

System House

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Wither B2B?

First we had the dot.com suffix - now a liability - then the e-prefix. Our last edition forecast the "E-nd of E-" - a prediction which has since been carried by most of the media.

The other fashions in those heady days a year back were for TLAs like B2C, B2B. B2C seems to have been consigned to Room 101 by most VCs. But, they ask us, surely there is a future for B2B, surely our investments there will bear fruit? These questions more-and-more sound like desperate pleas for reassurance. So, by public demand, we thought we should address this issue too.

"B2B" seems to be used by journalists, analysts and users alike, with the same lack of thought that a baby applies to

using its first spoken word (over and over!). Only participants in BBC1's *Castaway* could be forgiven for being unaware that B2B is an abbreviation for business-to-business. The definition of B2B marketplaces however seems to be a mystery to the majority as many continue to confuse the issue with that of e-procurement. EVERY IT company is involved in e-procurement (even us!) and therefore every SCS company has a significant involvement.

But B2B is really about e-marketplaces, net markets, trading communities (there are countless other names) where a simple definition might be; **"an on-line hub driven by a community, open to an unlimited number of buyers and sellers, which facilitates not only the exchange of information but also the trading of goods and services whilst considering the interests of all parties involved."** This definition encapsulates the most important traits of the net marketplace - those that are necessary if they are to succeed and differentiate them from other B2B transactions.

Whether supporting the trading of direct or indirect goods, the advantages of e-marketplaces, whether for the buyer or supplier, fall into three categories. Firstly, inter-business collaboration is supported, and hence opens up the marketplace for buyers and suppliers by increasing their flexibility. Secondly, the information provided allows the process to become more transparent for all involved and hence the buyer, for example, is able to analyse its choice of suppliers more effectively, as well as preventing unauthorised purchasing within its organisation. From the supplier's point of view, new buyers become apparent and more accessible. Then there are the central services provided by the e-marketplace which would otherwise have

to be provided by individual companies: auction services, price and availability updates, and invoice delivery to name a few. These benefits combined bring about the real value - increased efficiencies and hence reduced costs.

The concept sounds too good to be true, doesn't it? Which is why so many companies initially raced in, backed by a great deal of silly money from (in some cases equally silly) VCs. Now the sceptics have moved in here too. Some do not believe in the e-marketplace at all, and others believe that it can only work for certain types of industry.

Trading exchanges will bring most benefit to industries that are fragmented and which suffer high sales and distribution

costs. Even here the sceptics argue that:

- "people still want the opportunity to speak to someone" - this will be solved in time by introducing messaging and e-mail services to exchanges.

- "most of these marketplaces do not have the capability to perform an entire transaction" - it was a similar story with e-commerce sites but the need to fully integrate all the processes was soon realised.

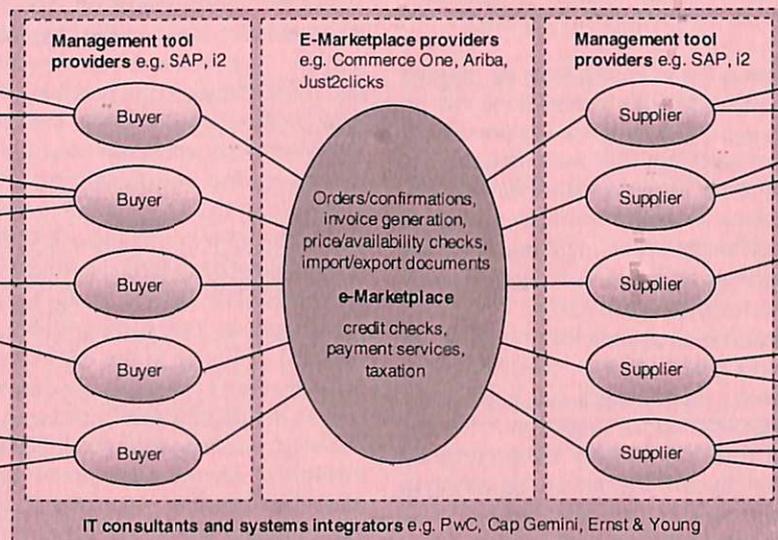
- "sellers need to be

attracted by a large number of buyers in the marketplace and buyers by a large number of sellers, but who will come first?" - industry sponsored exchanges where significant buyers collaborate, such as the automobile exchange, Covisint, have quickly attracted buyers. As these flourish, it will become less difficult to attract sufficient transaction volume to new marketplaces.

- "the current e-marketplaces do not have the geographical range to realise cost savings" - as the market develops, we will see the consolidation that has started in the e-business marketplace. Marketplace developer Commerce One, is bringing individual marketplace participants together to form the "Global Trading Web" to unite industry marketplaces for this purpose and has a vision of a single world marketplace in the future.

- "as peer-to-peer technology matures and allows more complex transactions, e-marketplaces will become obsolete" - peer-to-peer transactions will not have the benefit of allowing value-added services such as auctions and catalogues to be handled centrally.

The argument against e-marketplaces that stands up is that the idea may conflict with existing supplier/buyer relationships. This however relies on the way we do business



remaining unchanged and not moulding to fit in with advancements in technology which may bring bigger and better benefits.

B2B supporters believe that we will not be able to avoid this new way of working and, when the use of marketplaces has matured significantly to get over the hurdles, e-marketplaces will bring one of the biggest changes to business yet seen. *We remain to be convinced!*

But if B2B really takes off, which SCS companies could benefit and how quickly will it come about? The first are the providers of marketplace software such as Commerce One and Ariba. These companies will need to have invested in solutions early on and will need to ensure recurring revenues by commanding a high percentage of transaction volumes from a high number of industries.

Also in a position to benefit from B2B marketplaces are the providers of management tools for supply chain optimisation, product planning and analysis which will all be essential for cost reduction. Last but not least, will be the IT Services companies such as PwC and Cap Gemini Ernst and Young whose understanding of industries' business models and systems integration skills will play a key part.

Most powerful will be the companies that form partnerships such as the relationship between IBM (IT services), Ariba (marketplace solutions) and I2 (management tools), and the mutually beneficial partnership between Commerce One and SAP.

But it is the forecasting of how quickly e-marketplaces will take off, and how much of the value of B2B transactions will go through them, which has proved much harder to predict. Credit Suisse First Boston has predicted that B2B marketplaces will eventually capture 25% of total business transactions i.e. \$1250bn (but did not forecast a timescale in which this would happen!) IDC has predicted that \$1400bn of transactions will flow through B2B marketplaces by 2004 and Merrill Lynch predicts this figure will reach 'only' \$14bn by 2002.

If other "internet-related" predictions are anything to go by, all these forecasts will be wildly over-optimistic too. In reality adoption will be much slower. Functionality will need to be highly attractive and offer benefits above and beyond normal channels - something that only the minority have currently achieved. Both suppliers and buyers will need to be willing to change their procurement and sales processes. For international companies, e-marketplaces will need to have geographical scale. There will also need to be an initiative to establish common technical standards if the vision of a Global Trading Web is to be accomplished. The biggest hurdle of all, of course, will be education - potential players need to be aware of how they are placed to take advantage of this new trend.

