	£28,993,000	£40,201,000	+38.7%
PBT	£1,166,000	£2,438,000	+108.9%	PBT	£1,314,000	£1,487,341	+13.2%	PBT	£4,292,000	£4,843,000	+12.8%
EPS	0.59p	1.11p	+86.9%	EPS	-12.70p	-7.35p	+42.1%	EPS	17.42p	17.17p	-1.4%
RexOnline plc				Synstar plc				VI Group plc			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
Oct 99	Oct 99	Oct 00		Mar 99	Sep 99	Mar 00		Jun 99	Dec 99	Jun 00	
REV	£217,000	£658,000	+303.2%	REV	£104,034,000	£214,289,000	+105.0%	REV	£2,201,000	£4,545,000	+106.5%
PBT	£144,000	£326,000	+125.7%	PBT	£420,000	£8,094,000	+1856.2%	PBT	£137,000	£438,000	+219.0%
EPS	-2.40p	-4.50p	-87.5%	EPS	0.30p	3.60p	+1100.0%	EPS	0.37p	1.24p	+235.3%
Rolfe & Nolan plc				Systems Integrated Research plc				Vocalis Group plc			
Interim	Final	Final	Comparison	Final	Final	Final	Comparison	Interim	Final	Interim	Comparison
Aug 99	Feb 00	Aug 00		May 99	May 99	May 00		Sep 99	Mar 00	Sep 00	
REV	£10,700,000	£22,856,000	+112.7%	REV	£1,405,000	£1,536,000	+9.3%	REV	£1,318,000	£2,694,000	+104.4%
PBT	£642,000	£1,838,000	+186.4%	REV	£1,838,000	£2,150,000	+17.4%	PBT	£1,968,000	£4,497,000	+126.5%
EPS	3.30p	9.30p	+282.7%	EPS	0.71p	1.25p	+76.1%	EPS	-4.84p	-11.57p	-58.6%
Royalblue Group plc				Systems International Group plc				Wealth Management Software plc			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
Jun 99	Dec 99	Jun 00		Dec 98	Jun 99	Dec 99		Jun 99	Dec 99	Jun 00	
REV	£17,905,000	£39,693,000	+120.0%	REV	£8,457,000	£17,053,427	+101.1%	REV	£5,829,000	£12,818,000	+119.7%
PBT	£2,744,000	£5,511,000	+100.2%	PBT	£1,093,000	£2,313,063	+111.5%	PBT	£328,000	£1,065,000	+223.8%
EPS	5.50p	13.10p	+136.4%	EPS	0.71p	2.10p	+195.8%	EPS	-1.05p	-3.97p	-273.3%
Sage Group plc				Systems Union plc (was freecom)				XKO Group plc			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
Mar 99	Sep 99	Mar 00		Jun 99	Dec 99	Jun 00		Sep 99	Mar 00	Sep 00	
REV	£132,545,000	£307,041,000	+131.3%	REV	£287,000	£600,000	+108.0%	REV	£13,485,000	£29,628,000	+119.8%
PBT	£35,479,000	£74,313,000	+109.4%	PBT	£448,000	£1,963,000	+338.2%	PBT	£551,000	£6,263,000	+1026.3%
EPS	2.05p	4.12p	+98.5%	EPS	-2.90p	9.80p	+338.3%	EPS	-3.50p	28.20p	+700.0%
SBS Group plc				Telwork				Xpertise Group plc			
Interim	Final	Final	Comparison	Interim	Final	Interim	Comparison	Interim	Final	Interim	Comparison
Feb 99	Aug 99	Feb 00		Sep 99	Mar 00	Sep 00		Jun 99	Dec 99	Jun 00	
REV	£28,300,000	£53,305,000	+86.9%	REV	£8,252,000	£17,363,000	+108.0%	REV	£2,048,000	£3,707,000	+81.0%
PBT	£1,400,000	£2,219,000	+58.5%	PBT	£481,000	£2,705,000	+461.6%	PBT	£1,712,000	£1,711,000	-0.1%
EPS	9.60p	16.10p	+67.9%	EPS	0.52p	1.04p	+98.1%	EPS	0.45p	-0.84p	-233.3%
SciencSystems plc											
Interim	Final	Final	Comparison								
Jun 99	Dec 99	Jun 00									
REV	£16,615,000	£30,966,000	+84.6%								
PBT	£1,511,000	£2,633,000	+74.6%								
EPS	6.30p	11.40p	+81.3%								

Trading updates (cont. from p2)

The BAD.... Decision support software company Knowledge Support Systems (KSS) issued a thinly veiled warning in a trading statement. CEO Madan Singh advised that "with two months of the financial year remaining, meeting or exceeding revenue expectations will be largely dependent on the signing of certain software licenses ... which may fall just before or after the year end. The management, nevertheless, remains very optimistic about the company's prospects".

Comment: This follows KSS' disappointing interims where turnover fell 27% to £896K and profits turned to losses of £426K. At the time, Singh advised "We face the next half year with confidence". Murphy's law suggests that contracts due for signing at year end often tend not to be - and in any event there's the small matter of revenue recognition - so we are not as 'confident' as Prof. Singh on the outlook. At Compel's AGM Sir Michael Bett, Chairman, reported that "Although performance in the first quarter of the financial year was in line with our budget, trading conditions, overall, continue to be difficult. We remain positive about our longer term prospects but see no early return to more normal market conditions".

Comment: Compel's statement shows just how difficult the market remains for resellers, and with both Computacenter and Specialist Computer Holdings not interested in acquiring them, wither Compel? Compel's shares fell 24% this month at 118p, a long way down from the 275p per share originally offered by Computacenter back in June....

Trading updates - and the really UGLY....

On 24th November Sema issued a mega profits warning which finally exposed our warnings about the IT services market that we have made long and often. Sema's turnover in the second half of the year (to 31st Dec.) is expected to show an increase of c13% over the H299 and *excluding* LHS (included for five months of the year), underlying turnover is expected to increase approx. 6%. Profits (before amortisation) in H200 "are expected to be broadly in line with those for the second half of 1999". These results "will clearly be below those anticipated by the market and Sema Group management". One of the reasons given was a "significant deterioration" of LHS's performance in Q3. We hold the view that Sema grossly overpaid for LHS anyway. Based on annual revenues they paid a PSR of 25...or 35 if you annualise the reduced Q4 revenues. Now that's "exciting" in all the worst senses! But what should send shivers through the rest of the industry (and Sema ain't the first to tell us "off-the-record" of this) is a "lower than expected" performance in outsourcing, where revenues for H2 are expected to be c10% lower than last year. This is due to postponement of contracts in Europe and "the selective approach in the UK to win more profitable contracts". I.e. outsourcing is now a damned competitive market with reducing margins. Sales of mobile telecom products, and those in the banking, energy, travel and transport arenas, as well as systems integration, web, and business continuity activities continue "to show exceptional growth and profitability".

