

# System House

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

Volume 12

Number 8

Available by subscription only

ISSN 0967-2583

June 2001

## IBM takes UK top slot from EDS

IBM UK has finally overtaken long-time 'top dog' EDS to become the leading supplier of software and IT services to the UK market. IBM Global Services – and its operations in the UK – did particularly well for IBM in an otherwise pretty depressing market.

Indeed, its success looks set to continue with the winning, in May. 01, of a \$6bn, 7-10 year, outsourcing contract to manage Fiat's back-office computer systems. IBM bid against US competitor, EDS (at #2), for the contract, which is its biggest outsourcing deal in Europe to date. IBM UK has also won a \$2bn, 11-year outsourcing contract with NTL.

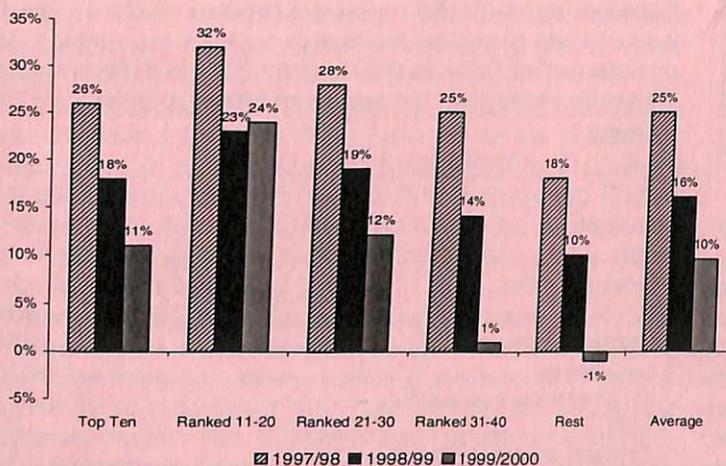
However, we should not take the limelight too far away from EDS UK, which saw record levels of contract wins in Q4 2000 – a very different picture to that painted in Q4 1999, when we reported on a demoralized EDS with management, and staff alike, leaving in droves to join the dot.com gold rush. Even ICL's (#3) revenue growth was above the UK market average of 9.5%. But this was due to Pathway revenues being counted for the first time. We expect ICL to have had a torrid time in its latest financial year.

The companies in the 2000 Top Ten UK SCS providers grew their revenues, on average, by 11% in 2000 and dominate the market having boosted their share from 28% in 1991 to nearly 45% in 2000. The Top 40 UK SCS providers grew their revenues by a slightly higher 13% and now represent 79% of the total. These growth rates are significantly lower than those reported in recent years.

Top Suppliers to UK SCS Market in 2000						
Rank	Company	Ownership	Financial Year end	Latest FY UK SCS	Previous FY UK SCS	Growth
1	IBM	US	31-Dec-00	£1,645m	£1,450m	13%
2	EDS	US	31-Dec-00	£1,560m	£1,400m	11%
3	ICL	J	31-Mar-00	£910m	£790m	15%
4	CAP GEMINI, ERNST & YOUNG	F	31-Dec-00	£825m	£785m	5%
5	CSC	US	31-Mar-00	£754m	£715m	5%
6	ACCENTURE	US	31-Dec-00	£743m	£625m	19%
7	PRICEWATERHOUSECOOPERS	US	30-Jun-00	£690m	£604m	14%
8	MICROSOFT	US	30-Jun-00	£620m	£540m	15%
9	SEMA	US/F	31-Dec-00	£587m	£521m	13%
10	ORACLE	US	31-May-00	£500m	£519m	-4%

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UK SCS Growth by Size of Company



Yet again this year, it was those ranked 11-20 which experienced the fastest growth at 24%. But showing a significantly lower growth of just 1% were those ranked 31-40. And the long "rump" of those ranked 41 to 1000+ actually saw average revenue DECLINE by 1%. These lower growth rates were attributable to a wide variety of companies e.g. **MSB International** down 23% (IT Staff Agency), **Perot Systems Europe** down 33% (software company) and **Bright Station** down 67% (IT Services). However, in recent years, the growth rates between the largest companies and the rest have narrowed. Although the largest companies continue to outperform the smaller companies - the differentials are somewhat closer. Indeed several of the Top Ten have growth well below the UK market average for 2000. **Cap Gemini** and **Computer Sciences Corp** both put in below average performances, and **Oracle UK** had a torrid year, being the only Top Ten player to show a decrease in revenues. The main reason is that none of the Top Ten suppliers has undertaken any major acquisitions in the last few years.

**Sema** did indeed undertake a "major" acquisition when they acquired **LHS** but it made little effect on overall revenues and had no effect on UK revenues. The effect on Sema's share price, and the effect it was to have on Sema's future (or lack of it) as an independent SCS company, was a different story.

Looking into our crystal ball, we predict that the picture will change somewhat over the next year, with some UK-owned international SITS players in our Top Twenty becoming acquisition targets. Although fine UK companies like **Sage**, **Misys**, **Logica** etc. might look invincible, their very strengths and qualities make them attractive candidates for (mainly US) companies with deep pockets looking to the longer term. A weakening of both the domestic market (and associated valuations) and a possible weakening of sterling could accelerate that trend.

The acquisition activity in 2000 suggests a post-Y2K move towards the acquisition of companies that can provide specific solutions, rather than pulling together systems or just supplying software. **Sema** has already succumbed to **Schlumberger** and as we write, **Syntegra** has been put up for sale as part of the debt reduction exercise by **BT**. In addition, the future of **CMG** as an independent company is in question as it is rumoured to be an acquisition target, and, although directors deny recent reports that **Microsoft** might buy **Sage**, there is still a whiff of logic in the speculation.

These are just some of the major findings from  
**The 2001 Holway Report**  
 published in June 01.  
 See order form or p12.

## Recognising there's a problem....

**Recognition Systems** announced interim results for the six months ending 31<sup>st</sup> Mar. 01. Turnover for the period was £6.5m, up 117% on the £3m reported in the comparative six months in 2000. LBT deepened, but only slightly, from £2.5m to £2.9m and diluted EPS deepened from 2.7p to 2.9p. Richard Livesey-Haworth, Chairman, commented on the outlook, "it is clear that 2001 will be a challenging year. We have high quality staff, an excellent customer base of 'blue-chip' household names and a market-leading product and service portfolio. This gives us tremendous confidence in the future".

Recognition Systems Group For six months ended 31st March 2001	Turnover £'000		
	2001	2000	Change
Licences	4,650	2,152	116%
Maintenance	641	152	322%
Services	1,254	717	75%
<b>TOTAL</b>	<b>6,545</b>	<b>3,021</b>	<b>117%</b>

Whilst the revenue increase looks impressive, this does include a \$5m (£3.3m) licence deal with US reseller partner Acxiom. The plan was that these licences would be resold to Acxiom clients. However Acxiom recently announced it had yet to sell any of these licences and is itself suffering from clients postponing projects. Recognition Systems is very dependant upon the US market. Including the Acxiom deal, 93% of revenue was generated in the US (excluding Acxiom 85%). The proportion attributed to the UK and Europe has fallen to just £380K (5%), from £1.5m (11%) for the comparable period.

The company derives the majority of its income from licence fees (71%), maintenance has increased both in revenue

Recognition Systems Group For six months ended 31st March 2001	Turnover £'000		
	2001	2000	Change
Europe (including UK)	380	1,550	-75.5%
United States of America	6,106	1,036	489.4%
Rest of World	59	435	
<b>TOTAL</b>	<b>6,545</b>	<b>3,021</b>	<b>116.7%</b>

and proportion to 10% from 5%

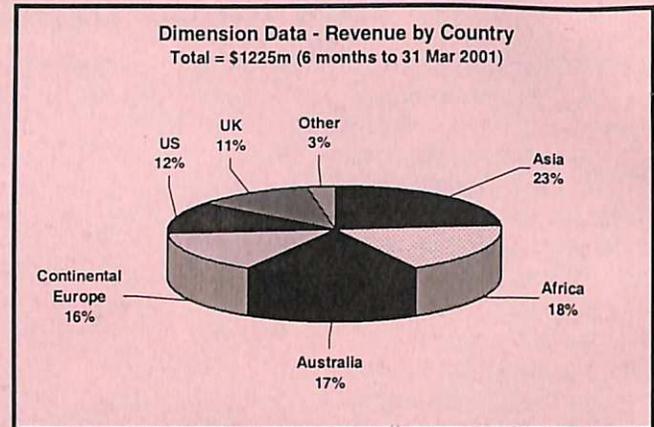
It is essential that Recognition Systems makes a big splash in the US market if the company wants to succeed on a global basis, but its reliance upon the US for over 80% of its revenue makes it very susceptible in the US downturn. Furthermore, CRM solutions can be one of the first projects to be scrapped in cash strapped organisations. In its interim results the company has stated that "visibility of revenue is harder to predict in the short term". However with £10.7m of cash resources, it certainly isn't time to turn off the lights yet.

## Orchestream *Music to our ears!*

**Orchestream**, the newly floated (Jun. 00) internet software group, announced Q1 results to 31<sup>st</sup> Mar. 01 showing a 98% rise in revenues to £2.2m (from the previous quarter) leading to a 12.9% increase in its share price to 131p on the day. LBT was £2.2m, which was less than the market had expected. New customers included Telstra, Torch Telecom and Teleglobe. Ashley Ward, Chief Executive, commented, "I remain confident that we will continue to make good progress in delivering the full potential that Orchestream undoubtedly offers". The share price ended the month up 9.6% at 148p.

## DiData "confident" despite supplier profit warnings

Just a few days after they clutched **Proxicom** from the jaws of **Compaq**, and a few days before the acquisition of **Colorado Computer Training Institute**, **Dimension Data** - the acquisitive, FTSE100 listed, South African based networking products and services group - announced interim results to 31<sup>st</sup> Mar. 01. Turnover rose 50% to \$1,225m (continuing ops grew 43%), but a PBT of \$24.5m is now a LBT of \$40.1m due to c\$277m of goodwill amortisation. Pre-goodwill operating profit rose 38% to \$120m. Loss Per Share deepened from 2.8p to 8.1p. Despite



the recent profits warnings by **Cisco** (DiData is their largest reseller outside of the US), Exec Chairman Jeremy Ord believes: "that the Group's prospects and pipeline for the majority of our business going into the second half of the year, remain sound".

**Comment:** Like **Azlan** (see page 6) DiData has built a great business on the internetworking boom, but their shares took a dive last month when Cisco issued a profits warning. It's hard to split out how much 'real' services DiData does, but if you go by Azlan's business model, 10% is not a bad guess, which gave them a SCSI rev. of c£130m based on Sep. 00 FY results. **Proxicom** (acq. for \$448m) will boost services revenue - which is just as well given the dubious outlook for the networking products market. DiData's shares gained 7% to 310p following the results and finished the month up further at 329p.

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## Disappointing results for Ultima

Ultima Networks has announced results for the year to 31st Dec. 00, which it says, were "disappointing and fell short of the Board's expectations, particularly in the second half of the year". Revenue was down 45% at £6.95m, LBT deepened from £783K to £865K (excluding an "exceptional

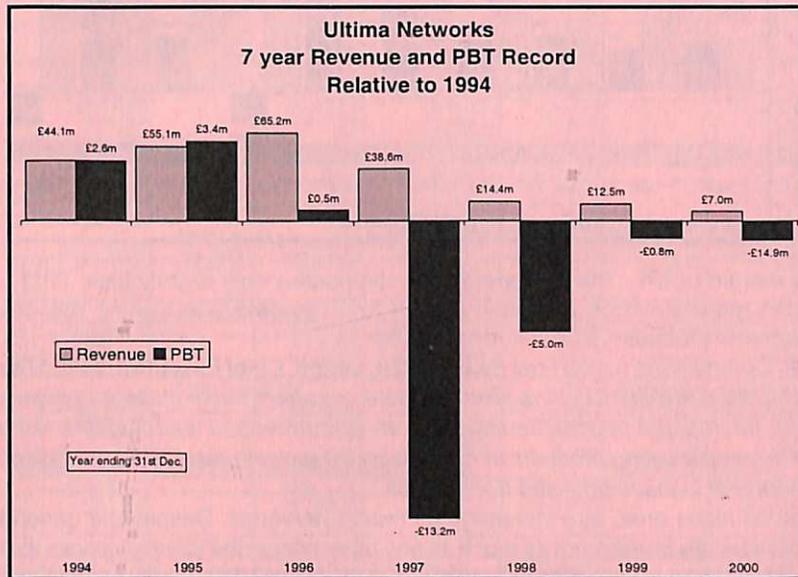
more efficient use of existing resources".