A better indication of how quickly things may happen can be obtained by looking at some figures from Commerce One which currently has 110 marketplaces under its belt and of these 49 are transactional. The 110 marketplaces cover seven industries ranging from Utilities to Aerospace and with the companies involved, when all are fully transactional, an average of 60% of the industries' liquidity will have been captured...how long the companies involved will take to use the marketplaces for ALL their transactions is something that Commerce One doesn't dwell on.

There are no more than 240 industries in the world and estimates are that today there are 1500 marketplaces so if there is one thing we can be certain of it is that consolidation will occur with about 80% of exchanges disappearing. This will not just affect the new players like Just2clicks (see opposite) and Efdex (the food and drink exchange which failed in Dec.00) but even the marketplaces supported by large multinationals (like Fyffes WorldofFruit.com). Remember B2B is just another interface and but a fleeting memory of 2000.

Just2Clicks.com, claimed to be the "UK's largest quoted operator of business-to-business vertical trading communities", but certainly at the smaller end of the scale on a worldwide basis, has announced results for the 15 months ending 30th Sep. 00. During the reporting period, the company floated on AIM. Turnover for the period was £1.7m and LBT of £33.8m (including goodwill amortisation and impairment of £33.9m due to the reassessment of the carrying value of the business). Diluted loss per share was 79.7p. The Chief Executive's report stated that "Overall, revenues have been in line with expectations. However, transactional volumes (with the exception of e-cement) and therefore commissions generated by the marketplaces have not, to date, developed as hoped." The company believes that the results are acceptable considering the emerging nature of the market.

Comment - The turnover of just £1.7m looked unimpressive for a company with eight businesses. The most well known of its businesses is e-cement, a joint venture investment controlled by Blue Cement, the cement manufacturer. Transaction value since May 00 when the business was established, totals \$700m. It is generally expected that companies such as Just2Clicks charge on average, fees of 3.5% of transaction value. However, even at the lower end of the scale, a 0.1% charge would have accumulated revenues for the company of \$7m so presumably the bulk of the fees are going to Blue Cement.

Just2Clicks really needs to take a look at its business model, as transaction fees are the biggest earner for companies such as this. The results statement makes a point of saying that each subsidiary is in the process of "identifying suitable potential high profile partners within the relevant industry to increase the level of transactional volumes" - but this should really go without saying and should have been the company's main priority from day one - certainly a bigger priority than changing the name of the company to J2C plc. There will be a high level of consolidation in B2B marketplaces in the coming years and companies like J2C will be the suppliers that suffer as a result. It also looks as if the company should 'stick to its knitting'. At the moment, although in the B2B space, some of its businesses certainly aren't operating marketplaces - Webfreight provides on-line freight forwarding services and Granite Rock provides knowledge management solutions and service.

Footnote - As we go to press Just2clicks has announced a major restructuring which effectly puts an urgent "For Sale" on the company and at the same time will reduce cashburn by 500% to £325K pm. So another dot.com B2B is likely to be confined to Room 101.

Just2Clicks share price finished the month down 11% at 29p.

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Be Big & Global or be Niche?

If you want a consistent M&A theme, year-upon-year, it would be "transactions values and volumes will increase". As a forecast it was uncannily accurate!. This year as much so than ever. But with "paper" valuations going "North of Stupid" the chart below might not be that much of a surprise. What might be more of a surprise is our prediction that - despite the now rather lower valuations - this trend will continue in 2001.

We have had a long association with **Regent Associates** and Richard Holway is proud to be the only speaker to have appeared at every one of their six annual conferences.

At a European level in 2000, Regent report that Software and Services accounted for 43% of transaction activity (£39.7 billion). At the UK level this is 44%.

We quote from their recently released analysis...

Most notably in the **Software & Services** sector, 48% (£19.1

billion) of the value of Software & Services deals came from just seven transactions, including Cap Gemini acquiring Ernst & Young's Consulting Business, which was one of the largest value transactions of its type in the world.

The historical "Big Boys" such as IBM, EDS, CSC, and Finsiel are missing from the large deals and multiple deals lists, highlighting their focus on strategic alliances, partnerships, minority stake holdings and JVs. Where they have made acquisitions they have chosen smaller niche players. A key benefit of this being

that they have avoided paying high P/E's and protected their performance ratios.

Values of UK acquisitions were also skewed by activity in the Telecoms sector.

Announced UK acquisition values totalled £310.9 billion, of this £266 billion was spent on six transactions, again five of these were Telecoms related.

Specifically in the UK Software and Services sector, acquisitions totalled £16.5 billion. Five transactions, representing 45% of the total amounted to £7.1 billion. This also supports the view that there was much consolidation activity between the smaller players, where 413 transactions amounted to £9.4 billion.

Many organisations conducted multiple transactions, primarily in the Telecoms sector (e.g. British Telecom, Cable & Wireless, Telefonica and Telenor), and to a lesser extent, electronics firms (Marconi, Siemens) continuing to reposition themselves. Many of the companies were at the same time divesting unwanted units or subsidiaries.

The fastest growing sectors in Europe were: Content & Media, up 270% on 1999; Communications Services, up 75% and E-Trading Services, up 51%. This supports the claim that all organisations put greater emphasis this year on the adoption

of Internet and Mobile Communications related offerings.

For Software & Services specifically, the greatest growth in transactions occurred in the IT Consultants (136%) and Internet Development sectors (215%). Also the VARs grew at a respectable rate, 46%. This illustrates the drive towards creating the e-enabled economy, the need to move further up the value chain, and the ability to support clients in their desire to turn high level consulting into workable business solutions, using business consulting and process improvement techniques.

US buying activity slows.....

Interestingly, the number of buying companies from North America decreased from 1999 to 2000 by 10%. This indicates a slight tightening of capital due to the affect of the stock market "Bubble Burst", without a commensurate increase in cash transactions to counter balance the effect. The number of NASDAQ quoted companies that have been acquired by

European companies has increased by 115% over 1999. There was also a significant level of increase in the number of European companies acquiring in North America, representing 14% of the total transaction activity in Europe, a 72% increase on the comparable activity in 1999.

From a European perspective the UK, Germany and Scandinavia completed the most buy-side transactions. Clearly the

companies in these countries are adopting the new technologies at a more rapid rate. Scandinavia is emerging as

an interesting story, with much of the activity being industry consolidation and intra-region consolidation.