A tough job at a tough time

Cadcentre's (supplier of software and services to the process plant and power industries) results for the six months to 30th Sep. 00 show revenue up 18% to £12.9m, PBT up 23% to £2.3m and EPS up 18% to 9.35p.

Revenues from North America grew 22% and Asia Pacific 86%, whilst in EMEA (including the UK) revenue remained static. Cadcentre has embarked on a programme of acquisitions.

Commenting on the outlook, Chairman Richard King said: "We are confident that the good progress will be maintained through the remainder of this year".

Comment: Cadcentre is doing a tough job at a tough time – turning itself from a systems company to more of a services supplier at a time when many services organisations are suffering. The transformation is one we very much approve of, but it's not always an easy process.

But the company is succeeding, at least so far. Back in May it reported turnover up 34% and PBT up 45% for the full year and the momentum is continuing with these interim results - Cadcentre reported its second major services contract, worth more than \$1m, with Halliburton Company.

In parallel with the services move Cadcentre is also looking to the opportunities offered by the Web. Products were already largely web-enabled, but now the company is focusing on the ASP market as a means to deliver (via a third party). At the same time it is moving into the supply of web e-procurement software. The company has signed a \$1m licence fee deal for project and materials management software, saying that ... "In the next few years it may also prove financially very rewarding from our share of transaction revenue". Very nice indeed. Cadcentre's shares finished the month down 3% at 505p.

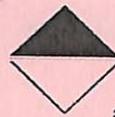
ALTERIAN Signing up new business partners

Alterian, database analysis software, joined techMARK in Jul. 00 at 200p. For the six months to 30th Sep. 00 turnover increased 62% to £606K, LBT deepened almost eightfold to £569K, and Loss Per Share deepened from 0.4p to 2.1p. Commenting on the results, Chief Executive, David Eldridge said: "Revenue growth remains positive moving into the third quarter and our progress in developing the infrastructure of the business is very encouraging with recruitment well ahead of plan. The Board is confident that the business will continue to build on its strong position during the second half of the year, delivering strong growth in line with our objectives."

Comment: Alterian has been busy signing up new business partners since the flotation in July, and now has 15 in place up from six this time last year, and a further four in the pipeline. However during the period only six partners paid royalties. The losses were in line with expectation, reflecting the investment in product development and the hiring of new staff (including Jim Nolan, Client Services Director, previously Programme Director at FI). Alterian is on target to reach £2.5m turnover in the full year, but losses are expected to widen as the group expands into the US and Europe. By Apr. 02 it expects to be profitable. Shares ended the month down 18% at 211p.

Not quite in Orbit yet

Orbital Software Holdings, the provider of e-business solutions, has also announced maiden results for the half year to 30th Sep. 00 since their techMARK IPO in Oct. 00. Turnover for the period increased from £91.6K for the six months to 30th Sep. 99, to £365.6K, an increase of almost 300%. However, the company's LBT has more than doubled from £1.04m to £2.3m. Loss per share has deepened from 0.91p to 1.65p. Ian Ritchie, non-executive Chairman commented, "A successful flotation in London has given us additional funding for investment in international marketing and R&D as well as substantially increasing our profile. It is our belief that the next six months will see expansion in all areas, with particular emphasis on sales and collaboration in Europe."

**Impressive customer list**

Recognition Systems - developer and vendor of integrated CRM software and systems - has announced results for the year ending 30th Sep. 00. Turnover nearly quadrupled to £8.6m, LBT tripled to £4.8m and Loss Per Share deepened from 2.3p to 5.4p. The loss was put down to planned investment in R&D, management, sales and delivery capabilities. The company raised £17.1m in a placing in Nov. 99 and in fact this year's losses are lower than planned at the time of the fund-raising. The company now employs 125 people, compared with 44 last year.

Commenting on the results Richard Livesey-Haworth (non-Executive Chairman) said: "The coming year will, as ever, be exciting. With the position established so far and with the current team and our planned expansion of market coverage and partnerships, we are confident that we can reward shareholders and employees well while delivering powerful business benefits to our customers in a professional and timely manner."

Comment: It is good to see Recognition Systems continuing the growth in revenues, in particular from overseas. The company has always had a US focus, which accounts for 66% of revenues. International expansion in Europe is on the cards, with Germany likely to be the main target.

And the customer list looks increasingly impressive; Centrica, Bertelsmann, Standard Chartered Bank and General Motors, to name but a few. As we said in the Holway Report, the main concern was that the company might get snapped up by a US predator before it had time to reach its potential. However that continues to look less of a threat now with the share price increasing this month 21% to 232p.

**Strong growth in sales**

Telework, a supplier of telephony and workforce management software, announced maiden results for the six months to 30th Sep. 00. Turnover increased 26% to £10.4m, PBT more than doubled to £1.9m, as did EPS to 1.1p. Commenting on the results, Ian Lenagan, Chairman and Chief Exec. said: "TeleWare continues to progress strongly and there has been a marked upturn in sales activity and prospective order pipeline throughout the whole of the Workplace division. We look forward to the future with confidence."

Comment: Telework has seen strong growth in sales for both its telephony and workforce management software, and an even greater growth in profits having invested heavily in development in the preceding period. Recurring revenues have also improved, and now account for 55% of total revenues, up from 52%. Since listing, Telework's shares had been on a steady upwards trajectory. This month they are down 29% at 180p, but still a 24% premium on the float price of 145p.

R&N - Sticking to the Knitting

Rolfe & Nolan has announced interim results for the six months to 31st Aug. 00. Turnover for the period was £12.7m, up from £10.7m in 99, an increase of 19%. PBT was £1.03m up from £642K, an increase of 61%, and EPS was 4.1p, up from 3.3p. Commenting on the outlook, Chairman, Tim Hearley stated, "Rolfe & Nolan has an established global customer base from which it is deriving strong recurring revenues. In addition we have an active and healthy prospect list. As ever, the outcome for the year is dependent upon the timely introduction of new products and the securing of key licence sales, the timing of which is difficult to predict."

Comment - The bad days really do seem to be in the past for R&N and the company continues to boast of a healthy order book. The percentage increase in revenue and PBT is also improving and if this continues for the second half of the financial year, we are likely to see an improvement on the annual figures for 99, when revenue was up just 11% and PBT up 16%, especially if the themes of "sticking to the knitting" and focusing on repeatable business continue.