**Comment:** Both the networking division and the software division had a poor year. Sales in the former were down 45% resulting in an operating loss of £960K (compared to an operating profit of £170K in FY99) - the all too familiar explanation given was the "anticipated upturn in IT expenditure following the millennium failed to materialise". Sales in the software division also declined, down 38% to £1.1m. But the "good news" was that the division managed an improvement in margins and a reduction in overheads, resulting in an operating loss of £140K compared to £260K in FY99.

The board has undertaken a strategic review, the outcome of which is to reduce overheads, estimated at £0.4m on an annualised basis, and to sell off SilCom, the cable TV products (currently part of the networking division). By focusing on its core networking services business (solutions based around internet services and network security using ADSL technology) and Voice Over IP products, Ultima hopes to return to profitability.

However, investors seem anything but confident in the company's ability to turn things around,

as illustrated by the disastrous performance of its share price. Indeed it has been the worst performing UK SCS share for the past three years. From Apr. 00 to Apr. 01, it lost an incredible 99% of its value, falling from 273p to just 4p. Following the results, its share price stands down another 9% at at 3p at the end of the month.



credit" to the P&L from the reduction in the "onerous lease commitments" of £0.88m), and Loss Per Share went from 0.44p to 0.45p. Commenting on the results, Humayun A Mughal, said: "The UK Networking Services business is now seen as the Group's core activity with enormous potential for the future. Steps have already been taken to streamline and restructure the business in order to make



### A period of transition

**Intercede Group**, a "producer of security management software for computers, networks and software applications", has announced preliminary results for the year ended 31st Mar. 01. Intercede was the first company to list on AIM in 2001. Turnover for the period was £2.01m; up threefold from the £703K reported for the year ending 31st Mar. 00. LBT deepened from £867K to £1.12m and diluted loss per share deepened from 7.4p to 8.8p. Richard Parris, Chairman and CE, commented "we are now very well positioned to seize the opportunities on the global markets for IT security".

**Comment** - During the reporting period, Intercede not only floated on AIM, it also completed a transition from a "security systems integrator to a becoming a producer of its own security technology", and has broadened its Edifice software suite. This transition has resulted in a thirteen-fold increase in revenue from software sales (sales of its own software are now £0.6m) but has also meant an increase in investment in R&D from £0.2m a year ago to £0.4m, and a restructuring of the company. The number of staff, mainly in software development and sales, has doubled. The Group's next challenge is to increase the proportion of revenue from its own software sales, and associated support and maintenance, from its current 30% to in excess of 80% "over time". The company continues to grow and has plans for international expansion using funds from its IPO to do so. Progress over the past year has been good. If any area of e-business services is essential to companies, it is security. However, the company has quite a long way to go before it achieves financial stability. The share price remains largely unchanged at 85p.



### Extremely disappointing results

**MMT** has announced "extremely disappointing" interim results to 28th Feb. 01. Turnover was virtually static at £16.8m, PBT declined 45% to £1.1m despite a £1.2m profit on the sale asset investments, and EPS fell from 10.5p to 4.8p. Commenting on the results, Paul Marks, MD, said: "The group is focusing on developing the business in its areas of traditional core strengths and clearly profitable activities whilst keeping close control of costs and risks...whilst the second half of the year is likely to prove difficult...with the new management team in place we are confident of restoring the group to the traditional levels of profitability".

**Comment:** The new management team comprises Paul Marks (previously MD of MMT's Management Consultancy operation) who replaces Tony Grellier as MD (Grellier has stepped down from the board and leaves employment with MMT end of Aug. 01), Nick Buckley Sharp, FD, is leaving end of July and a successor is close to be secured, and Andy Beasley, MS of the Energy Group, is also leaving. The results were not particularly surprising, having been preceded by a trading statement in April. But with margin erosion on its T&M activities in its Business Solutions Division (the largest division), and "no signs at present of recovery in (this) market" for its agency business, Summers, the new team will have its work cut out in H2. Mike Tilbrook, Chairman, concluded that costs had been allowed to increase in an "unacceptable fashion", but believes that the new team will be able to move the company back towards historic levels of profitability and "industry-leading margins". We have long expected MMT to be acquired. These results merely go to support that. Despite this, the market was kind to MMT on the day of the results but they finished the month down 26% at 216p.



## Well placed to grow

Rolfe & Nolan's revenue for the year to 28<sup>th</sup> Feb. 01 grew by 12% to £25.6m (2000: £22.9m). After exceptional items, which included writing off £1.2m of investment in the Equity24 venture and £1.0m of goodwill, the company made a pre-tax loss of £1.0m, giving a diluted loss per share of 7.5p. The company's performance was patchy, with profits and revenue growth in the US offset by losses in Asia, even though turnover in that region almost doubled. Europe is by far the company's biggest market, with revenue of £15.8m representing a 4% increase on the previous year. The US, at £8.3m, grew by 22% and Asian revenue grew by 77% to £1.5m. However, profitability was more mixed. Rolfe & Nolan's European operations contributed £860k to operating profit, a margin of 5%. The US operations contributed only slightly less, £817k, representing a 10% operating margin. Rolfe & Nolan made an £85k operating loss in Asia, as delays in signing licences disrupted the company's plans for **Contact**, the Singaporean company it acquired in Jan. 00. Recurring revenues accounted for £15.8m of the total. Commenting on the final results, John Lodge, Chief Executive, said, "The period under review has been impacted by economic trends and market factors. Demand continues from major global investment banks to address control of their operational risk from futures and options trading... As an acknowledged leader in this niche industry, coupled with our continuing commitment to develop existing products and services, we are well placed to benefit from the opportunities emanating from the changing environment in the middle and front offices."

**Comment:** Rolfe & Nolan has continued to focus on its niche area, and increased its repeat revenues. Despite the general economic downturn in the US, which threatens financial services investment as much as any other sector, the company looks well placed to grow. The Equity24 venture looked like a waste of time and money at the time. AND WE SAID SO - both in public and face-to-face with John Lodge. So, with the current market turbulence and the collapse of dot.coms which has reduced the attraction of business-to-consumer websites, the company is right to belatedly abandon this and write off the investment.

**Acquisition Boosts MBA's Performance**  
**Michael Bailey Associates (MBA)**, the EASDAQ listed IT staff agency, released results for the six months ending 28<sup>th</sup> Feb. 01. Turnover was up 101% to Euro 51.4m, compared to the same period last year, PBT was up 2% to Euro 2.4m, and EPS moved up from 0.44 to 0.45. Commenting on the results, CEO Michael Garlick said: "Current trading remains positive throughout the group though the dramatic growth experienced by the telecomms side of the business has slowed substantially....I expect our solid track record of trading and profitability to continue for the rest of 2001".

**Comment -** MBA's purchase of the ironically named **Intelligent Solutions** from the receiver in Oct. 00 was an astute move. In return for £60K and an undertaking to finance the contractor wages bill of £1.1m, MBA picked up c400 contractors, and some useful additional revenue!  
 Without the acquisition MBA's results would have made less impressive reading. Indeed turnover from continuing ops actually declined 9%, and operating profit from cont. ops declined 25%. However we note that MBA is not in any hurry to amortise goodwill from the acquisition, choosing to write it off over 20 years.  
 Garlick's comment about the slow down in the supply of staff to the telecomms industry is in tune with what many of the other ITSAs have been reporting. But with operations spread across Europe, and a permanent recruitment practice in addition to the contractor side, MBA has hopefully insulated itself from the worst of the downturn in the UK contractor scene.

## Outsourcing gives a boost to CSC UK

US services giant **Computer Sciences (CSC)** managed a 12% increase in revenues to \$10.5bn in the year to 30<sup>th</sup> Mar. 01, but pre-tax earnings almost halved to \$330m. The problems, according to CEO Van Honeycutt, were manifold, including downturn in consulting & SI (esp. N. America), shortfall in healthcare s/w sales, "profit pressure" on a couple of major outsourcing deals and some fixed price projects and discontinued projects and bad debts from "former internet-related clients". These resulted in a \$138m charge inc. \$69m in severance pay. Rev. in Europe only grew 3% to \$2.6bn though outsourcing was strong in UK & Scandinavia. Indeed, CSC UK saw rev. grow 10% to £840m on the back of several new outsourcing deals signed last year, inc. BAE Systems, Whitbread, Marconi, et al. CSC UK management are also "very pleased" with profit - it's getting better, and they are striving towards the 'magic' 10% mark.

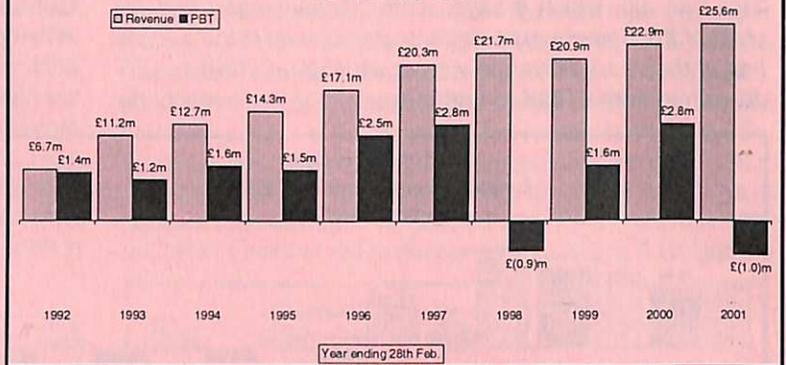
**Comment:** Like all the other 'majors', CSC's project work suffered last year, though not as badly as some. CSC UK's consulting & SI rev. dropped 1% but this was more than compensated by a 1% increase in outsourcing rev. which now makes up over 85% (ie c£715m) of the total, although this includes a fair amount of 'built in' project work. CSC UK 'signed' some £2.2bn of new business in the past year, much of it 'native' to the UK. Of course they still get a hefty 'push' from global business (JP Morgan, DuPont, Nortel, etc) signed in the US, which is what being global is all about. With a pipeline like that, CSC UK looks in much better shape than the rest of Europe.

## Orbital Software Holdings

**Orbital Software Holdings**, the provider of e-business solutions, announced its results for the year to 31<sup>st</sup> Mar. 01. Turnover was up 450% to £1.1m but losses deepened to £5.9m (£2.3m) and Loss Per Share of 0.27p. Commenting on the results, Ian Ritchie, non-exec Chairman of Orbital said: "Looking forward we expect the first two quarters of the new financial year to be slower than expected however corrective action has already been put into place by the board".

**Comment -** Whilst the losses were in line with expectations, Orbital's management has clearly been distracted by the failed merger discussions with **Knowledge Management Software** and a unnamed US company, both of which were called off in Mar. Orbital admits that talks took up "a substantial amount of management time (and) also created a certain amount of uncertainty amongst some customers and staff". If you paid the IPO price of 145p back in Oct. the price now - 60.5p (down a further 18.2%) - will really hurt. Investors can take some comfort from the fact that Orbital still has £17m cash to hand, slightly more than raised from the listing, and presumably sufficient to see it through to profitability. Share price is down 14% this month at 48p.

Rolfe & Nolan plc  
 10 year Revenue and PBT Record  
 Relative to 1991



**Quoted Companies - Results Service**

Note: Highlighted Names indicate results announced this month.