Comment

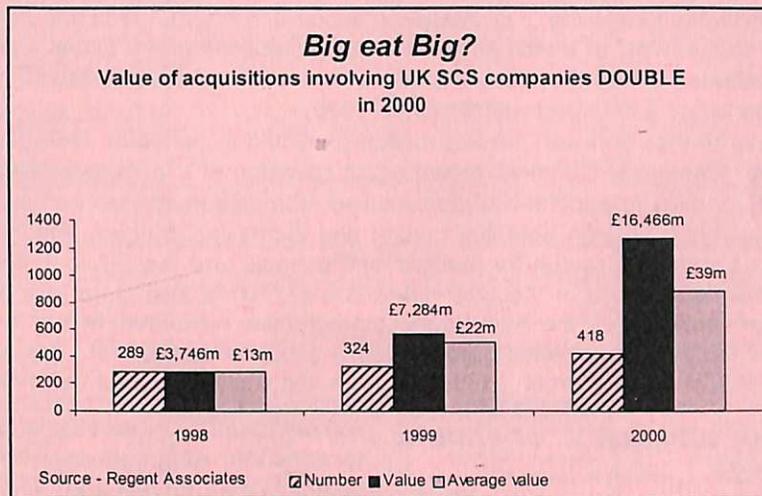
Although we believe that both the total value and volume of M&A deals involving UK

SCS companies will indeed increase in the next year, we suspect that the make-up will be quite, quite different. We suspect that average P/E's and PSRs will return to the 1998 levels - or indeed below. In other words, valuations will HALVE. Internet development companies might achieve the ignomy of reducing in value to around zero (although we doubt that the 2001 Regent statistics will show that!) After all the recent *System House* articles on this subject, if you still want to know the reasons, please read our e-business services report (order p12).

Be Big & Global or be Niche?

OK, so we said at the Regent Conference. "average, middling etc. will be very uncomfortable in the next year or so". "Big eat Big" i.e. that more-and-more of the Cap Gemini and E&Y-type acquisitions will actually be consummated. Many of today's Big shots - including Sema - are now within target. But, bluntly, we suspect that small, lean, niche might well be the only really good place to be.

Whatever, our M&A pages will be bulging in 2001 too.



Largest M&A deals in 2000

Buyer	Seller/Target	Value
Sema	LHS	£2,700m
Pearson	National Computer Systems	£1,700m
CMG	Admiral	£1,400m
FI Group	Druid	£800m
Invensys	Baan	£467m

Valuations of UK SCS Companies (Median valuations)

Source - Regent Associates	1998		1999		2000	
	PE	PSR	PE	PSR	PE	PSR
Consulting	16	1.32	23	1.87	23	1.82
Professional services	19	1.53	18	1.22	40	2.59
Processing Services	20	0.74	18	2.21	20	3.76
SI/Horizontal VAR	13	0.5	20	0.79	32	1.82
System Houses/Vertical VARs	19	1.84	21	1.6	28	2.27
Packaged Software	22	2.72	25	2	65	2.73
Internet Development			19	2.69	23	4.55
Training	33	1.19	18	2.15	9	1.84
Recruitment consultants	14	0.93	22	0.76	17	0.85
Sector averages	18	1.19	21	1.57	30	2.29



If they could just make a profit!

SurfControl, the company formerly known as JSB Software Technologies, has announced record results for the six months to 30th Nov. 00. SurfControl, which provides Internet access control software (and refers to itself as "the internet filtering company"), is EASDAQ and FTSE250

quoted, but gives its results in \$, something we have complained about in the past.

Anyway, turnover increased from \$5.5m in the same period in 1999, to \$16.2m, a very impressive 195% increase. The down side is that LBT for the six months increased from \$5.2m to \$38.4m (including \$33.4m amortisation of goodwill, depreciation and share option provision) and diluted loss per share increased from 37.1c to 134.6c. Steve Purdham, CEO, commented, "we are seeing clear evidence that the demand for Internet filtering solutions within our target market is not only as strong as ever but is increasing.... following our acquisition of EmU Tech and Lanvision in Australia, we are well positioned to become the provider of e-mail and web filtering solutions to the global market".

Comment - SurfControl continues to ride the wave of Internet use - revenue from its filtering products were up 425% to \$8.4m in the second quarter alone (compared with \$1.6m in 1999).

The company is looking to an e-mail and web filtering market predicted to be worth c\$4b between 2000 and 2004, but which it believes is only 1% penetrated. Certainly, recent press coverage of in-company problems with inappropriate e-mail distribution (the Royal and Sun Alliance in Liverpool sacked 10 members of staff and suspended 77 after offensive e-mails were discovered) suggests a large potential market and increasing concern. Also, the US Congress recently passed mandatory Internet filtering legislation for libraries and schools and the EU is to discuss a kitemark for such software. The company has operations in the US, Netherlands, Austria and Germany, with the recent Australian acquisitions providing a springboard into the Asia-Pacific market. New customers in the last quarter include KPMG, Barclays, NATO and Credit Agricole. The market certainly looks good for SurfControl - they're in the right place at the right time - now if they could just make a profitSurf Control's share price finished the month up 7% at 1243p.

This month's trading "updates"... or should that be "downdates"?

I S Solutions has released a trading statement saying that it has "recently been affected by the deferral of contracts in the markets in which it operates, both in the US and in the UK. A significant contract in the US...was delayed in the late autumn, but the Board believed at the time that the UK activities would compensate for this". The effect on PBT for the period to 31st Dec. 00 will be "significant".

Eidos has released a trading update stating that the company has "traded well during the quarter ending 31st Dec. 00, and that sales and profits are ahead of expectations". However, the company has revised downwards its expectations for the full year due to delays in the releases of two titles. The company expects 2001 to be a better year for it.

Rage Software has reported that revenues for the year to 30th Jun. 01 are expected to be broadly in line with current market expectations. However, "exceptional and one-off factors" are expected to result in a greater loss than was formerly anticipated for the current year. The board "remains confident" that it will return to profitability in 2002.

Keystone Solutions Group warns of "soft" market conditions with customers "taking time to make purchase decisions".

Computacenter has released a trading update prior to its preliminary results due to be announced on 14th Mar. 00: "The second half of the year saw progressive improvement in market conditions...overall performance in the second half was as anticipated and the likely outcome for the full year remains in line with our expectations". With regards to the future, the company remains cautious but enjoys a "strong competitive position".

Knowledge Management Software states that "the strong growth sales in the first quarter of our financial year 2000/2001 has continued in the second quarter and we expect to be able to report sales growth of approximately 50% quarter on quarter". The company also claims that its direct sales pipeline is growing strongly.

Bright Station announced "strong Q4 revenue growth" for its knowledge management subsidiary, SmartLogik, and claimed that it had seen no slowdown in the KM sector.

IDS Group, formerly **CFS Group**, has announced that it will "record a substantial loss for the period ended 31st

December 2000". The loss is due to the company failing to conclude negotiations with regard to a number of contracts prior to year-end. The licenses are expected to be achieved early in 2001. Following the acquisition of **Decision Systems**, this company has performed in line with the acquisition forecast. The problems with the businesses that comprised CFS Group were mainly attributed to the Australia and Pittsburgh offices; the latter has now been closed and the former rationalised.