SCS Index crashes

If you thought it was bad before, November has been horrendous with a 20% drop in our SCS Index - indeed our index at 8496 is now lower for the first time than it was a year back on 30th Nov 99. The weighted FTSE SCS IT Index fell by an even higher 31% as the larger stocks fell disproportionately more. Indeed **Sema** (p6) fell a massive 66% wiping £3.4b off its value. **NetBenefit** also slid 65% after its warning that fewer domain names were being registered. **ITNET** was off 57% after its profits warning at the end of October. Even those companies which have gone out of their way to tell the market that everything is OK - like **Logica** down 26% and **Misys** down 31% - suffered along with the rest. Only bright spots were new issue **Charteris** - up 41% on their IPO price - and **Spring** - up/recovered by 38%.

Any System House reader will know that we have warned of this crash for all of the last 12 months. In Jan. 00 we forecast a NASDAQ beginning with a "2" - it's now at 2597 - down 50% from its Mar. 00 high. Indeed, last month's *System House* forecast another 25% - 50% fall - we've achieved the bottom end in just a month!

What now? At least other analysts (most of whom criticised us as recently as a few weeks ago for our pessimism) are now in general agreement that there is still more to go before a bottom is reached. Perhaps not the full 50%...but we wouldn't be surprised at another 10-20% fall in the next few months. Get all the end of year warnings and poor results out of the way and then investors might look at renewed IT growth in 2003 as a better bet again. But, the heady/stupid valuations of early 2000 are history. Indeed, it would have been better had that "blip" never occurred in the first place!

30-Nov-00		SCSI Index					8496.78
		FTSE IT (SCS) Index					1901.78
		techMARK 100					2467.75
		FTSE 100					6142.20
		FTSE AIM					1461.20
		FTSE SmallCap					3200.77
<small>SCSI Index = 1000 on 15th April 1989</small>							
Changes in Indices	SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap	
Month (30/10/00 to 30/11/00)	-19.74%	-3.85%	-26.42%	-30.57%	-10.14%	-2.14%	
From 15th Apr 89	+749.68%	+199.09%					
From 1st Jan 90	+823.46%	+160.04%					
From 1st Jan 91	+1100.33%	+184.31%					
From 1st Jan 92	+713.20%	+146.37%					
From 1st Jan 93	+433.18%	+115.78%					+130.71%
From 1st Jan 94	+408.92%	+79.68%					+71.29%
From 1st Jan 95	+466.76%	+100.37%					+83.28%
From 1st Jan 96	+276.21%	+66.49%	+212.67%		+53.26%		+64.86%
From 1st Jan 97	+217.34%	+49.14%	+169.80%		+49.70%		+46.62%
From 1st Jan 98	+179.96%	+19.60%	+158.67%	+90.18%	+47.30%		+38.37%
From 1st Jan 99	+115.57%	+4.41%	+69.49%	+31.52%	+82.29%		+54.56%
From 1st Jan 00	-25.93%	-11.37%	-34.71%	-48.85%	-24.40%		+3.32%

End Nov 00	Move since 1st Jan 98	Move since 1st Jan 99	Move since 1st Jan 00	Move in Nov 00
System Houses	169.5%	74.4%	-32.0%	-18.4%
IT Staff Agencies	-37.4%	-25.0%	-34.7%	-7.1%
Resellers	22.6%	30.4%	-37.2%	-20.7%
Software Products	287.6%	231.3%	-20.3%	-24.6%
Holway Internet Index		453.3%	-32.7%	-15.3%
Holway SCS Index	180.0%	115.6%	-25.9%	-19.7%

A challenging year...

MBA Michael Bailey Associates, the EASDAQ listed ITSA, reported its year-end results to 31st Aug. 00. Turnover increased 5% to Euro49m, gross profit by a lesser 5%. PBT increased more than fourfold to Euro4.4m, but 1999's figures included an "exceptional remuneration prior to flotation" of £2.9m, so PBT pre-exceptionals increased 14%. EPS increased 68% to Euro0.84.

Comment: In Oct. 00, MBA acquired the business, assets and goodwill of **Intelligent Solutions** (a supplier of IT and telecoms contractors) from the receivers for just £60K cash, but also undertook to finance the payment of outstanding contractor costs (approx. £700K) and £500K for work in progress - a total consideration of £1.125m. The acquisition - which more than doubled MBA's contractor numbers - is expected to be earnings enhancing from the outset, and is designed to "help provide impetus for (our) current growth and expansion plans internationally". In common with many of our UK-listed ITSAs, MBA had a "challenging year", and reports that contractor numbers are "now beginning to rise again following the adverse effects of Y2K". Indeed turnover in Q4 is 13% down on Q4 in 1999. Demand for permanent recruitment services however, is more buoyant, and the overseas business (particularly in Germany and Scandinavia) helped maintain margins at 21.6%, a slight decline from 22.5% achieved in 1999.

The acquisition of IS looks like a good move, as it gives MBA a foothold in the telecoms arena, one of the fastest growing areas for the supply of contractors. Further acquisitions are on the cards, as is the opening of more overseas operations.

MBA listed on EASDAQ in Jul. 99, achieving a valuation of Euro57.6m, however its market cap. now stands at Euro21.3m, down 63% since the float, and 33% this year. alone. MBA's share price decline this year is pretty much in line with the fall in share price suffered by our UK-listed ITSAs, with our index showing a 35% drop to the end of November.



SBS Group - In line with analyst forecasts

AIM-listed IT staff agency (ITSA) **SBS Group** finished the year pretty much like many of the other agencies - nursing declines in revenues and especially profits. Turnover for the year to 31st Aug. 00 fell 13% to £46.4m, PBT almost vanished to £285k (an 87% drop) with similar effect on EPS, down to 2.1p. Taking out the effect of US telecom staffing agency ACI (acq. Oct. 99), 'organic' rev. fell 26% to £39.5m. The problems were in the UK (rev. down 28% to 20.5m - inc. £1.2m from their teacher supply business) and especially Continental Europe (rev. down 43% to £9.9m) both of which "did not recover as strongly as anticipated". Indeed, Continental Europe went into loss to the tune of £261K, but SBS obviously kept a tighter rein on UK expenses, as OP more than doubled to £975K! Star performer was North America which was "relatively unaffected by the millennium slowdown". Including ACI, US rev. more than doubled to £16m and OP rose 65% to £1.4m and now generates 35% of group turnover and 66% of group OP. SBS chairman sees continued turbulence in IT and telecoms staffing but "expects SBS to benefit from the anticipated recovery in our market over the next calendar year". SBS shares have dropped 31% to 90p, 10p below their Jun. 97 placing price and 56% down since the beginning of the year.