Actinic plc				Delcam plc				Knowledge Management Software plc						
REV	Find - Sep 99	Int 9 mos Jun 00	Find - Sep 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	Interim - Dec 99	Find - Jun 00	Interim - Dec 00	Comps on		
\$57,1000	\$1437,000	\$2,048,000	\$2,048,000	+258.7%	\$5,774,254	\$7,011,059	\$7,011,059	+7.8%	\$53,078	\$2,949,866	\$2,949,866	+521.4%		
PBT	-\$775,000	-\$2,599,000	-\$3,508,000	Loss both	\$1,042,075	\$1,642,845	\$1,642,845	+57.7%	-\$85,459	-\$3,078,772	-\$5,773,764	Loss both		
EPS	-0.866	-2.250	-3.416	Loss both	13.200	24.000	24.000	+48.5%	-1.170	-5.400	-5.530	Loss both		
AFA Systems plc				Diagonal plc				Knowledge Support Systems Group plc						
REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Find - Nov 99	Find - Nov 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on			
\$1,779,000	\$4,291,000	\$4,291,000	+141.2%	\$7,276,000	\$82,735,000	\$82,735,000	+4.3%	\$1,838,025	\$2,803,736	\$2,803,736	+52.5%			
PBT	-\$581,000	-\$2,609,000	Loss both	\$8,844,000	\$4,000,000	\$4,000,000	-40.9%	-\$83,497	-\$2,116,580	-\$2,116,580	Loss both			
EPS	-3.400	-11.900	Loss both	7.520	3.300	3.300	-56.7%	-0.100	-3.000	-3.000	Loss both			
AIT Group plc				Easyscreen plc				Logica plc						
REV	Interim - Sep 99	Find - Mar 00	Interim - Sep 00	Comps on	REV	Interim - Sep 99	Find - Mar 00	Interim - Sep 00	Comps on	REV	Interim - Dec 99	Find - Jun 00	Interim - Dec 00	Comps on
\$9,765,000	\$21,693,000	\$14,218,000	\$14,218,000	+45.5%	\$335,957	\$1,056,519	\$969,022	+24.5%	\$403,000,000	\$847,400,000	\$505,000,000	\$505,000,000	+23.3%	
PBT	\$15,300,000	\$3,610,000	\$2,003,000	+30.9%	-\$453,525	-\$3,425,999	-\$3,767,777	Loss both	\$35,000,000	\$98,100,000	\$57,900,000	\$57,900,000	+65.0%	
EPS	5.050	1.180	0.640	+28.5%	-1.230	-9.290	-8.230	Loss both	5.400	17.500	9.700	9.700	+68.5%	
Alphamerica plc				ECsoft Group plc				London Bridge Software Holdings plc						
REV	Find - Nov 99	Find - Nov 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on			
\$25,330,000	\$2,078,000	\$54,408,000	\$54,408,000	+14.8%	\$67,304,000	\$73,204,000	+8.8%	\$42,85,000	\$56,702,000	\$56,702,000	+34.5%			
PBT	\$3,050,000	\$3,891,000	\$3,891,000	+27.6%	\$3,416,000	\$1,370,000	-59.9%	\$7,072,000	\$4,662,000	\$4,662,000	-34.3%			
EPS	3.620	4.690	4.690	+45.9%	17.300	6.400	-4.800	3.800	18.500	18.500	-1.8%			
Alterian plc				Eidos plc				Lorien plc						
REV	Find - Mar 00	Find - Mar 01	Comps on	REV	Find - Mar 00	Find - Mar 01	Comps on	REV	Find - Nov 99	Find - Nov 00	Comps on			
\$1,011,140	\$2,078,000	\$2,078,000	+105.5%	\$203,265,000	\$52,867,000	\$52,867,000	-24.8%	\$138,817,000	\$115,888,000	\$115,888,000	-9.6%			
PBT	\$3,905	-\$3,592,000	Profit to loss	\$49,275,000	-\$96,358,000	-\$96,358,000	Profit to loss	-\$16,490,000	-\$2,718,000	-\$2,718,000	Loss both			
EPS	0.180	-10.710	Profit to loss	22.800	-93.900	-93.900	Profit to loss	-8.500	-12.100	-12.100	Loss both			
Anite Group plc				Electronic Data Processing plc				Lynx Group plc						
REV	Interim - Oct 99	Find - Apr 00	Interim - Oct 00	Comps on	REV	Interim - Mar 00	Find - Sep 00	Interim - Mar 01	Comps on	REV	Interim - Mar 00	Find - Sep 00	Interim - Mar 01	Comps on
\$83,930,000	\$58,976,000	\$85,665,000	\$85,665,000	+2.1%	\$4,529,000	\$8,353,000	\$5,107,000	+2.8%	\$110,18,000	\$250,482,000	\$413,060,000	\$413,060,000	+27.3%	
PBT	\$4,690,000	\$7,171,000	\$3,041,000	-35.2%	\$1,004,000	\$1,115,000	-\$360,000	Profit to loss	\$17,899,000	\$6,106,000	-\$6,792,000	Profit to loss		
EPS	1000	1300	0.200	-80.0%	2.560	2.720	-1.380	Profit to loss	0.980	19.800	-4.380	Profit to loss		
Autonomy Corporation plc				Epic Group plc				MMT Computing plc						
REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Interim - Nov 99	Find - May 00	Interim - Nov 00	Comps on	REV	Interim - Feb 00	Find - Aug 00	Interim - Feb 01	Comps on	
\$6,510,000	\$45,18,620	\$45,18,620	+173.3%	\$1,904,000	\$4,398,000	\$3,712,000	+95.0%	\$6,817,000	\$37,734,000	\$6,858,000	\$6,858,000	+0.2%		
PBT	-\$678,000	\$14,270,344	Loss to profit	\$216,000	\$765,000	\$567,000	+162.5%	\$2,016,000	\$5,976,000	\$1,016,000	\$1,016,000	-45.1%		
EPS	-2.800	8.000	Loss to profit	0.850	3.720	2.770	+155.3%	10.500	32.200	4.800	4.800	-54.3%		
Axon Group plc				Eurolink Managed Services plc				Macro 4 plc						
REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Interim - Sep 99	Find - Mar 00	Interim - Sep 00	Comps on	REV	Interim - Dec 99	Find - Jun 00	Interim - Dec 00	Comps on	
\$25,378,000	\$42,737,000	\$42,737,000	+65.4%	\$4,069,000	\$7,596,000	\$4,027,000	-1.0%	\$17,086,000	\$38,671,000	\$21,952,000	\$21,952,000	+28.5%		
PBT	\$4,560,000	\$7,174,000	\$7,174,000	+57.3%	\$1,280	\$340,000	\$173,000	+8.5%	\$4,751,000	\$3,110,000	\$1,554,000	\$1,554,000	-67.3%	
EPS	5.700	8.600	8.600	+50.9%	1.280	2.800	1.160	-9.4%	15.300	33.200	10.000	10.000	-93.5%	
Azlan Group plc				Financial Objects plc				Manpower Software plc						
REV	Find - Mar 00	Find - Mar 01	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Interim - Nov 99	Find - May 00	Interim - Nov 00	Comps on		
\$4,060,000	\$5,916,000	\$5,916,000	+44.1%	\$22,301,000	\$8,369,000	\$8,369,000	-17.6%	\$7,473,363	\$1,611,619	\$1,089,619	\$1,089,619	+5.8%		
PBT	\$9,258,000	\$6,12,000	+7.2%	\$4,656,000	-\$887,000	-\$887,000	Profit to loss	-\$1,770,274	-\$2,790,867	-\$4,944,448	-\$4,944,448	Loss both		
EPS	5.500	0.200	+72.9%	8.870	-2.610	-2.610	Profit to loss	-2.150	-27.300	-37.400	-37.400	Loss both		
Baltimore Technologies plc				Flomerics Group plc				MERANT plc						
REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Interim - Oct 99	Find - Apr 00	Interim - Oct 00	Comps on		
\$23,272,000	\$74,224,000	\$74,224,000	+218.9%	\$8,13,000	\$11,763,000	\$11,763,000	+35.0%	\$12,351,000	\$22,283,000	\$9,911,000	\$9,911,000	-18.7%		
PBT	-\$135,100	-\$94,85,000	Loss both	\$807,000	\$1,82,000	\$1,82,000	+46.5%	\$5,05,000	-\$35,369,000	-\$7,310,000	-\$7,310,000	Profit to loss		
EPS	-12.200	-23.100	Loss both	3.720	6.000	6.000	+61.3%	0.020	-24.900	-0.050	-0.050	Profit to loss		
Baron Corporation plc				Focus Solutions Group plc				Microgen plc						
REV	Interim - Feb 00	9/4/99 - Aug 00	Interim - Feb 01	Comps on	REV	Interim - Sep 99	Find - Mar 00	Interim - Sep 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	
\$1,392,585	\$3,294,936	\$7,222,493	\$7,222,493	+48.1%	\$238,000	\$721,000	\$828,000	+247.9%	\$3,134,000	\$25,344,000	\$25,344,000	+9.1%		
PBT	-\$127,831	-\$489,490	-\$1,159,826	Loss both	-\$504,000	-\$1,039,000	-\$1,224,000	Loss both	\$210,000	-\$3,086,000	-\$3,086,000	Profit to loss		
EPS	-3.700	-16.000	-25.300	Loss both	-2.700	-5.600	-6.200	Loss both	5.700	-5.200	-5.200	Profit to loss		
Bond International Software plc				Gresham Computing plc				Misys plc						
REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Find - Oct 99	Find - Oct 00	Comps on	REV	Interim - Nov 99	Find - May 00	Interim - Nov 00	Comps on		
\$8,457,169	\$9,376,878	\$9,376,878	+10.9%	\$30,350,000	\$23,325,000	\$23,325,000	-23.1%	\$344,500,000	\$7,086,000	\$419,000,000	\$419,000,000	+9.9%		
PBT	-\$789,085	\$1,031,979	Loss to profit	-\$864,000	-\$4,273,000	-\$4,273,000	Loss both	\$48,300,000	\$13,600,000	\$37,400,000	\$37,400,000	-22.6%		
EPS	-4.810	5.020	Loss to profit	-2.290	-9.380	-9.380	Loss both	6.000	14.200	4.700	4.700	-21.7%		
Bright Station Plc				Guardian IT plc				Mondas plc						
REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Interim - Oct 99	Find - Apr 00	Interim - Oct 00	Comps on		
\$17,445,000	\$57,642,000	\$57,642,000	+70.0%	\$49,245,000	\$86,397,000	\$86,397,000	+75.4%	\$54,678	\$1,358,811	\$88,126.3	\$88,126.3	+37.3%		
PBT	-\$3,650,000	-\$128,944,000	Loss both	\$7,048,000	\$3,857,000	\$3,857,000	-45.3%	-\$390,090	-\$857,573	-\$466,426	-\$466,426	Loss both		
EPS	-3.400	-77.500	Loss both	10.300	13.700	13.700	-33.0%	-3.100	-8.800	-3.400	-3.400	Loss both		
Business Systems Group Holdings plc				Harvey Nash Group plc				Morse Holdings plc						
REV	Find - Jun 99	Interim - Sep 00	9 months to Mar 00	Comps on	REV	Find - Jan 00	Find - Jan 01	Comps on	REV	Interim - Dec 99	Find - Jun 00	Interim - Dec 00	Comps on	
\$32,386,000	\$17,602,000	\$25,000,000	Not comparable	Not comparable	\$150,998,000	\$226,249,000	\$226,249,000	+49.8%	\$203,703,000	\$506,316,000	\$307,986,000	\$307,986,000	+51.2%	
PBT	\$750,000	-\$145,000	Not comparable	Not comparable	\$119,744,000	\$12,971,000	\$12,971,000	+8.3%	\$10,427,000	\$22,970,000	\$18,804,000	\$18,804,000	+32.4%	
EPS	0.620	-0.260	Not comparable	Not comparable	27.400	24.830	24.830	+10.9%	4.300	10.700	6.300	6.300	+46.5%	
Cadcentre Group plc				Highams Systems Services Group plc				MSB International plc						
REV	Find - Mar 00	Find - Mar 01	Comps on	REV	Interim - Sep 99	Find - Mar 00	Interim - Sep 00	Comps on	REV	Find - Jan 00	Find - Jan 01	Comps on		
\$23,889,000	\$28,100,000	\$28,100,000	+17.6%	\$14,967,000	\$26,863,817	\$17,262,000	-3.14%	\$184,936,000	\$157,760,000	\$157,760,000	\$157,760,000	-4.7%		
PBT	\$4,338,000	\$5,225,000	+20.4%	\$2,000	-\$308,504	-\$174,400	Profit to loss	\$4,956,000	\$2,584,000	\$2,584,000	\$2,584,000	-47.9%		
EPS	17.400	20.390	+17.2%	-0.080	-3.580	-8.990	Loss both	17.300	7.500	7.500	7.500	-56.8%		
Capita Group plc				ICM Computer Group plc				NetBenefit plc						
REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Interim - Dec 99	Find - Jun 00	Interim - Dec 00	Comps on	REV	Find - Jan 00	Find - Jan 01	Comps on		
\$327,899,000	\$453,348,000	\$453,348,000	+38.6%	\$22,328,000	\$49,535,000	\$31,520,000	+41.2%	\$1,969,751	\$7,520,000	\$7,520,000	\$7,520,000	+28.8%		
PBT	\$32,148,000	\$39,974,000	+24.3%	\$1,773,000	\$4,513,000	\$2,035,000	+14.8%	\$279,851	-\$49,150	-\$49,150	-\$49,150	Profit to loss		
EPS	3.290	3.750	+14.0%	7.000	15.400	6.000	+14.3%	0.020	-0.320	-0.320	-0.320	Profit to loss		
Cedar Group plc				IDS Group plc				Netstore plc						
REV	Interim - Sep 99	Find - Mar 00	Interim - Sep 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Interim - Dec 99	Find - Jun 00	Interim - Dec 00	Comps on	
\$1,168,000	\$36,314,000	\$23,367,000	\$23,367,000	+99.9%	\$13,014,000	\$2,509,000	\$2,509,000	-8.1%	\$546,430	\$1,372,632	\$1,372,632	\$1,372,632	+10.9%	
PBT	\$55,000	\$4,829,000	-\$852,000	Profit to loss	\$1,125,000	-\$28,596,000	-\$28,596,000	Profit to loss	-\$1,113,200	-\$4,894,738	-\$5,425,820	-\$5,425,820	Loss both	
EPS	0.000	4.200	-2.100	Profit to loss	6.500	-18.740	-18.740	Profit to loss	-2.040	-7.570	-8.300	-8.300	Loss both	
Charteris Plc				Innovations Group plc				Nettec plc						
REV	Interim - Jan 00	Find - Jul 00	Interim - Jan 01	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on	REV	Find - Dec 99	Find - Dec 00	Comps on		
\$3,408,000	\$6,716,000	\$4,829,000	\$4,829,000	+41.7%</										