Autonomy's CEO, Dr. Mike Lynch, said: "We have not experienced a slow-down in our overall revenue growth during the fourth quarter of 2000 and have seen strong growth from the third quarter of 2000. Our business continues to be strong and we remain confident about our prospects."

Knowledge Support has stated "the failure to sign (the retail) contracts before the end of December financial year was disappointing.... Assuming no significant deterioration in the global economy, the Company's Board of Directors believes market expectations for 2001 should remain unchanged and still expects the company to be profitable for that year".

Sema "For Sale"?

Sema has reported that turnover for the year ended 31st Dec. 00 is expected to be approx. £1.5b, and profit (before tax, goodwill amortisation and after exceptional items) is expected to be between £90-95m. Turnover in the second half rose by 8% compared with the same period in 1999. However, without the contribution from LHS, it grew by just 1%. The best performance came from outsourcing.

Looking forward, the company says it expects revenue growth of 12% in 2001, and plans to dispose of some "unprofitable and non-strategic parts of the business". Many (including us) believe that the "For Sale" sign is currently hanging outside Sema's HQ but this is hotly refuted by Sema management. *Only time will tell!*

Sema plans to make a "significant reduction" in general and administrative costs in H1. Sema is also looking to appoint a Chief Operating Officer, and "it is anticipated that the successful candidate for the role of Chief Operating Officer will succeed Mr Bonelli as Chief Executive Officer in due course".

Sema's share price has risen to 376p from 295p, an increase of 27%

Quoted Companies - Results Service

Note: Highlighted Names indicate results announced this month.