Comment: SBS' results were much in line with recent analyst forecasts so there hasn't been much movement in their share price. SBS now has some 28% of their contractor numbers (inc. ACI) in the telecoms sector, an area that has typically bucked the downward trend in IT staffing. Like telecoms staff specialist agency Glotel, the US is proving fertile ground for 'niche' agencies so it's good they are building up the business there. But it's going to remain tough and we think the "anticipated recovery" may not actually happen as 'quickly' and as strongly as they (and many others) might hope. By the way, with a market cap. now at £9m that puts them at a PSR of just 0.2!

Holway/System House SCS Share Prices and Capitalisation

	SCS Cat.	Share Price 30-Nov-00	Capitalisation 30-Nov-00	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 30-Nov-00	Share price move since 30-Oct-00	Share price % move in 2000	Capitalisation move since 30-Oct-00	Capitalisation move (Em) in 2000
Actinic	SP	£1.12	£137.2m	Loss	337.13	1377	-28.75%	37.65%	-£55.33m	£37.57m
AFA Systems	SP	£1.84	£42.5m	Loss	53.91	1533	-55.66%	-30.96%	-£53.37m	-£5.97m
AIT Group	CS	£11.35	£230.4m	96.1	16.00	7567	-33.63%	-24.83%	-£116.69m	-£76.09m
Alphameric	SP	£2.35	£239.7m	61.7	11.72	1078	-19.24%	59.86%	-£57.11m	£126.49m
Alterian	SP	£2.11	£82.5m	553.9	100.50	1053	-17.93%	5.25%	-£18.01m	£4.09m
Anite Group	CS	£1.62	£431.7m	41.0	3.03	947	-10.50%	19.56%	-£50.63m	£96.64m
Autonomy	SP	£24.00	£2,983.0m	Loss	296.39	733	-26.74%	-26.74%	-£1,088.81m	-£1,088.81m
Axon	SP	£6.85	£291.9m	74.9	15.34	3343	-25.00%	11.27%	-£97.31m	£2.80m
Azlan Group	R	£1.73	£165.3m	21.5	0.49	750	-7.51%	19.99%	-£14.96m	£30.90m
Baltimore Technologies	SP	£2.90	£1,470.0m	Loss	115.92	29744	-4.08%	-43.41%	-£1,205.75m	-£141.00m
Baron	SP	£0.98	£4.4m	Loss	1.74	975	-23.53%	-77.33%	-£1.35m	-£9.41m
Bond International	SP	£0.63	£8.9m	Loss	1.10	962	-3.85%	-14.97%	-£0.36m	-£1.57m
Bright Station	CS	£0.37	£64.0m	Loss	0.58	336	-35.21%	-69.34%	-£36.35m	-£76.93m
Business Systems	CS	£0.86	£69.7m	138.7	3.04	723	-29.22%	-27.73%	-£28.73m	-£30.33m
Cadcentre Group	SP	£5.05	£84.3m	23.2	3.43	2525	2.85%	56.35%	£2.31m	£30.71m
Capita Group	CS	£4.30	£2,798.7m	130.3	10.88	116238	-21.39%	14.16%	-£782.35m	£439.56m
Cedar Group	SP	£2.78	£213.1m	47.4	11.21	2643	-50.22%	-50.22%	-£193.92m	-£132.48m
Charteris	CS	£1.27	£44.0m	4.9	4.66	1406	40.56%	40.56%	£12.73m	£12.73m
Clinical Computing	SP	£0.30	£7.4m	25.9	2.99	238	-20.27%	-52.80%	-£1.88m	-£8.29m
CMG	CS	£8.80	£5,305.7m	65.2	11.30	24276	-22.87%	-22.74%	-£1,573.98m	-£527.31m
Comino	CS	£5.15	£70.0m	28.3	4.14	3962	-17.27%	-15.23%	-£14.60m	-£12.56m
Compass Software	SP	£1.88	£20.1m	62.8	13.63	1253	0.27%	25.33%	£0.12m	£4.15m
Compel Group	R	£1.18	£36.5m	3.4	0.17	940	-23.70%	-78.22%	-£11.37m	-£134.47m
Computacenter	R	£3.05	£557.5m	13.9	0.40	455	-20.78%	-70.02%	-£146.28m	-£1,267.47m
DCS Group	CS	£1.04	£25.1m	6.5	0.30	1725	-50.12%	-90.19%	-£230.23m	-£230.23m
Delcam	SP	£1.98	£11.7m	13.4	0.75	780	-1.25%	3.66%	£0.06m	£0.36m
Diagonal	CS	£2.03	£170.3m	33.0	3.20	2944	-26.36%	-46.36%	-£61.04m	-£134.74m
DRS Data & Research	SP	£0.14	£4.8m	19.8	0.76	127	-22.22%	-39.13%	-£1.39m	-£3.12m
Easyscreen	SP	£0.34	£15.1m	Loss	76.42	200	-81.37%	-89.68%	-£65.64m	-£130.54m
ECSoft	CS	£6.63	£77.5m	38.3	1.20	367	-4.33%	-41.37%	-£3.53m	-£45.73m
Edios	SP	£2.03	£208.7m	Loss	1.33	10146	-25.25%	-81.32%	-£77.40m	-£903.30m
Electronic Data Proc	SP	£0.63	£16.3m	12.7	2.36	1914	-33.86%	-33.40%	-£8.46m	-£82.26m
Epic	A	£3.47	£84.6m	209.0	26.66	3305	9.12%	320.61%	£2.54m	£65.44m
Eurolink	CS	£0.71	£7.5m	32.4	1.14	710	-13.41%	-41.80%	-£1.80m	-£5.12m
FI Group	CS	£2.88	£916.8m	35.5	5.31	7372	-43.90%	-62.54%	-£717.27m	-£844.16m
Financial Objects	SP	£39.55	£39.5m	28.3	2.33	452	-23.81%	-84.76%	-£12.31m	-£203.45m
Flomerics Group	SP	£6.00	£17.4m	22.2	2.64	4615	-24.29%	34.83%	-£5.55m	£5.42m
Focus	SP	£2.13	£53.4m	Loss	74.90	1090	-1.16%	8.97%	-£0.63m	£4.47m
Freemove	CS	£1.49	£1,507.0m	Loss	80.18	993	-3.87%	-74.75%	-£61.38m	-£4,435.97m
Gresham Computing	CS	£0.29	£13.1m	Loss	0.44	306	-2.56%	-53.66%	-£0.33m	-£13.93m
Guardian IT	CS	£9.45	£659.5m	86.7	13.18	3706	1.61%	-1.41%	£10.52m	£168.81m
Harvey Nash Group	A	£8.08	£235.7m	25.3	1.50	4614	4.19%	33.80%	£9.44m	£63.74m
Highams Systems Servs	A	£0.29	£5.6m	Loss	0.26	792	-16.18%	-49.56%	-£1.08m	-£5.12m
I S Solutions	CS	£1.93	£48.1m	50.2	4.70	7174	-13.48%	140.63%	-£7.48m	£28.93m
ICM Computer	CS	£2.38	£46.1m	15.4	1.15	1319	-19.49%	-70.40%	-£11.14m	-£106.44m
IDS Group	SP	£2.07	£118.7m	23.0	4.59	2294	-31.96%	-20.88%	-£54.20m	£75.18m
IE Group	SP	£0.50	£21.2m	Loss	6.66	532	-55.95%	-82.05%	-£26.89m	-£96.30m
Innovation Goup	SP	£7.90	£1,017.8m	Loss	250.54	3450	-20.80%	244.98%	-£33.24m	£776.34m
ISOPT Group	SP	£1.45	£162.5m	149.5	10.98	1318	-16.67%	31.82%	-£32.57m	£39.24m