QA plc (was Skillsgroup Plc)				ServicePower Technologies plc				Terence Chapman Group plc			
Find - Nov 99	Find - Nov 00	Comparison		Find - Dec 99	Find - Dec 00	Comparison		Interim - Feb 00	Find - Aug 00	Interim - Feb 01	Comparison
REV \$19,700,000	\$40,700,000	-29.2%	Profit to loss	REV \$3,760,910	\$3,922,000	-12.5%	Loss both	REV \$6,069,000	\$30,100,000	\$5,980,000	+43.3%
PBT \$1,400,000	\$17,400,000		Profit to loss	PBT -\$2,541,087	-\$3,922,000		Loss both	PBT \$460,000	\$4,100,000	\$2,247,000	+388.5%
EPS 10.70c	-8.40c		Profit to loss	EPS -6.37c	-8.10c		Loss both	EPS 0.51c	4.66c	2.29c	+349.0%
QSP Group plc				Sherwood International plc				Torex plc			
REV \$40,859,000	\$40,969,000	+0.2%	Loss both	REV \$47,186,000	\$54,277,000	+15.0%	Loss both	REV \$4,039,000	\$88,425,000	\$5,133,000	+27.1%
PBT -\$2,988,000	-\$4,652,000		Loss both	PBT \$7,345,000	\$6,634,000	-9.7%	Loss both	PBT \$4,309,000	\$5,133,000	\$9,000	-32.3%
EPS -4.00c	-5.20c		Loss both	EPS 10.80c	13.00c		-34.3%	EPS 13.00c	9.00c		
Quantica plc				Sirius Group plc (was Policy Master)				Total Systems plc			
REV \$16,153,000	\$23,753,000	+30.8%	Profit to loss	REV \$16,730,281	\$17,135,457	-2.4%	Loss both	REV \$1,801,227	\$1,958,040	\$1,584,209	+34.2%
PBT \$3,224,000	\$3,768,000	+16.9%	Profit to loss	PBT \$1,062,587	\$727,215	-31.6%	Loss both	PBT -\$128,276	-\$579,589	\$166,071	Loss to Profit
EPS 6.02c	6.80c		Profit to loss	EPS 6.20c	4.40c		-34.2%	EPS -0.88c	-3.72c	-1.04c	Loss to Profit
RM plc				Sopheon plc				Touchstone Group plc			
REV \$78,074,000	\$207,560,000	+166.1%	Profit to loss	REV \$15,100,000	\$7,763,000	-48.4%	Loss both	REV \$4,812,000	\$10,511,000	\$5,133,000	+10.4%
PBT \$1,432,000	\$9,528,000	+563.1%	Profit to loss	PBT -\$2,072,000	-\$1,945,000	+6.1%	Loss both	PBT \$678,000	\$1,196,000	\$4,100,000	-39.5%
EPS 1.00c	7.90c		Profit to loss	EPS -1.00c	-1.00c		Loss both	EPS 4.75c	9.50c	2.48c	-47.8%
Raft International plc				Spring Group plc				Trace Computers plc			
REV \$7,570,000	\$9,173,000	+21.2%	Profit to loss	REV \$206,641,000	\$396,106,000	+91.7%	Profit to loss	REV \$8,693,000	\$17,067,000	\$8,382,000	-3.6%
PBT \$388,000	\$1,100,000	+285.3%	Profit to loss	PBT \$1,400,000	-\$6,420,000	-560.0%	Profit to loss	PBT \$973,000	\$2,311,000	\$1,085,000	+115%
EPS 0.37c	1.20c		Profit to loss	EPS 0.60c	-9.00c		Profit to loss	EPS 4.82c	11.60c	5.25c	+8.9%
Rage Software plc				Staffware plc				Triad Group plc			
REV \$3,545,000	\$4,218,000	+19.5%	Loss both	REV \$23,520,000	\$37,857,000	+63.5%	Profit to loss	REV \$24,253,000	\$48,366,000	\$25,003,000	+43.1%
PBT -\$947,000	-\$2,641,000	-279.5%	Loss both	PBT \$841,000	\$3,042,000	+261.7%	Profit to loss	PBT \$903,000	\$1,905,000	\$1,256,000	+40.1%
EPS -0.42c	-0.94c		Loss both	EPS 4.20c	14.00c		+147.6%	EPS 3.36c	5.00c	2.43c	-27.7%
RDL Group Plc				StatPro Group plc				Ultima Networks plc			
REV \$8,116,000	\$16,246,000	+100.0%	Profit to loss	REV \$3,144,000	\$3,172,000	+0.9%	Loss both	REV \$2,541,000	\$6,952,000	\$6,952,000	-44.6%
PBT \$519,000	\$1,092,000	+108.6%	Profit to loss	PBT -\$183,000	-\$4,879,000	-2600.0%	Loss both	PBT -\$783,000	-\$865,000	-\$865,000	Loss both
EPS 3.09c	6.70c		Profit to loss	EPS -1.40c	-18.40c		Loss both	EPS -0.44c	-0.45c		Loss both
Recognition Systems Group plc				Superscape plc				Ultrasis Group plc			
REV \$2,258,000	\$4,749,000	+110.3%	Loss both	REV \$2,879,000	\$4,817,000	+67.4%	Loss both	REV \$2,541,000	\$6,952,000	\$6,952,000	-44.6%
PBT -\$2,258,000	-\$4,749,000		Loss both	PBT -\$2,879,000	-\$4,817,000		Loss both	PBT -\$2,310,000	-\$4,984,000	-\$4,984,000	Loss both
EPS -2.20c	-5.40c		Loss both	EPS -1.30c	-12.00c		Loss both	EPS -1.60c	-2.40c		Loss both
Retail Decisions plc				SurfControl plc				Vega Group plc			
REV \$11,937,000	\$17,674,000	+48.1%	Profit to loss	REV \$4,003,000	\$8,706,707	+117.5%	Loss both	REV \$8,531,000	\$40,201,000	\$18,249,000	-15%
PBT \$2,438,000	\$2,292,000	-5.6%	Profit to loss	PBT -\$13,144,000	-\$14,871,341	-13.5%	Loss both	PBT \$1,932,000	\$4,843,000	-\$1,322,000	Profit to loss
EPS 1.10c	-1.64c		Profit to loss	EPS -12.78c	-17.35c		Loss both	EPS 7.02c	17.70c	-5.72c	Profit to loss
RexOnline plc				Synigence Plc				VI Group plc			
REV \$217,000	\$658,000	+203.2%	Loss to Profit	REV \$626,291	\$1,984,010	+215.5%	Loss both	REV \$4,545,000	\$5,642,000	\$5,642,000	+24.1%
PBT -\$144,000	-\$326,000	-126.4%	Loss to Profit	PBT -\$783,781	-\$750,018	+4.2%	Loss both	PBT \$438,000	\$438,000	\$465,000	+6.2%
EPS -2.40c	-4.50c		Loss to Profit	EPS -3.80c	-2.80c		Loss both	EPS 1.24c	1.05c		+5.3%
Rolfe & Nolan plc				Synstar plc				Vocalis Group plc			
REV \$22,856,000	\$25,592,000	+12.0%	Profit to loss	REV \$2,048,000	\$233,438,000	+11400.0%	Profit to loss	REV \$13,180,000	\$2,694,000	\$2,008,000	-45.2%
PBT \$1,838,000	-\$10,103,000	-653.1%	Profit to loss	PBT \$8,178,000	\$4,954,000	-39.4%	Loss both	PBT \$1,963,000	-\$4,507,000	-\$2,478,000	Loss both
EPS 9.30c	-7.50c		Profit to loss	EPS 3.70c	0.60c		-83.8%	EPS -1.84c	-11.57c	-5.60c	Loss both
Royalblue Group plc				Systems Integrated Research plc				Wealth Management Software plc			
REV \$39,693,000	\$57,383,000	+44.6%	Profit to loss	REV \$658,000	\$1,536,000	+132.0%	Profit to loss	REV \$7,818,000	\$15,533,000	\$15,533,000	+121.2%
PBT \$6,511,000	\$6,910,000	+6.3%	Profit to loss	PBT \$42,000	\$2,150,000	+4909.5%	Profit to loss	PBT -\$105,000	\$105,000	-\$25,000	Loss both
EPS 3.10c	3.10c		Profit to loss	EPS 0.15c	1.25c		+833.3%	EPS -0.40c	0.40c		Loss both
Sage Group plc				Systems International Group plc				Xansa plc (was F.I. Group)			
REV \$202,528,000	\$412,153,000	+103.5%	Profit to loss	REV \$8,368,000	\$17,952,851	+114.0%	Profit to loss	REV \$145,379,000	\$307,696,000	\$204,810,000	+40.3%
PBT \$53,992,000	\$108,748,000	+100.0%	Profit to loss	PBT \$3,300,000	\$2,18,355	-33.0%	Profit to loss	PBT \$9,539,000	\$17,391,000	-\$5,746,000	Profit to loss
EPS 2.94c	6.92c		Profit to loss	EPS 0.02c	0.35c		-71.4%	EPS 2.71c	3.92c	-3.21c	Profit to loss
SBS Group plc				Systems Union plc				XKO Group plc			
REV \$22,866,000	\$46,444,000	+103.0%	Profit to loss	REV \$600,000	\$1,984,010	+228.7%	Not comparable	REV \$3,485,000	\$29,628,000	\$20,197,000	+49.8%
PBT \$900,000	\$2,850,000	+216.7%	Profit to loss	PBT -\$193,781	-\$193,781		Not comparable	PBT -\$55,100,000	-\$6,263,000	-\$2,310,000	Loss both
EPS 0.90c	2.10c		Profit to loss	EPS -2.80c	-2.80c		Not comparable	EPS -3.50c	-28.20c	-1.10c	Loss both
Science Systems plc				Telework Group plc				Xpertise Group plc			
REV \$30,956,000	\$49,624,000	+60.3%	Profit to loss	REV \$8,252,000	\$17,363,000	+109.0%	Profit to loss	REV \$3,707,000	\$5,758,000	\$5,758,000	+55.3%
PBT \$2,633,000	\$2,732,000	+3.8%	Profit to loss	PBT -\$481,000	\$2,705,000	+663.2%	Profit to loss	PBT -\$17,100,000	-\$4,000,000	-\$4,000,000	Loss both
EPS 11.60c	6.50c		Profit to loss	EPS 0.52c	1.04c		+100.0%	EPS -0.01c	-0.08c		Loss both
SDL plc				TeMe.com plc							
REV \$12,960,000	\$29,730,000	+129.4%	Loss to profit	REV \$10,014,000	\$13,974,000	+39.5%	Loss both				
PBT -\$650,000	\$1,059,000	+163.0%	Loss to profit	PBT -\$33,381,000	-\$2,105,000	+93.5%	Loss both				
EPS -17.8c	0.93c		Loss to profit	EPS -4.40c	-3.00c		Loss both				