Actinic plc				Delcam plc				Kewill Systems plc			
REV	Interim - Jun 99	Final - Sep 99	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Sep 99	Final - Mar 00	Companison
£571,000	£1,437,000	£2,048,000	+258.7%	£7,677,884	£1,774,254	£8,302,280	+8.1%	£23,129,000	£75,245,000	£50,419,000	+118.0%
PBT	£2,159,000	£3,508,000	Loss both	£509,549	£1,042,075	£611,162	+19.9%	£2,336,000	£1,803,000	£1,803,000	-22.8%
EPS	-0.86p	-2.25p	Loss both	7.00p	13.20p	8.10p	+15.7%	1.30p	-1.20p	-1.10p	Profit to loss
AFA Systems plc				Diagonal plc				Keystone Software plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - May 99	Final - Nov 99	Companison	REV	Interim - Sep 99	Final - Mar 00	Companison
£386,000	£1,779,000	£2,172,000	+462.7%	£37,141,000	£72,376,000	£37,555,000	+1.1%	£2,384,000	£4,799,000	£1,989,000	-16.6%
PBT	£716,000	£581,000	Loss both	£4,358,000	£8,184,000	£1,745,000	-60.9%	£17,000	£165,000	£3,173,000	Profit to loss
EPS	-4.70p	-3.40p	Loss both	3.66p	7.52p	1.32p	-63.9%	0.10p	0.60p	-7.60p	Profit to loss
AIT Group plc				Easyscreen plc				Knowledge Management Software plc			
REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Final - Dec 98	Final - Jun 00	Companison
£9,765,000	£21,693,000	£14,218,000	-45.6%	£335,957	£1,056,519	£969,022	+214.5%	£713,010	£1,713,010	£2,091,986	Not comparable
PBT	£1,530,000	£3,651,000	+30.9%	£453,525	£3,425,999	£3,767,777	Loss both	£58,987	£58,987	£3,078,772	Profit to loss
EPS	0.50p	1.18p	6.49p	-1.23p	-9.50p	-8.23p	Loss both	0.35p	0.35p	-5.40p	Profit to loss
Alphameric plc				ECSoft Group plc				Knowledge Support Systems Group plc			
REV	Interim - May 99	Final - Nov 99	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison
£11,161,000	£25,330,000	£22,007,000	-49.7%	£34,186,000	£67,304,000	£34,705,000	+1.5%	£1,235,699	£1,838,025	£895,739	-27.5%
PBT	£1,010,000	£3,050,000	£616,000	£2,840,000	£3,416,000	£447,000	-84.3%	£317,812	£33,497	£425,722	Profit to loss
EPS	1.20p	3.62p	0.10p	15.20p	17.30p	-4.10p	Profit to loss	0.60p	-0.10p	-0.60p	Profit to loss
Alterian plc				Eidos plc				Logica plc			
REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Final - Jun 99	Final - Jun 00	Companison
£374,074	£1,011,140	£506,000	-62.0%	£44,060,000	£203,265,000	£40,715,000	-7.6%	£59,468,000	£1,838,025	£847,400,000	+28.5%
PBT	£75	£3,905	Loss both	£3,907,000	£49,275,000	£82,348,000	Loss both	£58,604,000	£8,100,000	£87,100,000	-67.4%
EPS	-0.40p	-0.38p	-2.10p	-29.20p	22.80p	-72.70p	Loss both	10.80p	10.80p	17.50p	-62.0%
Anite Group plc				Electronic Data Processing plc				London Bridge Software Holdings plc			
REV	Interim - Apr 00	Final - Oct 00	Companison	REV	Final - Sep 99	Final - Sep 00	Companison	REV	Final - Dec 99	Final - Dec 00	Companison
£83,930,000	£158,976,000	£85,665,000	-42.1%	£10,492,000	£20,492,000	£8,353,000	-20.4%	£42,165,000	£56,700,000	£56,700,000	-34.5%
PBT	£4,690,000	£7,171,000	£3,041,000	£2,377,000	£3,125,000	£1,115,000	-53.1%	£7,092,000	£4,662,000	£4,662,000	-34.3%
EPS	1.00p	1.30p	0.20p	6.85p	8.50p	2.73p	-60.1%	3.18p	1.85p	1.85p	-41.8%
Autonomy Corporation plc				Epic Group plc				Lorien plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Final - May 99	Final - May 00	Companison	REV	Interim - May 99	Final - Nov 99	Companison
£5,456,250	£16,511,000	£16,453,750	+201.6%	£3,084,000	£4,398,000	£4,398,000	+42.6%	£70,941,000	£138,817,000	£53,188,000	-25.0%
PBT	£586,875	£678,000	Loss to profit	£479,000	£765,000	£69,000	-99.7%	£1,572,000	£1,649,000	£2,767,000	Profit to loss
EPS	-0.01p	2.80p	0.02p	2.00p	3.12p	-56.0%	-8.00p	8.50p	-14.10p	-14.10p	Profit to loss
Axon Group plc				Eurlink Managed Services plc				Lynx Group plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Final - Sep 99	Interim - Mar 00	Companison
£11,744,000	£25,378,000	£17,210,000	-46.5%	£4,069,000	£7,596,000	£4,027,000	-1.0%	£212,541,000	£110,018,000	£250,482,000	+17.9%
PBT	£1,686,000	£4,560,000	+66.3%	£189,000	£340,000	£173,000	-8.5%	£8,269,000	£1,789,000	£5,106,000	-26.2%
EPS	2.20p	5.70p	3.40p	1.28p	2.19p	1.16p	-9.4%	4.80p	0.98p	1.98p	-58.8%
Azlan Group plc				F.I. Group plc				MMT Computing plc			
REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Interim - Oct 99	Final - Apr 00	Companison	REV	Final - Aug 99	Interim - Feb 00	Companison
£193,984,000	£410,604,000	£261,744,000	-34.9%	£145,379,000	£307,696,000	£204,018,000	+40.3%	£41,024,210	£16,800,000	£37,734,000	-8.0%
PBT	£2,369,000	£9,258,000	£5,374,999	£9,539,000	£17,391,000	£5,746,000	Profit to loss	£9,710,952	£2,000,000	£5,976,000	-38.5%
EPS	1.50p	6.10p	3.30p	2.71p	3.91p	-3.21p	Profit to loss	52.20p	10.50p	32.20p	-38.3%
Baltimore Technologies plc				Financial Objects plc				Macro 4 plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Final - Jun 99	Final - Jun 00	Companison
£9,807,000	£23,272,000	£25,704,000	+62.1%	£10,690,000	£22,301,000	£8,874,000	-17.0%	£31,025,000	£38,671,000	£59,911,000	+24.6%
PBT	£15,991,000	£31,351,000	£20,659,000	£2,649,000	£4,656,000	£1,573,000	Profit to loss	£10,400,000	£10,611,000	£10,611,000	+2.0%
EPS	-5.70p	-10.27p	-5.50p	5.20p	8.87p	-3.33p	Profit to loss	34.80p	33.20p	33.20p	-4.6%
Baron Corporation plc				Flomerics Group plc				Manpower Software plc			
REV	Final - Aug 98	Interim - Feb 00	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Final - May 99	Final - May 00	Companison
£2,384,000	£1,392,585	£3,294,936	Not comparable	£3,443,000	£8,713,000	£4,890,000	+42.0%	£1,896,518	£1,611,619	£1,611,619	-15.0%
PBT	£175,000	£1,217,831	£489,490	£149,000	£807,000	£41,000	Loss to Profit	£1,641,522	£2,790,867	£2,790,867	Loss both
EPS	n/a	-3.70p	-16.00p	-5.80p	18.60p	-1.40p	Loss both	-20.85p	-27.73p	-27.73p	Loss both
Bond International Software plc				Focus Solutions Group plc				MERANT plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Interim - Oct 99	Final - Apr 00	Companison
£4,567,000	£8,457,169	£4,519,000	-1.1%	£238,000	£71,000	£28,000	-47.9%	£112,351,000	£227,283,000	£96,911,000	-13.7%
PBT	£327,000	£789,085	£141,000	£504,000	£1,039,000	£1,224,000	Loss both	£5,015,000	£35,369,000	£7,310,000	Profit to loss
EPS	1.58p	4.81p	0.55p	-2.70p	-5.60p	-6.20p	Loss both	0.02p	24.90p	-0.05p	Profit to loss
Bright Station plc				Freemove plc				Microgen plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Final - Apr 00	Final - Apr 00	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison
£87,243,000	£174,452,000	£52,560,000	-39.8%	£2,732,000	£19,557,000	£19,557,000	+615.8%	£15,472,000	£31,324,000	£13,760,000	-11.1%
PBT	£1,699,000	£3,857,000	£112,020,000	£1,511,000	£2,292,000	£2,292,000	Loss both	£1,516,000	£1,834,000	£2,808,000	Profit to loss
EPS	0.70p	-3.50p	70.00p	-522.00p	-2.20p	-2.20p	Loss both	2.10p	5.70p	-4.70p	Profit to loss
Business Systems Group Holdings plc				Gresham Computing plc				Misys plc			
REV	Interim - Sep 99	Final - Jun 99	Companison	REV	Interim - Apr 99	Final - Oct 99	Companison	REV	Interim - Nov 99	Final - May 00	Companison
£17,085,000	£32,386,000	£17,602,000	-43.0%	£16,301,000	£30,350,000	£11,206,000	-31.3%	£344,500,000	£708,800,000	£413,000,000	+19.9%
PBT	£459,000	£750,000	£145,000	£1,483,000	£864,000	£2,723,000	Profit to loss	£48,300,000	£113,600,000	£37,400,000	-22.6%
EPS	0.43p	0.62p	-0.26p	2.35p	2.23p	-6.06p	Profit to loss	6.00p	14.20p	4.70p	-21.7%
Cadcentre Group plc				Guardian IT plc				Mondas plc			
REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Oct 99	Final - Apr 00	Companison
£10,932,203	£23,889,000	£12,900,000	-48.0%	£19,647,000	£49,245,000	£33,277,000	+69.4%	£641,678	£1,358,811	£881,263	+37.3%
PBT	£1,869,919	£4,338,000	£2,300,000	£3,614,000	£7,048,000	£2,823,000	-21.9%	£390,000	£857,573	£466,426	Loss both
EPS	7.92p	17.40p	9.35p	4.79p	10.90p	5.30p	+10.6%	3.10p	6.80p	-3.40p	Loss both
Capita Group plc				Harvey Nash Group plc				Morse Holdings plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Jul 99	Final - Jun 00	Companison	REV	Final - Jun 99	Final - Jun 00	Companison
£150,000,000	£327,199,000	£208,000,000	-38.7%	£71,900,000	£150,998,000	£93,200,000	+29.6%	£283,943,000	£506,316,000	£506,316,000	+78.3%
PBT	£12,600,000	£32,200,000	£13,800,000	£5,326,000	£11,974,000	£5,756,000	+8.1%	£18,853,000	£22,919,000	£22,919,000	+21.6%
EPS	1.32p	3.30p	1.33p	1.18p	27.64p	12.25p	+8.7%	22.70p	10.10p	10.10p	-55.5%
Cedar Group plc				Highams Systems Services Group plc				MSB International plc			
REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Interim - Sep 99	Final - Mar 00	Companison	REV	Interim - Jul 99	Final - Jan 00	Companison
£11,688,000	£36,314,000	£23,367,000	-49.9%	£14,967,000	£26,863,817	£10,262,000	-31.4%	£99,869,000	£184,936,000	£75,040,000	+43.1%
PBT	£55,000	£4,829,000	£852,000	£2,000	£308,504	£1,744,000	Profit to loss	£25,000	£4,958,000	£4,185,000	+99.4%
EPS	0.10p	4.20p	2.10p	0.08p	1.58p	8.99p	Loss both	0.10p	17.30p	15.35p	99.3%
Charteris plc				ICM Computer Group plc				NetBenefit plc			
REV	Final - Jul 99	Final - Jul 00	Companison	REV	Final - Jun 99	Final - Jun 00	Companison	REV	Final - Jun 99	Final - Jun 00	Companison
£4,654,000	£6,716,000	£4,443,000	-44.3%	£40,047,000	£49,535,000	£49,535,000	+23.7%	£1,969,751	£7,520,100	£7,520,100	+281.8%
PBT	£476,000	£371,000	-22.1%	£4,335,000	£4,513,000	£4,513,000	+4.1%	£279,862	£4,591,500	£4,591,500	Profit to loss
EPS	35.30p	25.70p	-27.2%	14.20p	15.40p	15.40p	+9.4%	0.02p	-0.32p	-0.32p	Profit to loss
Clinical Computing plc				IDS Group plc				Netstore plc			
REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Interim - Jun 99	Final - Dec 99	Companison	REV	Final - Jun 99	Final - Jun 00	Companison
£1,561,000	£3,112,623	£1,331,000	-14.7%	£6,088,000	£13,614,000	£6,863,000	+22.7%	£1,757,911			