ITNET	CS	£1.44	£100.9m	12.8	1.80	410	-57.16%	-78.97%	-£134.64m	-£378.91m
Jasmin	SP	£1.38	£6.5m	Loss	1.63	917	-3.16%	10.00%	-£0.40m	-£40.59m
Kalamazoo Computer	CS	£0.21	£8.8m	Loss	0.19	586	-28.07%	-82.25%	-£2.05m	-£40.70m
Kewill Systems	SP	£3.78	£286.5m	Loss	7.13	7431	-45.59%	-75.97%	-£249.97m	-£880.52m
Keystone	SP	£0.55	£23.3m	Loss	6.53	611	-25.68%	-44.16%	-£8.04m	-£7.50m
Knowledge Management	SP	£1.19	£124.3m	Loss	90.05	912	-34.71%	-8.85%	-£63.94m	-£10.50m
Knowledge Support	SP	£4.08	£300.7m	Loss	195.35	1852	-16.67%	85.23%	-£60.20m	£138.23m
Logica	CS	£14.01	£6,191.9m	129.7	9.91	19186	-26.26%	-12.27%	-£2,205.65m	-£164.13m
London Bridge Software	SP	£3.63	£615.1m	66.5	24.94	9063	-41.53%	-57.10%	-£436.59m	-£714.87m
Lorien	A	£0.78	£15.2m	Loss	0.11	775	-4.32%	-38.74%	-£0.69m	-£9.59m
Lynx Holdings	SP	£0.87	£135.1m	436.9	0.72	2163	-24.78%	-47.58%	-£44.55m	-£43.09m
Macro 4	SP	£7.85	£183.3m	20.7	5.03	3185	-16.04%	5.02%	-£31.20m	£16.00m
Manpower Software	SP	£0.34	£4.7m	Loss	3.27	351	-11.69%	-70.31%	-£0.62m	-£9.44m
MERANT	SP	£0.78	£115.7m	Loss	0.52	374	-1.27%	-80.77%	-£1.49m	-£465.04m
Microgen Holdings	CS	£2.98	£151.4m	52.2	5.81	1271	-16.78%	-55.43%	-£30.56m	-£188.36m
Misys	SP	£4.97	£2,862.1m	33.0	5.84	6183	-30.97%	-48.50%	-£1,277.40m	-£2,608.88m
KMT Computing	CS	£5.50	£66.6m	17.3	2.06	3274	-14.40%	-42.26%	-£11.20m	-£48.71m
Mondas	SP	£0.42	£8.3m	Loss	7.14	553	-14.43%	-61.75%	-£1.40m	-£5.40m
Morse	A	£4.00	£505.2m	22.2	1.44	1600	-30.74%	11.27%	-£224.19m	£65.47m
MSB International	A	£1.14	£22.1m	6.6	0.14	597	-13.36%	-59.82%	-£3.59m	-£34.49m
NetBenefit	CS	£1.35	£21.6m	Loss	8.09	675	-64.47%	-84.83%	-£39.20m	-£99.60m
Netstore	CS	£1.02	£89.7m	Loss	91.17	677	-28.27%	-32.33%	-£35.40m	-£42.91m
Nettec	CS	£0.56	£60.2m	Loss	25.36	233	-51.09%	-76.67%	-£61.51m	-£194.81m
Northgate	CS	£0.78	£217.5m	Loss	1.28	299	2.98%	154.92%	£6.31m	£146.61m
NSB Retail Systems	CS	£1.45	£340.7m	402.8	16.89	12609	-14.71%	-30.54%	-£18.67m	-£76.77m
Orbital Software	SP	£0.88	£39.3m	Loss	341.91	0	-39.66%	-39.66%	-£25.83m	-£25.83m
Orchestream	SP	£1.99	£242.3m	Loss	n/a	1073	-62.90%	7.30%	-£410.88m	£28.16m
Parity	A	£1.35	£207.1m	20.9	0.95	22500	-30.41%	-63.90%	-£90.52m	-£359.06m
Patsystems	SP	£0.79	£100.4m	10.2	221.59	738	-25.47%	-26.17%	-£34.34m	-£34.61m
Plant	SP	£1.15	£94.1m	40.7	7.19	4792	-1.71%	-31.14%	-£1.61m	-£29.81m
Polymaster	SP	£3.75	£58.9m	46.1	4.55	2650	-22.68%	-24.62%	-£17.20m	-£11.20m
Protherics	SP	£0.37	£62.9m	Loss	39.36	440	0.00%	0.00%	£0.00m	£3.00m
PSD	A	£8.75	£219.6m	15.4	4.18	3377	-17.28%	13.88%	-£55.77m	£42.93m
QSP	SP	£0.45	£40.0m	7.9	1.18	585	-33.08%	-70.69%	-£19.79m	-£36.58m
Quantica	A	£0.49	£19.2m	7.9	1.36	395	-21.60%	-6.67%	-£5.36m	-£1.35m
Rage Software	SP	£0.14	£45.4m	Loss	13.80	548	-21.92%	-75.64%	-£12.76m	-£115.08m
RDI	A	£1.92	£29.4m	22.7	1.25	2133	-5.88%	101.05%	£5.56m	£18.66m
Recognition Systems	SP	£2.32	£210.4m	Loss	30.74	3307	-20.58%	-33.67%	-£54.58m	-£106.79m
Retail Decisions	SP	£1.02	£139.7m	Loss	16.41	1378	-28.67%	37.84%	-£56.19m	£38.74m
RexOmni	A	£0.92	£6.0m	Loss	9.56	1089	-14.08%	-9.85%	-£1.00m	£0.04m
RM Group	SP	£5.35	£499.7m	67.7	3.26	15286	-26.21%	-37.61%	-£177.40m	-£289.17m
Rolle & Nolan	SP	£4.13	£58.1m	27.2	2.52	4911	1.23%	7.14%	£0.62m	£6.12m
Royalblue Group	SP	£9.45	£280.7m	60.9	11.22	5559	-37.00%	-9.79%	-£164.83m	-£26.21m
Sage Group	SP	£3.88	£4,915.6m	74.4	20.38	149231	-21.46%	-48.64%	-£1,343.02m	-£4,301.38m
SBS Group	A	£0.90	£8.2m	5.8	0.22	900	-30.77%	-56.10%	-£3.61m	-£9.81m
Science Systems	CS	£4.95	£124.7m	44.4	4.31	3837	-6.60%	36.18%	-£8.86m	£62.24m
SDL	CS	£3.32	£131.3m	Loss	10.93	2210	-7.27%	-18.35%	-£10.31m	-£51.11m
Sema Group	CS	£2.89	£1,773.3m	20.7	3.65	3535	-66.28%	-74.06%	-£3,377.16m	-£3,383.74m
ServicePower	SP	£0.73	£37.1m	11.4	1.49	725	-14.20%	-39.96%	-£9.13m	-£21.64m
Shenwood International	CS	£3.40	£45.1m	16.2	4.07	11327	-25.27%	-72.58%	-£46.93m	-£54.63m
Skillsgroup	CS	£1.19	£105.1m	11.6	0.49	534	7.21%	-60.47%	£7.05m	-£158.64m
Sopheon	SP	£2.53	£100.3m	Loss	107.79	3633	-38.41%	-22.90%	-£62.60m	-£4.83m
Spring	A	£0.81	£121.0m	Loss	0.22	894	37.61%	-32.79%	£33.05m	-£125.75m
Staffware	SP	£12.50	£170.0m	52.2	11.26	5556	-40.26%	53.85%	-£114.54m	£66.80m
StatPro	SP	£0.78	£22.9m	Loss	6.39	975	4.70%	-2.50%	£2.80m	£1.30m
Superscape VR	SP	£2.27	£82.5m	Loss	51.56	1144	-25.74%	-33.67%	-£28.54m	-£29.94m
SurfControl (was JSB)	SP	£7.38	£222.0m	Loss	62.67	3688	-59.31%	-28.05%	-£323.61m	-£36.31m
Synstar	CS	£0.82	£100.0m	12.6	0.42	373	9.82%	-73.09%	£8.95m	-£271.34m
Systems Integrated	SP	£0.37	£488.9m	27.5	3.57	317	-10.98%	-2.67%	£483.42m	£483.88m
Systems International	CS	£0.34	£11.5m	71.0	0.82	583	-18.29%	-54.73%	-£2.51m	-£13.81m
Systems Union (was Freemom)	CS	£0.52	£53.1m	Loss	85.30	396	0.00%	-84.15%	£1.99m	£2.68m
Telework	SP	£1.80	£324.9m	173.1	26.41</					