**Cautious outlook for Azlan**

Pan-European networking products distributor **Azlan Group** turned in an excellent set of results for the year ended 31st Mar. 01. Turnover rose 44% to £592m, PBT increased 74% to £16.1m and EPS jumped 73% to 10.2p. The main driver was, of course, product revenue; which rose 48% to £526m (i.e. almost 90% of the total).



Services grew a little slower – but still impressively – up 42% to £19m (“following a difficult first half”) including an undeclared (probably small) contribution from Italian **Nest 2** acquired May. 00. Training grew the slowest – at 14% to £46.9m – but had by far and away the highest operating margin at 17% (compared to 7% for product and 8% for services). On the balance sheet, debtor growth (57%) jumped faster than revenue growth to £138m, which has pushed debtor days up from 62 to 67 “primarily due to our expansion in Southern Europe”. Nonetheless, Chairman Barrie Morgans, is “encouraged by the continued growth we are seeing in the early part of this year. However, we recognise the more cautious economic environment which has been developing and will be planning our

business accordingly”.

**Comment** - It seems that networking was still the place to be in 2000 and, despite the woes in the rest of the sector, Azlan seems to go from strength to strength. On the plus side they have broad geographical spread to mitigate exposure (over 70% of revenue originates in Continental Europe) and excellent relationships with the networking products vendors. But with the various profits warnings from vendors like **Cisco** (Azlan is Cisco's largest training partner in Europe and a major distributor (as is **Dimension Data**, (see page 2)), Morgans (like almost everyone else) is using the “caution” word. This is fine so long as they take action before the event. We'd like to see debtor days down, as well. After such a magnificent recovery from the dark days of 1997, it would be a shame if it all started to go pear-shaped again. Azlan shares jumped 6.5% to 146.5p, following the results announcement and ended the month at 154p.

## Sage still proud to be "Boring"

Sage has announced its results for the six months to 31st Mar. 01 showing revenues up 13% at £229.6m, PBT up 10% at £59.2m (a 26% margin) and EPS up 8% at 3.214p. Sage now has 2.7m registered customers (2.3m) and 831,000 support contracts (754,000).

Although these results are good in comparison with most others they do show a reduction in Sage's normally superb growth rates. Indeed "new licence revenues have been

expected (profits probably about a £1m off high end expectations). On the other hand they show the robustness of Sage's business and its associated model. Investors have just got to get used to these kind of results being at the top end of what fine companies can achieve. Sage certainly hasn't lost any market share and 99% of other software companies would give their eye teeth to announce these kind of results in today's economic climate.

Sage Group 6 months to 31st March	Turnover £m			Operating Profit £m			Margin	
	2001	2000	Change	2001	2000	Change	2000	1999
UK	71.4	65.1	9.8%	28.4	26.6	6.5%	39.7%	40.9%
France	37.0	42.1	-12.0%	9.5	13.2	-28.1%	25.7%	31.4%
Germany/Switzerland	14.6	13.8	5.8%	2.0	0.8	153.2%	14.0%	5.8%
US	106.6	89.8	18.6%	20.2	16.5	22.3%	19.0%	18.4%
Foreign exchange impact		-8.3			-1.5			
<b>TOTAL</b>	<b>229.6</b>	<b>202.5</b>	<b>13.4%</b>	<b>60.1</b>	<b>55.7</b>	<b>7.9%</b>	<b>26.2%</b>	<b>27.5%</b>

Note: 2000 results at 2001 exchange rates

You will also notice that Sage now bills itself as "a leading supplier of business management software..." a change occasioned by the acquisition of Interact (with its Saleslogix and ACT software). We happened to think that this fitted well with the Sage

significantly lower than last year". But that in a way is the very strength of Sage. Sage can still grow despite a downturn in new customers because it has such a strong base of existing customers to "feed off". Indeed 65% of revenues come from the existing customer base.

Sage UK grew 10% with entry level sales helped by **TAS Software** acquired in Feb 01 for £9.7m. Clearly the mid range had a harder time.

France did not fare so well as "revenues were significantly lower but the Q1 upturn has continued in Apr." Germany "continues to progress well".

But the US was affected by challenging Q1 comparatives and an "uncertain outlook". Mid-market revenues in Sage Software Inc. were 8% lower.

Ch. Michael Jackson says Q2 showed an "encouraging improvement...whilst not immune to the US slowdown, we believe we will deliver satisfactory results for the year".

**Comment** - These results were not as good as some had

accounting software - broadening the range and providing a product which applied equally in any country.

When we spoke with CEO Paul Walker he stressed that he was "very proud to be Boring". The very strength of Sage is its "boring" existing client base which Sage is very adept at both keeping and feeding off. That base is itself not very adventurous. Although many failed e-consultancies would be pleased to claim 8,000 users of their web design facilities, it's a mere drop in the ocean compared with 2.7m users! Also, the much trumpeted ASP model just really hasn't taken off with Sage's conservative customers. But Sage is ready and waiting for when that day arrives (?) but, as you can see, it really hasn't affected the results as Sage were not betting the bank on it (like most others...) Also, don't forget that these current economic circumstances can provide benefits too...acquisitions come with a much lower price tag.

Footnote - Asked Paul when he expected the call from Bill. "It will never happen, Richard..."

## House Points for RM at the Interim Stage

**RM** has announced interim results to 31st Mar. 01 showing a 46% growth in turnover to £113.7m compared to the same six months last year, 7% growth in PBT to £1.5m and a 9% improvement in EPS from 1.1p to 1.2p. Revenue from Software & Internet rose 47% to £29.6m, whereas services revenue grew 58% to £33.1m. Revenue from PC & 3rd party hardware rose 38% to £51m, though this was in part due to an increase in selling price to accommodate unfavourable \$ exchange rates. Commenting on the results, Chief Exec Richard Girling said: "As is usual, the first six months of RM's year is not a good indicator of performance for the full year. Nonetheless, we're confident that RM's

revenue will continue to reflect the market growth and that the results for the full year will show good progress".

**Comment** - Analysts are looking for FY profit (pre-exceptionals etc) of c£17.5m, which is a fair way to travel from the £2.1m at half-time. However, RM's profits have always been heavily skewed to H2 and when we spoke to FD Mike Greig he thought these forecasts were pretty reasonable. RM don't have this market to themselves but they have built up a strong leadership position which they vigorously defend. So with UK education spending increasing 9% year on year, RM's prospects look bright. The shares ended the month up 19% at 558p.

## RDL - Not immune to last year's slowdown

**RDL Group**, an AIM-listed IT staff agency (ITSA), announced interim results to 31st Mar. 01: turnover is up 161% to £21.2m, PBT is up 110% to £1.1m and EPS has improved from 3.09p to 4.51p. Commenting on the outlook, Chairman and MD Andy Richards said: "Current trading continues at similar levels to the first 6 months, but the less optimistic economic climate in all our markets encourages some caution and we do not expect any further improvement in earnings over the excellent first half of the year".

**Comment** - RDL was established in 1992 and floated on AIM in Jul. 99 raising £803K net, which was earmarked for acquisitions to increase its geographical coverage. The company tends to focus on premium skills such as Oracle

and SAP, but that did not make it immune to the slow down last year - indeed year end results to 30th Sep. 00 showed a 12% decline in revenues.

But now, with the acquisition of M3 Ltd (Aug. 00), RDL is back in positive territory. M3 was a good buy as it has helped boost RDL's overseas revenue to 57% of the total, most of which comes from Europe, but some from a Hong Kong operation opened in Sep. 00.

At current course and speed, RDL may get a look in when we update our ITSA rankings for the 2001 report on the UK IT Staff Agency Market.

The shares ended the month down 0.5% at 110p, still a 22% premium to the float price of 90p, but a long way off the 2000 high of 238p.



## Small Movements in May

The techMARK index finished the month hovering just above the 2000 mark, but the FTSE100 still didn't make it back to the magic 6000. Following an increase in our SCS index last month, during May it fell once again, all be it by less than 2%.

All types of company in our index saw small percentage falls ranging from an average fall of just 0.8% for the software products companies, to 3.4% for the system houses. The average share price of the ITSAs continued to fall following a 1.5% drop last month - this showing a drop of 1.2%.

**Alphameric** was the worst hit share price this month. In the third week, it announced that recent delays in some customers' implementation programmes would adversely affect the company's full year results. The share price tumbled by 41% on the day and finished the month down a massive 54% at 114p. Continuing to suffer was Bright Station, its share price fell 27% in April following the announcement that they were down to their last £4m in cash and that

CEO Dan Wagner was 'stepping down' from the Board. But it had an even worst time this month, with its share price falling almost 50%. There were a number of announcements near the end of the month. These included its Q1 results, an announcement that it is going ahead with the placing of 270m ordinary shares at 5p each to raise £12m, and an announcement that it will focus on the group's **Smartlogik** subsidiary, hence the company will be renamed (yet again!) to Smartlogik Plc. Finishing on a 'brighter' note, **Manpower SoftWare's** share price increased by almost 70% following the announcement of four contract wins worth in excess of £1.6m.

31-May-01	SCSI Index						6540.75
	FTSE IT (SCS) Index						1383.17
	techMARK 100						2016.20
	FTSE 100						5796.10
	FTSE AIM						1221.80
	FTSE SmallCap						3107.12
<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 (01/05/01 to 31/05/01)	-1.83%	-2.86%	-4.01%	-4.89%	+1.57%	+1.83%	
From 15th Apr 89	+554.08%	+182.24%					
From 1st Jan 90	+610.87%	+145.39%					
From 1st Jan 91	+824.00%	+168.29%					
From 1st Jan 92	+525.99%	+132.49%					
From 1st Jan 93	+310.44%	+103.62%					+123.96%
From 1st Jan 94	+291.76%	+69.56%					+66.27%
From 1st Jan 95	+336.29%	+89.08%					+77.91%
From 1st Jan 96	+189.61%	+57.11%	+155.46%		+28.15%		+60.03%
From 1st Jan 97	+144.29%	+40.73%	+120.43%		+25.17%		+42.33%
From 1st Jan 98	+115.51%	+12.86%	+111.34%	+38.32%	+23.17%		+34.32%
From 1st Jan 99	+65.95%	-1.47%	+38.47%	-4.35%	+52.42%		+50.04%
From 1st Jan 00	-42.98%	-16.36%	-46.65%	-62.80%	-36.78%		+0.30%
From 1st Jan 01	-21.88%	-6.85%	-21.41%	-29.03%	-15.02%		-2.39%

End May 01	Move since 1st Jan 98	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move in May 01
System Houses	114.2%	38.7%	-46.0%	-27.3%	-3.4%
IT Staff Agencies	-55.5%	-46.7%	-53.6%	-26.1%	-1.2%
Resellers	43.1%	52.2%	-26.7%	-3.0%	-1.1%
Software Products	184.8%	143.4%	-41.5%	-57.5%	-0.8%
Holway Internet Index		293.2%	-52.2%	-29.7%	-1.9%
Holway SCS Index	115.5%	66.0%	-43.0%	-26.1%	-1.8%

## Syntegra to become division of US company?

**BT** has announced preliminary year-end results (FYE 31st Mar. 01) that show group turnover of £20,427m, up 9%, with EBITDA of £6,492m, up less than 1%, but a loss before tax of £1,031m, compared with a PBT of £2,942m last year. Much of the loss was attributed to a write-off of goodwill against its German operations. Sir Christopher Bland, the recently appointed Chairman, commented "BT's performance in the year has been satisfactory and in line with market expectations; group turnover rose by 9% and EBITDA has been maintained at similar levels to last year. However, we have taken a non-cash charge of £3bn against the goodwill on our German subsidiary Viag Interkom."