Quoted Companies - Results Service				Note: Highlighted Names indicate results announced this month.											
Plant Holdings plc				SDL plc				Telework Group plc							
REV	Interim - Oct 99	Final - Apr 00	Interim - Oct 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00
PBT	£6,041,000	£13,304,000	£9,119,000	PBT	£5,984,000	£12,960,000	£11,578,000	PBT	£8,252,000	£17,363,000	£10,409,000	PBT	£8,252,000	£17,363,000	£10,409,000
EPS	1.10p	2.30p	1.80p	EPS	-1.63p	£7,960,000	£2,690,000	EPS	-£481,000	£2,705,000	£890,000	EPS	-£481,000	£2,705,000	£890,000
Policy Master Group plc				Sema plc				TelMe.com plc							
REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Final - Mar 99	Final - Mar 00	Comparison	REV	Final - Mar 99	Final - Mar 00	Comparison
PBT	£7,715,000	£16,730,281	£8,100,000	PBT	£668,600,000	£1,410,000,000	£720,400,000	PBT	£10,014,000	£13,974,000	+39.5%	PBT	£10,014,000	£13,974,000	+39.5%
EPS	£500,000	£1,062,587	£29,000	EPS	£37,900,000	£93,800,000	£422,200,000	EPS	-£3,381,000	£2,105,000	Loss both	EPS	-£3,381,000	£2,105,000	Loss both
PSD Group plc				ServicePower Technologies plc				Terence Chapman Group plc							
REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Final - Aug 99	Final - Aug 00	Comparison	REV	Final - Aug 99	Final - Aug 00	Comparison
PBT	£29,568,000	£63,428,000	£41,132,000	PBT	£1,854,000	£3,760,910	£1,151,000	PBT	£30,641,000	£30,900,000	+0.8%	PBT	£30,641,000	£30,900,000	+0.8%
EPS	£6,831,000	£11,545,460	£10,111,000	EPS	£1,279,000	£2,541,087	£2,697,000	EPS	£4,464,000	£4,163,000	-8.2%	EPS	£4,464,000	£4,163,000	-8.2%
QSP Group plc				Sherwood International plc				Torex plc							
REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00
PBT	£19,961,000	£50,538,000	£21,010,000	PBT	£22,493,000	£47,186,000	£24,097,000	PBT	£18,532,000	£46,762,000	£34,905,000	PBT	£18,532,000	£46,762,000	£34,905,000
EPS	£783,000	£4,212,000	£1,022,000	EPS	£2,881,000	£7,345,000	£2,548,000	EPS	£1,775,000	£4,039,000	£1,791,000	EPS	£1,775,000	£4,039,000	£1,791,000
Quanta plc				Skills Group plc				Total Systems plc							
REV	Interim - May 99	Final - Nov 99	Interim - May 00	REV	Interim - May 99	Final - Nov 99	Interim - May 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00
PBT	£8,286,000	£18,153,000	£9,278,000	PBT	£96,400,000	£198,700,000	£78,000,000	PBT	£1,180,727	£1,958,040	£1,584,209	PBT	£1,180,727	£1,958,040	£1,584,209
EPS	£1,593,000	£4,224,000	£1,463,000	EPS	£6,400,000	£11,400,000	£500,000	EPS	£128,216	£579,589	£156,071	EPS	£128,216	£579,589	£156,071
RM plc				Sopheon plc				Touchstone Group plc							
REV	Final - Sep 99	Final - Sep 00	Comparison	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00
PBT	£162,210,000	£207,560,000	-28.0%	PBT	£506,000	£1,510,000	£3,098,000	PBT	£4,812,000	£10,511,000	£5,313,000	PBT	£4,812,000	£10,511,000	£5,313,000
EPS	£12,262,000	£9,528,000	-22.3%	EPS	£657,000	£2,072,000	£3,387,000	EPS	£678,000	£1,196,000	£410,000	EPS	£678,000	£1,196,000	£410,000
Raft International plc				Spring Group plc				Trace Computers plc							
REV	Final - Oct 99	Final - Oct 00	Comparison	REV	Interim - Oct 99	Final - Apr 00	Interim - Oct 00	REV	Final - May 99	Final - May 00	Comparison	REV	Final - May 99	Final - May 00	Comparison
PBT	£7,570,000	£9,173,000	-21.2%	PBT	£206,641,000	£396,106,000	£191,929,000	PBT	£17,072,781	£17,067,000	-0.0%	PBT	£17,072,781	£17,067,000	-0.0%
EPS	£388,000	£1,171,000	-55.9%	EPS	£1,400,000	£6,420,000	£4,862,000	EPS	£4,367,036	£2,311,000	47.1%	EPS	£4,367,036	£2,311,000	47.1%
Rage Software plc				Staffware plc				Triad Group plc							
REV	Final - Jun 99	Final - Jun 00	Comparison	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00
PBT	£8,845,000	£4,218,000	-52.3%	PBT	£11,223,000	£25,262,000	£17,047,000	PBT	£24,253,000	£28,003,000	-13.1%	PBT	£24,253,000	£28,003,000	-13.1%
EPS	£3,121,000	£2,641,000	Profit to loss	EPS	£716,000	£2,953,000	£1,473,000	EPS	£903,000	£1,905,000	£1,265,000	EPS	£903,000	£1,905,000	£1,265,000
RDL Group plc				StatPro Group plc				Ultima Networks plc							
REV	Interim - Mar 99	Final - Sep 99	Interim - Mar 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00
PBT	£8,532,000	£18,172,000	£8,116,000	PBT	£1,772,000	£3,144,000	£1,278,000	PBT	£6,476,000	£12,541,000	£3,889,000	PBT	£6,476,000	£12,541,000	£3,889,000
EPS	£451,000	£1,335,000	£519,000	EPS	£136,000	£193,000	£1,985,000	EPS	£610,000	£719,000	£495,000	EPS	£610,000	£719,000	£495,000
Recognition Systems Group plc				Superscape plc				Ultrasis Group plc							
REV	Final - Sep 99	Final - Sep 00	Comparison	REV	Final - Jul 99	Final - Jul 00	Comparison	REV	Final - Jul 99	Final - Jul 00	Comparison	REV	Final - Jul 99	Final - Jul 00	Comparison
PBT	£2,315,000	£8,620,000	+272.4%	PBT	£3,071,000	£2,153,000	-29.9%	PBT	£2,520,000	£986,000	-60.9%	PBT	£2,520,000	£986,000	-60.9%
EPS	£1,609,000	£4,749,000	Loss both	EPS	£2,765,000	£6,817,000	Loss both	EPS	£2,316,000	£4,984,000	Loss both	EPS	£2,316,000	£4,984,000	Loss both
Retail Decisions plc				SurfControl plc				Vega Group plc							
REV	Final - Jun 99	Final - Jun 00	Comparison	REV	Final - May 99	Final - May 00	Comparison	REV	Interim - Oct 99	Final - Apr 00	Interim - Oct 00	REV	Interim - Oct 99	Final - Apr 00	Interim - Oct 00
PBT	£1,166,000	£2,438,000	-52.5%	PBT	£4,003,000	£8,706,707	+117.5%	PBT	£1,831,000	£4,843,000	£1,249,000	PBT	£1,831,000	£4,843,000	£1,249,000
EPS	£1,166,000	£2,438,000	Profit to loss	EPS	£1,314,000	£14,871,341	Loss both	EPS	£1,932,000	£4,843,000	£1,322,000	EPS	£1,932,000	£4,843,000	£1,322,000
RexOnline plc				Synigence Plc				VI Group plc							
REV	Interim - Oct 99	Final - Apr 00	Interim - Oct 00	REV	Final - Dec 99	Interim - Jun 00	Comparison	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00
PBT	£217,000	£658,000	£932,000	PBT	£626,921	£1,089,700	n/a	PBT	£2,201,000	£4,545,000	£2,699,000	PBT	£2,201,000	£4,545,000	£2,699,000
EPS	£144,000	£326,000	£700,000	EPS	£783,781	£620,211	n/a	EPS	£137,000	£438,000	£259,000	EPS	£137,000	£438,000	£259,000
Rofle & Nolan plc				Synstar plc				Vocalis Group plc							
REV	Interim - Aug 99	Final - Feb 00	Interim - Aug 00	REV	Final - Sep 99	Final - Sep 00	Comparison	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00
PBT	£10,700,000	£22,856,000	£12,700,000	PBT	£213,048,000	£233,438,000	+9.6%	PBT	£1,318,000	£2,694,000	£2,008,000	PBT	£1,318,000	£2,694,000	£2,008,000
EPS	£642,000	£1,838,000	£1,030,000	EPS	£8,178,000	£4,954,000	-39.4%	EPS	£1,963,000	£4,507,000	£2,478,000	EPS	£1,963,000	£4,507,000	£2,478,000
Royalblue Group plc				Systems Integrated Research plc				Wealth Management Software plc							
REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Nov 99	Final - May 00	Interim - Nov 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00
PBT	£17,905,000	£39,693,000	£25,500,000	PBT	£658,000	£1,536,000	£786,000	PBT	£5,829,000	£12,818,000	£7,320,000	PBT	£5,829,000	£12,818,000	£7,320,000
EPS	£2,744,000	£6,511,000	£3,037,000	EPS	£42,000	£215,000	£113,000	EPS	£328,000	£1,050,000	£215,000	EPS	£328,000	£1,050,000	£215,000
Sage Group plc				Systems International Group plc				XKO Group plc							
REV	Final - Sep 99	Final - Sep 00	Comparison	REV	Final - Jun 99	Final - Jun 00	Comparison	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00	REV	Interim - Sep 99	Final - Mar 00	Interim - Sep 00
PBT	£307,041,000	£412,153,000	+34.2%	PBT	£7,053,427	£17,952,851	+154.5%	PBT	£13,485,000	£29,628,000	£20,197,000	PBT	£13,485,000	£29,628,000	£20,197,000
EPS	£74,311,000	£108,748,000	+46.3%	EPS	£2,314,770	£218,355	-92.7%	EPS	£561,000	£6,263,000	£2,311,000	EPS	£561,000	£6,263,000	£2,311,000
SBS Group plc				Systems Union plc				Xpertise Group plc							
REV	Interim - Feb 99	Final - Aug 99	Interim - Feb 00	REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim Jun 99	Final - Dec 99	Interim - Jun 00	REV	Interim Jun 99	Final - Dec 99	Interim - Jun 00
PBT	£28,300,000	£53,305,000	£22,900,000	PBT	£287,000	£600,000	£15,586,000	PBT	£2,048,000	£3,707,000	£2,919,000	PBT	£2,048,000	£3,707,000	£2,919,000
EPS	£1,400,000	£2,219,000	£124,000	EPS	£44,000	£1,953,000	£96,416,000	EPS	£1,772,000	£1,772,000	£228,000	EPS	£1,772,000	£1,772,000	£228,000
Science Systems plc				Infobank has completed its investment in HISL - a software development company that worked on the development of Infobank's B2B e-commerce trading platform, InTrade. The investment comprises £6.4m in cash and £1.6m in shares in Infobank.											
REV	Interim - Jun 99	Final - Dec 99	Interim - Jun 00												
PBT	£16,615,000	£30,966,000	£21,298,000												
EPS	£1,511,000	£2,633,000	£1,251,000												