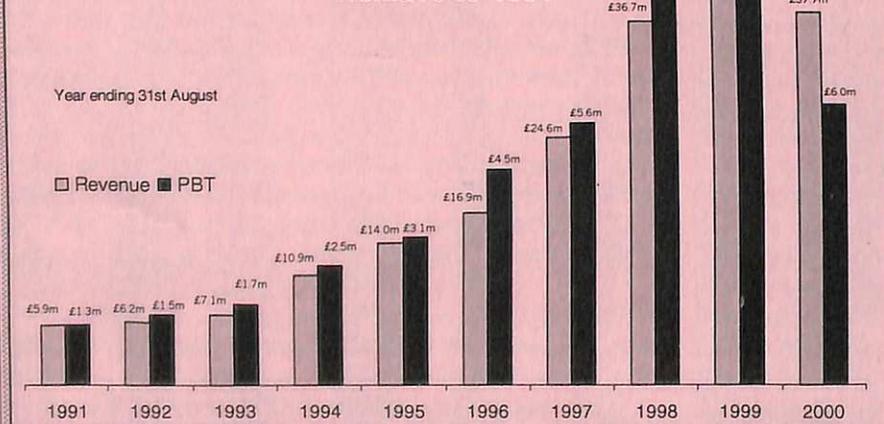
Buyer	Seller	Seller Description	Acquiring	Price	Comment
365 Corporation	Ringback Communications & RBC	Voice and data hardware	Assets	£570K	
Anite	Carus Ab	Finnish software development and IT consultancy services	100% of company	£5.3m	Consideration comprises an initial consideration of £300K plus a max earnout of £5m payable on profit targets to 30th Apr.03
Anite	Syzygy Solutions	Telecoms products company	100% of company	£3.7m	Initial consideration of £214K plus a max earnout of £3.5m payable on generation of licence revenue to 30/11/02
Bristol & West	Moneyextra		UK consumer internet business		Moneyextra will be renamed Exchange PS
Capita Group	Eastgate Group	Insurance industry outsourcing company	Outstanding 74% of company	£9.1m	The consideration is £1.1m in cash and the rest in shares. There is also a performance related element. Capita will assume Eastgates £26m debt. Capita bought a 20.5% stake in the company in April 99 for £27m.
Clipserv.com	Centz.com	News monitoring business - formally part of City Mutual	100% of company	£70K	Clipserv.com's first acquisition since joining AIM.
Cube8.com	Room Service (UK)	An at home restaurant ordering enabler - internet enabled	2.5% stake	£75K	Agreement to issue 2m new shares valued at £75K
Dimension Data	Com Tech Communications	Dimension Data's Australian Subsidiary	Outstanding 24% of company	£103m	Final purchase price subject to earn-out arrangements and conditional on Com Tech achieving future profit and margin targets
Dresdner Kleinwort Benson	Elderstreet Investments	Venture capitalist firm specialising in early stage tech.	100% of company	"8 figures" (FT)	Richard Holway is a general adviser to Elderstreet Investments
Harvey Nash	Impact Executives	PA Consulting's interim management business	100% of company	Unknown	
Invensys (through its sub. IMServ)	SEEBOARD		100% of Meterpoint Data Services	£37m	Meterpoint will now become known as IMServ Meterpoint. It has sales in excess of £30m.
Logica	National Grid		ESIS and EPFAL	£38m	Acquisition supports Logica's strategy in the energy and utilities sector.
MBA Michael Bailey Associates	Intelligent Solutions	IT and telecoms staff agency	"Goodwill & certain assets"	£60K	MBA has made the acquisition from the receiver! It is currently undertaking to finance current contractor wages bills of £1.125m. The acquisition "effectively doubles" the size of MBA's operations, and will
Moneyextra	Ingleby 1045	Holding company of Crisp Computing	100% of company	£29.4m	Moneyextra has decided to capitalise on the growing demand from financial institutions and intermediaries for its expertise in e-commerce and technical infrastructure solutions
Nettec	Node Telecoms Systems	An existing Nettec subsidiary	Outstanding shares	£815K	
NSB Retail Systems	STS	Canadian privately-owned retail s/w solutions business	100% of company	£272m	
Ovum	Richard Holway	Leading market analysis company specialising on the performance of the UK software and computing services (SCS) industry	100% of company	Not disclosed	Part cash, part shares
Patsystems	Exchange Network Systems		IPR	Unknown	Acquisition of the IPR to ENS, a matching, and clearing and settlement platform that underpins electronic trading activities
Protocol Venture Capital	Shift Interactive Communications	Rich media, intuitive applications for e-commerce	20% stake	Unknown	Protocol venture capital is a division of Dimension Data Holdings
Sema Group	Europa Management Consulting	Spanish consultancy - 200 employees, £10m turnover	100% of company	Unknown	Europa's turnover this year is expected to be £10m - the company has 200 employees. Principal activities are technology strategies, business re-engineering, benchmarking and operation rationalisation
The Innovation Group	InFront Solutions		18% interest	£2m	Payable in cash on completion. A working capital facility of up to £1.8m has been made available and can be requested to be converted into a max of 15% of InFront's share capital.
Torex	Pennine Medical Systems	Supplier of computer systems to GPs.	100% of company	£1.1m	Pennine had turnover of £1.1m for the year ended 31st Mar.00
Unknown	moneyextra.com	Moneyextra's UK B2C operation	100% of company	£26m	
WIRE (Wireless Intellectual Resources Exchange)	Willis	"World's third biggest insurance broker"	100% of company	Unknown	WIRE provides data and portal services to brokers, insurers, risk managers and lawyers