**BT Ignite**, that's the part that includes **Syntegra** and **Syncordia** (or **BT Ignite Solutions** as it's now known) had a turnover of £3,861m, an EBITDA of £47m and an operating loss before goodwill, amortisation and exceptional items of £380m. Syntegra and Syncordia alone apparently had revenues of £2,082m and a bit of further digging and estimating reveals that Syntegra's share was c£560m and Syncordia's c£1,520m. That means that Syntegra's revenue was up 12% on 1999, with operating profit up 14% to c£35.4m.

But BT's debt mountain, standing at £27.9bn on March 31st, remains and several actions were announced to address the issue. In the short term, no dividend will be paid and a rights issue has been launched to raise £5.9bn. As part of future plans, the results announcement was accompanied by details of (another) restructuring of BT. Yell has already been sold for £2.1b. The mobile business will be demerged to create two companies; BT Wireless and Future BT. "We expect both to be substantial FTSE companies".

**Comment** - The most interesting part of the announcement for us was the plans for Ignite, which will become part of Future BT. The announcement points out that BT is in

discussions with AT&T as to how the Concert business, and other relationships, could be strengthened. Options include the "sale to, or other business combination of its business services operations with, AT&T's business services unit upon its planned separation from the remainder of AT&T. Such a transaction could include all or a substantial proportion of BT's business services operations, including BT Ignite and BT's interest in Concert, in exchange for some mixture of cash, equity and/or other instruments in the combined business".

Syntegra had been put up for sale and BT has appointed Rothschild to market the business. We expected it to attract trade bidders such as Logica and EDS, possibly some of the Utilities' companies as well as private equity firms. A fair price might be £800-£900m with BT expecting, say, £1b.

Syntegra has had a pretty tortuous record under the BT umbrella. Its only acquisition of note was in 1999 when it acquired USA **Control Data Systems** - it's difficult to undertake acquisitions when you don't have shares to use. It is also quite difficult to fully motivate management without effective share options.

Syntegra would make a great fit with Logica (who have been eyeing up Syntegra for as long as we can remember). Two years ago MD Bill Halbert told us that an IPO was on the cards before the end of the year. But we all know what happened to the IPO climate in 2000. We are now sure that Syntegra's management would prefer a VC backed MBO. Problem is that the difference in price in an MBO compared to a trade sale could be too much for BT to resist.

At one stage we harboured hopes that Syntegra would become a UK-owned SCS standard bearer. Now it looks increasingly likely that they will go the way of all UK SCS companies and become just a division of a US (or French!) operation.

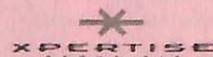


## Holvar/System House SCS Share Prices and Capitalisation

	SCS Cat	Share Price 31-May-01	Capitalisation 31-May-01	Historic P/E	PSR Ratio Cap/Rev	CSI Index 31-May-01	Share price move since 30-Apr-01	Share price % move in 2001	Capitalisation move since 30-Apr-01	Capitalisation move (€m) in 2001
Acdinc	SP	£0 09	£11 1m	Loss	5.51	111	-10.00%	-76.62%	-£1 21m	-£36 31m
AFA Systems	SP	£2 22	£51.2m	Loss	11.93	1846	46.69%	59.35%	£16 36m	£19 10m
AIT Group	CS	£8 20	£166.5m	59.1	7.68	5467	-7.87%	-30.80%	-£14 11m	-£74 09m
Alphameric	SP	£1 14	£115.8m	20.4	2.13	521	-53.86%	-58.65%	-£135.13m	-£164.18m
Altarian	SP	£1 54	£60.1m	Loss	28.94	768	17.18%	-35.37%	£8.74m	-£32.96m
Anite Group	CS	£1 48	£409.9m	31.7	2.58	863	4.98%	-12.46%	£19.47m	-£39 16m
Autonomy	SP	£4 50	£566.6m	56.3	11.53	137	-23.86%	-76.66%	-£177.53m	-£1 861 37m
Avon	SP	£4 95	£254.1m	44.7	5.94	2829	-10.00%	-34.65%	-£28.23m	-£123 93m
Azlan Group	R	£1 54	£167.5m	19.2	0.28	667	8.48%	-14.96%	£12.90m	-£26 41m
Baltimore Technologies	SP	£331 9m	£331.9m	Loss	4.47	6641	-20.31%	-81.23%	-£84.58m	-£1 417 06m
Baron	SP	£0 24	£1 1m	Loss	0.33	240	-22.58%	-76.59%	-£0 32m	-£3 53m
Bond International	SP	£0 77	£10 9m	15.2	1.16	1177	6.99%	30.77%	£0 67m	£2 53m
Bright Station	CS	£0 08	£13 4m	Loss	0.23	70	-49.18%	-67.40%	-£12 99m	-£27 33m
Business Systems	CS	£0 49	£39 7m	64.2	1.23	412	1.03%	-38.75%	£0 40m	£25 10m
Cardcentre Group	SP	£5 44	£32 0m	26.2	3.27	2713	5.53%	-1.27%	£4 88m	£0 10m
Capita Group	CS	£4 92	£3 202 0m	131.2	7.99	132998	-0.51%	-1.60%	£16 35m	£52 98m
Cedar Group	SP	£2 34	£1 79 3m	39.9	4.94	2224	-14.00%	-24.68%	-£29 19m	-£58 78m
Charteris	CS	£1 40	£48 5m	5.4	7.22	1550	-4.78%	10.28%	-£2 39m	£4 51m
Clinical Computing	SP	£0 32	£7 9m	Loss	3.50	254	16.67%	18.87%	£1 13m	£1 26m
CMG	CS	£4 30	£2 636 2m	29.7	3.25	11862	17.17%	-51.96%	£386 75m	-£2 850 79m
Comino	CS	£4 45	£61 4m	24.4	3.00	3423	1.71%	-13.17%	£1 00m	-£8 30m
Compass Software	R	£1 69	£18 8m	60.5	7.89	1123	-0.88%	-8.92%	-£0 20m	-£1 00m
Compel Group	SP	£0 87	£26 9m	10.2	0.09	692	11.61%	6.13%	£2 87m	£1 63m
Computacenter	R	£4 10	£749 5m	18.5	0.38	612	-10.38%	22.39%	-£86 79m	£137 08m
DCS Group	CS	£0 72	£18 0m	Loss	0.13	1192	-16.86%	-24.74%	-£2 86m	-£5 05m
Delcam	SP	£2 10	£12 7m	10.4	0.75	808	5.00%	0.00%	£0 80m	£0 20m
Diagonal	CS	£2 79	£242 6m	42.5	2.93	4049	-2.28%	41.01%	-£5 59m	£76 49m
DRS Data & Research	SP	£0 18	£6 1m	15.3	0.74	159	22.81%	37.25%	£1 13m	£1 64m
Easyscreen	SP	£0 23	£10 2m	15.3	9.63	135	31.43%	-61.34%	£2 44m	-£16 13m
ECSsoft	CS	£7 25	£84 9m	Loss	1.31	401	14.62%	18.85%	£10 90m	£13 45m
Eidos	SP	£2 80	£287 8m	Loss	1.42	13994	-4.11%	30.23%	-£12 31m	£66 82m
Electronic Data Proc	SP	£0 53	£13 8m	Loss	1.65	1607	-8.70%	-23.91%	-£1 29m	-£4 35m
Epic	CS	£3 10	£76 6m	66.3	17.43	2952	-1.12%	-10.53%	£0 14m	-£7 86m
Eurolink	CS	£0 53	£5 5m	24.2	2.72	525	-2.78%	-26.06%	-£0 16m	-£1 92m
Financial Objects	CS	£0 30	£50 8m	Loss	2.76	361	1.52%	-27.53%	£0 78m	£12 16m
Fluorics Group	SP	£1 29	£18 6m	19.5	1.58	4942	-26.57%	-48.81%	-£10 98m	-£20 98m
Focus	SP	£0 79	£19 7m	Loss	27.32	403	-1.88%	-61.33%	-£0 40m	-£31 30m
Gresham Computing	CS	£0 25	£11 4m	Loss	0.49	266	2.06%	0.00%	£0 27m	£0 07m
Guardian IT	CS	£8 00	£558 4m	57.9	6.46	3137	-4.48%	-16.23%	-£26 16m	-£108 17m
Harvey Nash Group	A	£2 72	£80 3m	8.2	0.35	1551	-20.15%	-68.70%	-£19 03m	-£173 03m
Highems Systems Servs	A	£0 13	£2 5m	Loss	0.09	361	-10.34%	-42.22%	-£0 30m	-£1 87m
IS Solutions	CS	£0 85	£21 2m	33.4	1.89	3168	3.03%	-55.26%	£0 60m	-£26 30m
ICM Computer	CS	£2 78	£54 9m	18.5	1.74	1542	-9.02%	27.59%	-£5 44m	£12 74m
IDS Group	SP	£1 04	£58 5m	Loss	4.68	1150	0.98%	-39.47%	£0 56m	-£38 10m
Innovation Group	SP	£7 65	£985 9m	318.8	103.08	3341	-14.53%	-4.38%	-£167 11m	-£45 11m
Intelligent Environments	SP	£0 26	£10 8m	Loss	1.22	271	-43.33%	-38.55%	-£8 30m	-£6 83m
ISOFT Group	SP	£2 44	£273 5m	251.5	15.39	2218	4.27%	19.02%	£11 19m	£43 69m
ITNET	CS	£1 94	£136 1m	Loss	0.99	553	0.26%	47.15%	£0 38m	£43 66m
Jasmin	SP	£1 67	£7 8m	Loss	1.86	1110	21.98%	30.59%	£1 40m	£1 83m
Kalamazoo Computer	CS	£0 17	£7 2m	Loss	0.11	479	59.52%	1.52%	£2 68m	£0 10m
Kewill Systems	SP	£0 32	£100 4m	Loss	1.33	2604	-6.23%	-58.83%	-£6 68m	-£143 39m
Keystone	SP	£0 24	£27 2m	Loss	5.67	264	2.15%	-31.65%	£0 61m	-£1 40m
Knowledge Management	SP	£0 27	£31 1m	Loss	14.87	208	-3.57%	-66.56%	£1 73m	-£53 62m
Knowledge Support	SP	£0 30	£38 7m	Loss	28.74	361	-1.50%	-78.46%	£0 76m	-£213 64m
Logica	CS	£8 85	£3 911 4m	43.0	26.52	12120	-11.50%	-49.43%	-£507 87m	-£3 823 55m
London Bridge Software	SP	£2 05	£347 9m	46.8	6.14	5125	15.49%	-37.88%	£15 74m	-£21 00m
Lorien	A	£0 77	£15 0m	Loss	0.13	765	10.87%	0.00%	£1 50m	£0 00m
Lynx Holdings	SP	£0 74	£125 4m	16.6	0.50	1838	-9.82%	-16.95%	-£19 63m	-£12 78m
Macro 4	SP	£5 13	£106 6m	22.3	4.86	2067	-4.65%	-43.06%	-£5 20m	-£80 62m
Manpower Software	SP	£0 42	£9 9m	Loss	6.17	428	69.39%	56.60%	£4 07m	£6 31m
MERANT	SP	£0 65	£87 0m	Loss	0.38	312	-8.51%	-32.11%	-£8 16m	-£54 79m
Microgen Holdings	CS	£1 98	£100 6m	Loss	3.97	844	-17.71%	-35.77%	-£21 58m	-£55 94m
Misys	SP	£5 63	£3 242 2m	38.0	4.57	7004	-11.62%	-14.70%	-£426 35m	-£558 79m
MMT Computing	CS	£2 16	£26 1m	8.6	0.69	1286	-25.52%	-59.05%	-£9 01m	-£37 71m
Mondas	SP	£0 28	£5 5m	Loss	4.05	367	-25.68%	-31.25%	-£1 90m	-£2 50m
Morse	R	£3 08	£388 4m	14.3	0.77	1230	-6.11%	-18.54%	-£25 29m	-£88 42m
MSB International	A	£1 04	£21 2m	39.4	0.13	547	18.86%	-9.57%	£3 40m	-£2 30m
NetBenefit	CS	£0 30	£4 7m	Loss	0.63	148	-3.28%	-76.86%	-£0 16m	-£15 68m
Netstore	CS	£0 33	£28 7m	Loss	24.93	217	3.17%	-60.12%	£0 92m	-£43 28m
Nittac	CS	£0 17	£20 1m	Loss	1.16	69	-38.89%	-44.07%	-£11 66m	-£11 56m
Northgate Information Solutions	CS	£0 60	£168 9m	Loss	1.02	230	0.84%	-18.09%	-£1 44m	-£23 48m
NSB Retail Systems	CS	£0 67	£212 2m	Loss	5.18	5826	-4.96%	-60.00%	-£11 07m	-£81 33m
Orbital Software	SP	£0 49	£21 3m	Loss	19.52	328	-14.41%	-52.97%	-£24 02m	-£24 02m
Orchestream	SP	£1 48	£193 3m	Loss	70.46	800	9.63%	-46.18%	£19 15m	-£142 32m
Parity	A	£0 83	£126 6m	13.1	0.47	13750	-23.26%	-29.49%	-£38 30m	-£52 94m
Patsystems	SP	£0 74	£93 4m	Loss	36.99	687	7.30%	-28.64%	£6 27m	-£57 53m
Planit	SP	£0 67	£54 4m	24.1	4.09	2771	-9.52%	-36.06%	-£5 73m	-£30 70m
PSD	A	£5 95	£149 3m	10.3	1.69	2705	-4.42%	-37.70%	-£6 88m	-£90 38m
QA (was Skillsgroup)	CS	£1 26	£110 8m	Loss	0.79	563	-14.33%	-8.73%	-£18 52m	-£10 58m
QSP	SP	£0 26	£23 2m	Loss	0.57	338	14.44%	-14.88%	£2 95m	-£4 03m
Quantica	A	£0 68	£26 5m	9.4	1.12	544	-2.17%	22.73%	£0 57m	£4 92m
Rait International	SP	£0 41	£26 9m	215.8	2.93	651	9.33%	-34.92%	£2 27m	-£15 13m
Rage Software	A	£0 07	£22 4m	Loss	5.31	260	-3.57%	-37.21%	£20 09m	-£11 89m
RDL	SP	£1 10	£16 8m	9.9	1.03	1217	-0.45%	-37.43%	£2 15m	-£10 00m
Recognition Systems	SP	£0 25	£22 7m	Loss	2.63	352	-31.51%	-91.02%	-£10 46m	-£230 51m
Retail Decisions	SP	£0 49	£68 7m	Loss	3.89	662	10.01%	-60.32%	-£0 70m	-£100 50m
Retail Online	A	£0 62	£4 1m	Loss	4.52	732	-10.77%	-36.27%	-£0 50m	-£2 31m
RM Group	SP	£5 58	£523 1m	60.4	2.52	15929	-19.25%	-2.19%	£84 42m	-£9 29m
Rolle & Nolan	SP	£1 63	£22 9m	Loss	0.89	1935	-12.16%	-58.44%	£3 15m	-£32 20m
Royalblue Group	SP	£10 18	£306 3m	65.3	5.34	5985	11.51%	-3.10%	£3 73m	-£9 78m
Sage Group	SP	£2 85	£3 610 6m	46.6	8.76	109615	-3.63%	-7.09%	-£136 08m	-£275 38m
SBS Group	A	£0 46	£4 1m	35.1	0.09	455	2.25%	-54.50%	£0 09m	-£4 96m
Science Systems	CS	£6 20	£156 2m	47.2	3.15	4806	15.89%	25.25%	£21 38m	£31 52m
SDL	CS	£1 69	£70 0m	35.0	2.36	1127	-7.65%	-54.51%	-£5 84m	-£77 05m
ServicePower	SP	£0 41	£21 0m	Loss	6.38	410	22.39%	-41.01%	£3 88m	-£14 50m
Sherwood International	CS	£3 31	£148 0m	19.1	2.73	11027	-5.97%	4.42%	-£3 82m	£12 82m
Sirus (was Policymaster)	SP	£2 19	£35 0m	49.8	2.04	1460	4.29%	33.64%	£1 40m	-£16 80m
Sopheon	SP	£0 78	£30 8m	Loss	3.97	1115	0.00%	-51.56%	£0 01m	-£32 69m
Spring	A	£0 64	£96 1m	Loss	0.24	711	26.73%	-27.68%	£20 20m	-£36 80m
Staffware	SP	£13 63	£193 7m	76.3	5.12	6056	-9.92%	-2.68%	-£19 15m	-£3 25m
StaffPro	SP	£0 65	£19 0m	Loss	8.00	813	-3.00%	-5.47%	-£0 75m	-£1 35m
Superscape VR	SP	£0 63	£22 8m	Loss	10.57	316	-12.59%	-74.90%	-£3 23m	-£67 84m
SurfControl (was JSB)	SP	£5 45	£164 3m	Loss	18.88	2725	-17.42%	-53.12%	-£34 84m	-£131 57m
Synignace	SP	£0 33	£13 3m	Loss	7.00	625	-13.33%	-37.50%	-£2 14m	-£8 22m
Systar	CS	£0 39	£62 6m	12.2	0.27	233	10.00%	-18.95%	£5 67m	-£14 61m
Systems Integrated	SP	£0 47	£5 3m	25.3	4.10	409	-12.96%	51.61%	-£0 94m	-£2 15m
Systems International	CS	£0 28	£8 9m	64.8	0.50	478	-6.78%	-26.67%	-£0 65m	-£3 90m
Systems Union (was Freecom)	SP	£0 77	£79 4m	Loss	132.55	592	-0.65%	10.00%	-£0 58m	£7 20m
Telework	SP	£1 59	£286 0m	152.9	16.47	0	16.12%	-16.36%	£39 70m	-£55 95m
Telme.com	CS	£0 21	£16 7m	Loss	1.20	135	-10.64%	-33.33%	-£2 00m	-£8 40m
Terence Chapman	CS	£0 90	£52 2m	13.1	2.03	663	-11.82%	-44.05%	-£6 76m	-£46 42m
Torex Group	SP	£7 50	£325 2m	47.5	3.68	14563	-2.28%	28.21%	-£7 58m	£76 05m
Total Systems	CS	£0 78	£8 1m	Loss	4.12	1462				