FI GROUP No fireworks but boring stability is the place to be

FI Group announced results for the six months to 30th Oct. 00 showing revenue up 40% at £204.0m. Pre goodwill, operating profit was up 37% at £16.4m and PBT up 32% at £15.0m. However, after goodwill, a LBT of £5.75m was reported. Diluted EPS declined by 7% to 3.2p.

The underlying organic growth of 27% in H1 was pretty impressive. Druid's H1 revenue of £20.6m probably represents a decline and they reported a loss of £2.4m for H1 although they were profitable for the last two months of the half and for the first few months of H2. Druid is currently "recruiting like mad".

The star of FI have undoubtedly been OSI which nearly doubled its revenues to £44m. This is a good future indicator as this kind of front end consultancy can lead on to bigger development projects down the line. Also FI Recruitment did amazingly well with a 44% growth to £16.3m against a depressed ITSA market. Much credit to new MD Kate Curtis. New deals with Barclays (£38m), Centrica (£26m) and HM Customs & Excise (£25m) helped boost the Order Book to £416m - although a 37% increase on this time last year this is broadly the same as at the FYE.

We spoke with Exec. Chairman, Hilary Cropper who was her usual buoyant self and reported business "picking up almost everywhere even in ERP and CRM". She confirmed the trend we have seen elsewhere of established blue chips returning to their established IT services partners for their e-business needs and leaving their new e-consultancy mistresses in the lurch. This in particular occurs when, as is eventually inevitable, integration with older systems is required.

So, all-in-all, these results are most encouraging. If FI can put the Druid debacle behind them, the strong "core" business at FI and OSI should see FI as one of the more stable companies in a difficult market. Bluntly, we don't see fireworks either, but for us boring stability is a good place to be today.