Talks with potential bidder fail

MMT Computing's results for the year ending 31st Aug. 00 show turnover down 8% from £41m to £37.7m. PBT also fell from £9.7m to £5.98m, a decrease of 38.4%, along with diluted EPS which fell from 52.2p to 32.2p. Commenting on the outlook for the company, Chairman, Mike Tilbrook, said, "It is proving extremely difficult to forecast with any great accuracy the timing and extent of recovery in trading conditions in our traditional marketplace. However, our growth record through the eighties and nineties is evidence both of the strength of our core business and our key people... it is management's belief that the restructuring and repositioning of MMT, along with the heavy investment in training, puts us in much better shape to benefit from an expected surge in demand in the e-commerce and client server areas."

MMT Computing plc PBT and Revenue Record Relative to 1991



Comment - Once upon a time, MMT Computing was the envy of all around for its >20% profit margins and its near 100% utilisation rates. Indeed in those golden days of 1998, MMT managed a 27% PBT margin. This year it has slumped to 16%. MMT is another bellweather for the industry. MMT reports its conventional business still facing

difficult trading conditions. But, recently acquired e-business service operation - Hypnosis - is performing "spectacularly well".
Footnote - MMT might have become history when it announced talks with a potential bidder. However, on 27th November, it abandoned those talks as an acceptable price could not be agreed. In today's volatile climate, sellers must be more realistic. Many ITSA's rue the day when they spurned highly priced bids in 1998 and now dream "if only". Might Tilbrook feel that way too in six months time? MMT's share price fell 14% to 550p this month.

Recent IPOs

Name	Activity	SCS or Dotcom	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Oct 00	Premium/Discount
Charteris	Business & IT management consultancy	SCS	SS	AIM	90p	£31.3m	01-Nov-00	127p	41%
Autonomy	Personalised system technology	SCS	SP	MAIN	3276p	£4,071.9m	03-Nov-00	2400p	-27%
Totalise	Internet Services	Dotcom	SS	AIM	21p	£17.9m	12-Nov-00	14p	-33%
Fastfill	Equity and Derivatives exchange s/w	SCS	SP	AIM	120p	£54.5m	14-Nov-00	93p	-23%

Forthcoming IPOs

Name	Activity	SCS or Dotcom Index	Index Class	Market	Issue Price	Est Mkt Cap.	IPO Date
Knowledge Technology Solutions	Developer of Streaming S/w	SCS	SP	AIM	5p	£3.8m	04-Dec-00
EBF Finance	Technology Investment	Dotcom	E-I	AIM	tbc	£25.0m	tbc
eDefined.com	Online Financial Services	Dotcom	C&M	AIM	tbc	£50m	tbc
e-go systems	Enterprise Service Provider	SCS	SS	MAIN	2p	£76.3m	tbc
I-documentsystems Group	Content & Info Management S/w	SCS	SP	AIM	tbc	£25.0m	tbc
IXEurope	Internet Server Accomodation	Dotcom	S&S	MAIN		£300.0m	tbc
Mission Testing	S/w Testing services & consultancy	SCS	SS	AIM	tbc	£40.0m	tbc
Phase8	Internet Services	Dotcom	SS	AIM	tbc	£20.0m	tbc
Popkin Software & Systems	Software & Systems	SCS	SP	MAIN	tbc	£70m	tbc
Realcall	Internet Solutions	Dotcom	S&S	MAIN	tbc		tbc
RiverSoft	IP Network Management Solution	SCS	SS	MAIN	tbc		tbc
STG Holdings	Hi-tech investment	SCS	O	AIM	200p	£61.2m	tbc
The Generics Group	Technology Consulting	SCS	SS	MAIN	165-230p	£213.0m	tbc

IPOs and share schemes in the news this month...

An interesting article appeared in the FT headlined "policies 'deter' tech. share schemes". Taylor Johnson Garrett, the City law firm has carried out a study with London Business School that shows half of listed British technology companies believe UK policies 'discourage' share schemes. However, 90% of listed US businesses viewed tax rules as 'satisfactory' or 'very encouraging'.

Although the belief that share schemes attract and retain technology staff was stronger in the UK, the size of employee stakes in floated UK technology companies was "less than half" that of the US. The Government have made some small concessions but it is likely to face pressure for a major overhaul of the tax rules.

At the moment, however, it may be the staff that need persuading that share schemes are an attractive option. When the newer e-business services companies began to emerge, one of the main attractions that lured employees away from the Traditional IT Services firms, was the share options available. But with the current volatility in stocks, this benefit began to be not quite so attractive. Calls to rebase share options are now common. Indeed these companies now face staff demands to be paid proper wages.