Mergers & Acquisitions

Buyer	Seller	Seller Description	Acquiring	Price	Comment
AdVal Group	Testline Ltd	Software testing & helpline services for e-learning programmes	100%	N/A	AdVal paid 280K shares up front for Testline. Further consideration of 390K shares is dependent on profitability. Testline had rev of £149K and PBT of £39K in year to 31st Mar.01.
Capita	RSATs (from Royal & Sun Alliance)	Trust and administration services	100%	£24m	Payable in cash. The business comes with net assets of £18m. In the year to 31st Dec. 00, RSATs reported a trading profit of £0.7m on Vo of £4.1m.
Capita	myshares	Provider of s/w to administrators of employee share plans	Remaining 68.5% of shares	£1.97m	To be satisfied in cash.
Capita	McLaren Dick & Company (from McLarens Toplis)	Services to the insurance sector and loss adjusting.	100%	£33m	Capita paid with a mix of cash, shares and loan notes for McLarens UK business. £5m is retained until Apr. 03.
Comino Group	Rebus LG (now Saffron Computer Services)		Remaining 18.4%	N/A	The maximum total consideration payable is 300,000 ordinary shares.
Dimension Data	Proxicom	e-business consultancy	100%	£264m	Founded in 1991, Proxicom has c1,000 staff. Raul Fernandez (Chairman & CEO of Proxicom) will join the board of Didata. Didata outbid Compaq with a 30% higher bid.
Dimension Data Learning Solutions	Colorado Computer Training Institute	Technical and project management training	100%	\$11m	CCTI had rev. of \$11m for the 12 months to Dec. 00. Didata paid \$6.6m cash upfront, the remainder dependent upon performance over the next 16 months.
Gruppo ATR Srl	Synstar's Italian subsidiaries	Hardware maintenance and system support.	100%	£250K	Synstar's Italian operations contributed £20.8m in FY00, but made losses of £1.9m. The sale includes a mutual support agreement - Synstar will use Gruppo to service pan-European contracts in Italy, and vice versa.
ISOFT	Eclipsys Ltd & Eclipsys Australia Ltd (from Eclipsys Corp.)	Healthcare software	100%	£6.1m	In the year to 31st Dec. 00 the two businesses generated £3.3m revenue. ISOFT paid cash.
Kazoo3D	Startle Digital Marketing	Provider of digital marketing solutions	100%	£90K	Kazoo bought Startle from the receivers. For the 6 months to 31st Mar. 01, Startle made an op. loss of £36K on sales of £572K.
Kazoo3D	Zoo Media Corporation	New media company	100%	N/A	Kazoo3D is to be renamed Zoo Digital Group subject to shareholder approval on 29th May 01
Kewill Systems	Alliance Manufacturing Software International	Tier III ERP software firm	100%	\$0.8m	California-based Alliance, provides ERP solutions to emerging manufacturers that "generally total about \$1m to \$15m in sales.
Lynx Group	Portfolio Member Services	Provider of support services to IFAs - a joint venture between IFA Portfolio Ltd and Bankhall Investment Management Ltd	Remaining 49%	£18m	Initial consideration of £6.2m and a deferred consideration, depending on attainment of earnout targets, of up to £11.8m, payable in July 2004. Lynx aims to be a leading provider of financial services to the IFA market
MBO	Gameplay	"online games destination and community"	100% Gameplay Sweden AG	£1m	Gameplay Sweden's main activity is the sale of boxed games to products to the Nordic region. It has been sold to the management team for SEK1 with an additional £1m payable if the business is sold prior to Jan. 02.
MBO	Gameplay	"online games destination and community"	100% Gameplay (GB) Ltd	£500K	Gameplay (GB)'s main activity is the sale of boxed games products to consumers. It has been sold to the management team for £1. Additional payment of £500K is payable if BG or its business is sold prior to 14th May .02
Parity Group	Professional IT Search & Selection Ltd	IT recruitment	100%	n/a	Professional IT is a private company specialising in permanent recruitment in the UK.
Shared Knowledge	IDS Group		Investment in Shared Knowledge	Nominal consideration	This will result in a release of provisions for IDS Group amounting to c£650K in the interim results for the six months to 30th Jun 01
Sherwood Intl	Concise Technologies Inc.	Insurance software and services to N. American market.	100%	£9m	Canadian Concise specialise in property and casualty claims admin systems. Sherwood paid with cash and shares to boost its presence in the US market.
Software Quality Systems	SIM Group Ltd (from Gresham)	Automated testing services	SIM Group Ltd	£5.25m+	An initial consideration of at least £5.25m for 50% of the issued share capital plus one controlling share, and a deferred consideration for the remaining shares.
The Innovation Group	CWA	e-procurement network management services	50.001%	£5m	CWA was TIG's South African JV partner. TIG has the option to acquire the remaining shares for max. £8m.
Touchstone Group	Chartland Associates	CRM solutions	100%	£2.1m	Chartland supplies SalesLogix and Maximizer CRM systems. Paid for with a mix of cash and shares.
Trace Computers	Datawise Training & Consultancy	Solutions and services to financial institutions.	100%	£7.3m	Trace paid £3.21m up front, £125K deferred, and £4m earnout - in cash, shares and loan notes.
Tribal Group	Austin Mayhead & Company Ltd	Consulting services to the public sector	75%	£1.3m	Tribal paid £1.1m up front in cash and shares. A further £180K is dependent upon performance to 31st Jul. 01.
Tribal Group	The Cambridgeshire Partnership	Education consultancy partnership.	100%	£200K	Satisfied with the issue of 46,850 ordinary shares of 5p each in Tribal Group and £74.9K in cash.



**Ambitious Xpertise Group** – AIM-listed IT training company - has announced results for the year to 31st Dec. 00. Turnover was up 55% to £5.8m (mostly through acquisition), LBT deepened considerably from £171K to £4m, and Loss Per Share, previously 0.84p, increased to 12.83p. Commenting on the outlook, Chairman Clive Richards said: "New e-learning products, which combine traditional classroom training with web based training, provide exciting opportunities for the group to satisfy the well publicised IT skills shortage. We plan to exploit fully these opportunities, which should provide considerable growth for the group and enhanced value for shareholders".

**Comment** - Xpertise has three operations, Xpertise Training (technical training in the North and the Midlands), DCT (London-based IT training specifically for government sponsored initiatives) and DCT Resources (placement of the sponsored students).

The IT training division has announced some useful partnerships such as a reciprocal booking agreement with Aris, who are based in the South and the West Midlands, enabling both companies to offer training nationwide. Like many of its rivals, Xpertise has recently launched a consultancy division, which provides "skills development consultancy". Other news included the appointment of a couple of non-execs with experience of the IT training world – Mike McGoun, ex-QA, and Peter Waller, ex-Spring - to help in "shaping the group's future strategy". All good stuff for the future, but it's probably too early for Xpertise – with c£6m revenue - to be describing itself as "a leader in training IT professionals in the UK". But there's no harm in being ambitious! Xpertise's share price had fallen 30% to 12p this month.

### Forthcoming IPOs

Name	Activity	SCS or Dotcom Index	Index Class	Market	Issue Price	Est Mkt Cap.	IPO Date
Akaei	Computer games developer	SCS	SP	AIM	tbc	£12.5m	Q2 2001
Altodigital	Internet Services	SCS/Dotcom	S&S	MAIN	tbc	£400.0m	early 2001
Argrogroup	Software developer	SCS	SP	TBA	tbc	£100.0m	2001
Cityjobs.com	Internet Recruitment	Dotcom	B2C	AIM	tbc	tbc	Q1 2001
Cityreach	Internet Services	Dotcom	SS	MAIN	tbc	tbc	Q2 2001
Digital Brain	Online Education Service	SCS	CS	TBA	tbc	£50.0m	early 2001
Embedded Solutions	Software	SCS	SP	TBA	tbc	tbc	H1 2001
Irevolution	Technology Systems Integrator	SCS	CS	MAIN	tbc	tbc	Jul-01
Kinetic Information Systems	Financial Software	SCS	SP	MAIN	tbc	tbc	H2 2001
Timberweb	Online Marketplace Provider	Dotcom	B2B	AIM	tbc	£25.0m	early 2001
Zeus Technology	Internet software developer	SCS/Dotcom	CS	TBA	tbc	£150.0m	2001

### Recent IPOs

Name	Activity	SCS or Dotcom Index	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Apr. 01	Premium/Discount
Moneyguru	Online financial services	Dotcom	B2C	AIM	3.5p	£7.6m	08-May-01	4p	14%
PC Medics Group	IT Support Services	SCS	CS	AIM	2p	£2.1m	08-May-01	2p	0%

### Being a cad pays off

**Cadcentre Group** announced its preliminary results for the year ended 31<sup>st</sup> Mar. 01. Revenues rose 18% to £28.1m (2000, £23.9m), PBT was up 20% to £5.2m and EPS increased to 20.39p from 17.40p. Commenting on the results Chairman, Richard King said, "we look forward with confidence to further improvements in financial results in future years".

**Comment** - Cadcentre is a bit of a rising star, with consistent increases in PBT for the past five years. Much of its growth has been organic, with recent acquisitions contributing 10% to overall revenues. Its wide geographic coverage provides it

with a degree of cushioning against the economic slides encountered in different regions. 17% of its revenue is generated in the UK, 32% in EMEA, 28% in the Americas and 23% in Asia Pacific. The company is repositioning itself, extending its solutions to address not just Computer Aided Design (CAD) but encompassing data management, business process re-engineering, supply chain management and resource planning systems for engineering IT. As such the company will be changing its name to **AVEVA Group**, making it much more difficult to think up headlines in the future!



### Poised for future growth

**Lastminute.com**, the online retailer, has announced interim results for the quarter ended 31<sup>st</sup> Mar.01. Total transaction value was £27.8 million which represented a fivefold growth from the previous years figures (£5.76m). Revenue increased to £4.1m from the previous year to (£834K in 1999). But LBT deepened at £14.3m (£11m in 1999). Loss Per Share almost halved to 8.41p. Commenting on the results, Chairman Allan Leighton was upbeat; "This is another set of solid financial results, as we continue to adjust our business model".

**Comment** - Lastminute.com is the second most recognised e-commerce retailer in the UK and in Sep. 00 the company had over 2.8 million registered subscribers. While the company may still have a favoured and well recognised brand, it needs to make sufficient investment, particularly in Europe, if it is to remain poised for future growth. This year it has been victim to the dot-com downturn, where so many failed last year, and has managed to stay afloat despite losing its place in the FTSE 100. Their share price opened 2001 on 76p and has not regained this value since. Shares closed end of month on 49p.

### Terence Chapman to focus on Consulting

**Terence Chapman Group**, provider of business and IT consultancy to the finance sector, announced interim results for the six months to 28th Feb. 01. Revenue was up 79% to £21.83m (continuing ops more than doubled to £15.9m), PBT was up substantially from £460K to £2.2m, and EPS was also up from 0.51p to 2.29p. Commenting on the outlook, Chairman Sir Colin Southgate, said: "While current trading reflects relatively difficult and competitive market conditions, the Directors believe that the Group has excellent long-term prospects".

**Comment:** Since the year end, TCG has disposed of **TCA Synergo** (software for retail and private client stockbrokers

and fund managers) to **Wilco International**, leaving it free to concentrate on its growing consultancy business. And consulting put in a strong performance in H1, with revenue up 163% and a return to profitability (£1.8m). To date the company has grown purely organically. But with the half-year end cash balance of £9.1m, subsequently boosted by £10.2, from the disposal of Synergo, TCG is in a good position to make its first acquisition, "when the suitable opportunities arise". TCG is confident that its consulting business has long-term, high margin (currently 11.2%) growth potential. TCG's share price decreased 12% during the month to 90p.



### New Focus for Lynx

**Lynx Group** announced interim results to the 31. Mar. 01. The company recently restructured, selling off their Spanish and UK automotive systems business, and withdrew from the distribution of IBM hardware products as a first step in achieving the company's goal of becoming a "leading provider of financial services, financial systems and infrastructure solutions." Revenue increased from £111m last year to £141m with revenue from continuing operations up

49% to £123m, LBT was £6.8m, (PBT of £1.1m, last year) and EPS of 0.98p slipped to a loss per share of 4.48p for the comparable period. Chairman, Stuart Douglas-Mann commented, "We believe that out-turn for the second half looks more positive than that achieved in the first half".

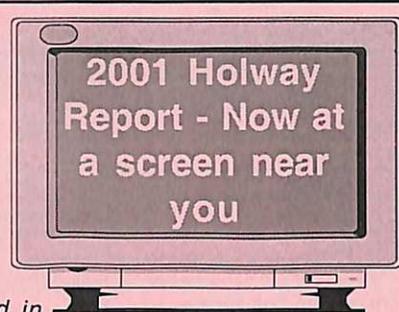
**Comment** - We always felt that Lynx was a little too diverse for its own good. The company now appears to be focusing on what their core business should be. They have had a slight setback with the cancellation of the planned demerger/divestment of Lynx Commercial Systems but the pressure is to show growth and profits from the remaining part of the business.

**PARITY**e-business solutions  
and software services**Parity - right approach but  
difficult to execute**

Parity Group has issued a trading statement following a strategic review by incoming (ex-EDS) CEO Ian Miller. An "unsatisfactory trading performance in the first four months of this year has been aggravated by the current economic slowdown. ...Results for the first six months are expected to show a **small loss**." Parity made PBT of £6.5m in the six months to 30th Jun. 00 – a third lower than in 1999. Miller has instigated a restructuring "to improve the unsatisfactory trading performance...aimed at eliminating unnecessary activities, increasing utilisation, implementing new IT systems and reducing overheads". That will result in a £900K cost of Board restructuring (seems mighty high!) and a £500K bad debt write off. Cuts will reduce the cost base by £1m in H1 and £2m in the full year. Trading in the US has been adversely affected and an expected "improvement has not yet been seen". Business in Cont. Europe has also been affected. "Revenues have been stable since the beginning of the year, notwithstanding increased competition due to software houses selling out staff into the contractor market in order to maintain utilisation rates"... a side of the business that, unsurprisingly, system houses don't 'advertise'. It gets worse...as "in the UK Parity Solutions has seen demand for its skills based business deteriorate significantly over the last few months as the UK market has moved towards buying value-added business propositions rather than IT capability".

We spoke to CEO Ian Miller and he is very upbeat about Parity's prospects ("I see no reason why we should not get Parity back to growth at or above market rates in all three lines of business"), but (wisely) doesn't underestimate the challenges. The restructuring follows the path that many SCSl companies are taking in the current market, now that the 'drive-by' business has all but dried up – i.e. concentrate on getting more business from the established client base. To do this they are implementing a key account structure to promote cross-selling of Parity's services in the top accounts (only 25% currently use all 3 services, i.e. staffing, solutions & training). *Right approach – but tricky to execute*. Whether he can achieve above average growth across all 3 businesses is a tall order – especially as we reckon the ITSA market (where Parity gets c70% of total rev.) actually **shrunk** last year! But they are doing the right things to at least give themselves a chance.

Much of the **2001 Holway Report** is now already available online with the remainder coming to a screen near you in June. We have been encouraged by the orders to date - already up over 50% on last year; *which ain't bad in today's climate!*



The **Ovum Holway Report Continuous Service** is the best option as it not only gives you the complete 2001 Holway Report including the company profiles, which are now continuously updated throughout the year, but also includes *System House* and Hotnews. At £6000 (single user) it costs less than the equivalent package last year.

But, even so, some users have thought this too much for their current budgets.

It is therefore worth pointing out that the **2001 Holway Report Industry Report** is available as a standalone paper version for just £2500. This contains over 500 pages of market analysis and forecasts, financial performance reviews, acquisition comment and trends, stock exchange and IPO performance etc. If you can live without the company profiles, it gives you access to "The Bible of the Industry" at a low entry level price. Please see enclosed brochure, order form below or [www.ovumholway.com](http://www.ovumholway.com) for more details.

**Your last chance to join the networking event of the year**

On Thursday 12th July 2001, Richard Holway and Anthony Miller will be presenting the main findings of the 2001 Holway Report to an evening seminar on behalf of the Computing Services & Software Association at the Royal Lancaster Hotel, Lancaster Gate, London. The evening starts at 5.30pm (for 6.00pm) and includes drinks and a really special dinner.

Places are in short supply as we write but remember you are guaranteed a **free place** if you purchase the 2001 Holway Report Continuous Service.

Geoff Unwin (CGEY), Martin Read (Logica), Frank Jones (Sema), Bill Thomas (EDS), Brian Sellwood (IBM), Keith Wilman (CSC), Richard Christou (ICL), Hilary Cropper (FI/Xansa) and almost every CEO of note are already booked. **What a turnout...yet again!**

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