As readers know, we dislike share options anyway. We would rather see staff being able to buy shares (perhaps as "a right") at a significant (c50+%) discount. They should stump up real cash (or take out real loans). Any gain should be CGT free if the shares are kept for, say, two years. *But will they listen.....?*

Comino suffers too

Comino Group, the specialist software applications group of companies in the areas of social housing and electronic document management and workflow software products, has announced results for the six months to 30th Sep. 00. Turnover for the period was static at £8.45m, PBT was down slightly at £1.5m compared to £1.6m in the comparative six months, a decrease of 4% and EPS was also down slightly at 7.2p. Chairman, David Quysner, commented, "The Comino Group can deliver proven software solutions and is now able to provide the managed services associated with these. This allows customers to 'smartsources' key software and services but with the benefit of a higher level of integration to their core business". Share price is down 17% this month.



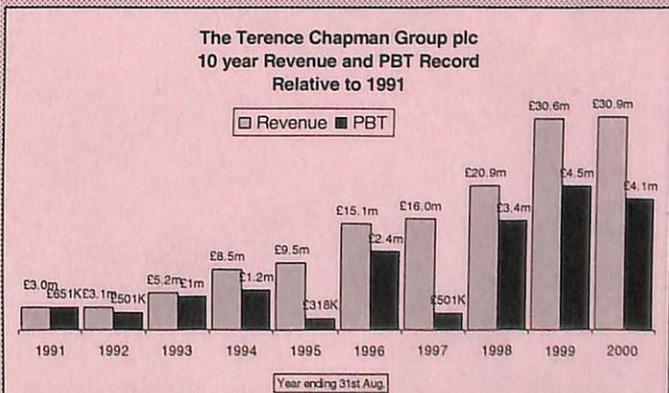
The Terence Chapman Group (TCG)

results for the year to 31st Aug. 00. show turnover of £30.9m, up only 1%, PBT decreased 8.9% to £4.1m, and EPS decreased from 5.45p to 4.66p. Chairman,

Sir Colin Southgate, commented, "TCA Consulting is well placed in a buoyant market and has begun the year strongly following record trading in the second half of the completed financial year. Accordingly the company is investing energetically in expanding TCA Consulting's capacity to meet anticipated demand levels. Growth in profits is expected to follow strong revenue growth."

Comment: TCG provides consultancy to the financial sector, in particular implementing e-business strategies, and integrating CRM solutions, and has developed the TAROT2000 suite of software for stockbroking and fund management. TCA Consulting generated 57% (£17.5m) of group revenue, but suffered an 11% decline this year. However recent improved demand from clients has led to higher utilisation rates - 68% in H2, and 74% in Q4. TCA Consulting's clients include ABN Amro (at £9m, their largest win to date), Bradford and Bingley and Deutsche Bank.

TCA Synergo (the TAROT2000 side of the business) enjoyed 18% revenue growth, and improved operating profit margin from 7% to 8%. The revenue mix is derived 19% from licence sales, 69% services and 12% maintenance. TAROT2000 is



used by Barclays Stockbrokers, Charles Schwab, and Halifax Share Dealing amongst others. With TAROT2000, Synergo has moved into the Managed ASP arena, partnering with CAP Gemini. The first ASP client is already live. Looking ahead, TCG continues to consider acquisitions as part of its growth strategy (to date all growth has been organic) and reports that the start to the FY01 is the best ever. The shares ended the month down 27% at 208p.



Richard Holway Limited acquired by Ovum

We made the news ourselves this month for once. On 23rd Nov. 00 we became a part of **Ovum**. UK, privately-owned Ovum is the world's largest technology analyst firm outside the US with revenues >£20m, c300 staff and making three-quarters of its revenues from outside the UK. It will have grown at c50% this year and makes decent profits. Indeed revenues of c£30m and profits between £3-4m are expected in 2001. Ovum is best known for its telco and products research, so the fit with our IT services and financially oriented research is perfect. There are other major synergies. We are both UK research companies, both share a quality ethic and both guard their independence and objectivity zealously. Those in the industry "in the know" have said it is the "perfect match". We too have grown by over 40% this year and our profitability is what all others dream about! We not only think our reputation is second to none but, in particular, believe that our calling of the markets in the last few years has been spot on even though most criticised our forecasts at the time.

But there comes a time (and we have said this before many times to other companies we have advised) when you have personally taken a company as far as you can. Ovum will allow us to extend our coverage geographically and into the financial analysis of the other areas that Ovum researches so well. Ovum will be able to realise the tremendous potential of the Holway operation that we have built and Ovum will provide the best career prospects for our highly respected team.

So what of Richard? Holway joins the main board of Ovum as an NED at a particularly exciting time in the run up to their IPO which could now happen as early as 2002. An indication of the likely valuation might come from **Datamonitor** which IPO'd in November valuing the technology research company at £116m. Datamonitor had 1999 revenues of £25m but losses of £2.5m. Holway remains as a consultant to the combined operation. So for all of you who might have breathed a sigh of relief at a major irritant in your life passing on...think on! Holway will now have *even more time* for the high level analysis he most enjoys now he's freed from the drudgery of dealing with the VAT man et al. Of course, you will all ask for the terms of the deal (can't really blame you as that's been our first question in reverse for the last 15 years!). But we really can't disclose that other than to say it's part cash, part shares and that Holway's wife can continue to afford the Tesco.com Internet shopping surcharge for which she has gained some notoriety in the last year!



Launch of SITSI Programme

We are delighted to announce the launch of our latest - 9th edition - **Software and IT Services Industry in Europe (SITSI) Programme** - a co-production with PAC Group. This is now the most exhaustive

and authoritative research programme available for the European SITSI market and its players. The programme is a co production between Richard Holway Limited and our partners in Europe the PAC Group - the acknowledged leading experts in Europe.

Over 70% of the major European players and many of the interested financial institutions are regular purchasers of the report. Therefore, to many, its scope and depth, as detailed in the attached brochure, need little introduction.

This year the delivery method has been altered at the request of our clients. SITSI is now available as an on-line, on-going information service via a dedicated website - www.SITSI.com. Not only is all information available to clients from any access point throughout the world, but the information is kept fully up to date. This is particularly important for the in-depth company profiles which are updated as significant news - like latest financials or major M&A activity - is announced.

But for those who just cannot do without the conventional "paper" copies, each year the most recent Country and Company profiles will be printed and made available in special binders.

SITSI has a high reputation for the accuracy of its forecasts and the depth of its research. If you are a player or investor in the European Software and IT Services scene, this programme is a **must** for you. The programme is available from NOW and your subscription will last for a full year.

See attached brochure and order form for more detail.

And finally..

Everyone at **Ovum Holway** would like wish you all a very **Happy Christmas and a Successful New Year**. We have decided NOT to send any corporate Christmas cards this year and instead every member of the team has decided on a charity to benefit from the cost and time saved.



Merry Christmas

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