FI was also in the news this month for the ill-conceived so-called 'sack a colleague' scheme, first reported in the Mail on Sunday. The scheme offered FI employees a bonus for naming self-employed colleagues who could be replaced by cheaper workers from India. The scheme, which apparently did not have Board approval, was quickly withdrawn, and FI was keen to point out that they remain firmly committed to recruiting UK employees and contractors.

FI is expected to announce a change of name in early May. Probably a good idea given the past "FI" links. Mind you, probably running out of suitable English names so they'll probably turn to something Indian given the IIS Infotech link. We were also sad to learn that Tricia Gardom (who we have known for a long time as FI Group Communications Director) is leaving on 1st May "to take up a role outside FI". We wish Tricia well. FI shares ended the month down 65% at 443p.

Spring Group *Spring slims down as losses deepen*

With somewhat unfortunate timing, **Spring Group**, found themselves announcing their H1 interim results in the quiet days between Xmas and New Year. At first we thought they had 'done a CA' and dropped 'bad news' when no-one's looking – but that wasn't the case at all, as it turns out. Nonetheless, at the headline level, total turnover for the six months ended 31st Oct. 00 dropped 7% to £191.9m. Pretax profits of £1.4m for the same period last year turned to pre-tax losses of £4.9m and, similarly, EPS went from +0.6p to -2.7p. Not surprisingly, revenue at "web-enabled" IT staffing business Spring.com fell 16% to £109m and profits of £2.5m turned to losses of £2.6m – and won't return to profitability until 2002. Spring's erstwhile break-even IT training business increased revenue 32% to £8.9m – but made a small loss of £500K. Spring IT Solutions (IT consultancy) saw revenue drop 13% to £7.1m and OP plummeted 75% to £200K due to Y2K and "the loss of several key customer accounts".

Spring also announced the disposal of 'non-core' Spring Skills (vocational training) and Spring Education (supply teachers) to Dutch **Protocol Associates** for £71.9m cash (inc. debts of £2.4m). These businesses generated some £71m revenue and £6.3m profit in the year to 30th Apr. 00, although revenue at Spring Skills had dropped 11% to £15m in H1 00. Shareholders subsequently OK'd the sale (17th Jan. 01), although Spring had already obtained majority approval from "certain existing shareholders" (regular readers may know that Larry Ellison and Michael & Lowell Milken own some 48% of Spring through **Knowledge Universe**). However, they couldn't get the price they wanted for 'non-core' Spring Personnel (general staffing – H1 revenue £31m, OP £2.7m) "did not reflect ... current trading position" and so that business will be kept on. Spring also announced it has recruited a small team in the US and will start business there in H2. CEO Jon Chait is "confident" that the disposals, along with "management, strategic and operational changes ... will generate significant improvements to shareholder value in the longer term".

Comment: Actually, Spring's results are not as bad as they might at first look. The disposals were as previously announced – and a PSR of c1 for these businesses looks pretty good in the current scheme of things. There's also a lot of 'mitigation' underlying these figures which we won't go into here. However, we will say that Chait has brought a very prudent, pragmatic and transparent management style to Spring, which can only be to shareholders' benefit. For example, they are (rightly, in our opinion) treating their multi-million pound development of Spring.com as non-exceptional costs (although we are far from 'sold' that this business model is the right strategy) and are writing down the £4.5m acquisition of Chait's software house, Magenta, in just three years. As the outlook for skills-based IT services is still gloomy, Chait's strategy to broaden into new countries (US was a 'given' as his home territory) and new vertical markets, based on the new 'web' business model, is a gamble. Even with the disposals, Spring is still a bit of a 'mixed business' with its recruitment and (much, much smaller) training and 'solutions' activities. Nowadays we don't think there's much of a future for this sort of 'diversification' and we are particularly sceptical about the 'synergy' story that companies like Spring (and Parity and Skillsgroup, et al) proffer as 'mitigation'. We think that management focus on a single line of business has more chance for success, so let's hope for Spring's sake that 'Larry & the Milkens' keep the faith. Spring's shares down 5% at 84p.

Anite *Some parts better than others*

Diversified and acquisitive IT services company **Anite Group** reported mixed fortunes at the halfway stage. Interim results for the six months to 31st Oct. 00 showed total turnover up 2% to £85.7m, but PBT fell 35% to £3m. As a result, diluted EPS fell from 1.0p to 0.2p. Things looked a little better 'under the covers' with organic revenue up 3% to £77.5m and OP on continuing businesses up 39% to £8.2m. It was the core businesses that performed well with turnover for Anite Telecoms up 123% to £11.6m, Consultancy turnover up 20% to £47.3m and Anite Travel seeing turnover increasing 35% to £10.1m. However, the IT staff agency (ITSA) side of the business seemed to drag things down with a 36% fall in sales. Chairman Alec Daley commented that "the second half has begun well and all divisions continue to show organic growth. Our recent acquisitions contribute significantly to Anite's businesses and I am confident that the Group will demonstrate further outstanding progress for the full year".

Comment: Anite's ambition is to become a leading European consultancy and services company, focused on the high growth sectors of telecoms, finance, travel and government. Since the tragic and long gone 'Cray' days, it has built a portfolio of e-business oriented consulting and product companies across Europe, and now wants to expand its e-commerce capabilities into managed e-services and ASP. Where it doesn't want to be is in IT staffing, but at last look it was asking around twice revenue for the ITSA business when the going rate was (and still is) around 0.5 – so at some point they are going to have to 'fish or cut bait'! While now undoubtedly a significant software and services company, Anite is in reality at present more of a conglomerate than a single entity, despite the simplified presentation of its business. For a company of its size, this must be a risk, since each of the elements remains relatively small, and many of them have still to realise revenue and profit targets in order to achieve their full earnout value. It will be interesting to see at what point CEO John Hawkins will shift the emphasis from acquisition to organic growth, and how rapidly the true Anite brand emerges. Anite's shares finished the month at 205p.

Some light-hearted relief!...



As readers know, a year back we launched **FreeJellyBeans.com** at the Regent Conference. This portal for jellybeans collectors was the model of how to turn an idea into a company "worth" £500m in six months when the company undertook its IPO.

Few of you know that this idea was one of many launched because of the meetings we arranged for like minded and forward thinking new economy entrepreneurs and investors. These were held in a variety of venues which we decided to call **Everylunchtime.com**. Indeed, we managed to get a VC to buy this from us for £33m last July. After all the idea fitted the new economy model very well as there was no revenue, large losses (mainly bar bills) but the potential for unbelievable and completely unobtainable growth. Unfortunately the downturn in internet stocks has forced this VC to review its portfolio and we were offered the opportunity to undertake an MBO on Everylunchtime.com. My friends have met every lunchtime since anyway - and the £33m certainly helped us along in these last six months. We collectively offered to buy the VC a round in exchange for us buying Everylunchtime.com back and, we are delighted to say that the VC has accepted our very generous offer.

Note - any similarity between this and this month's news about **First Tuesday** is purely coincidental.

Big Boys...and Girls...outperform

There was a minimal 4.3% recovery in our SCS Index in the first month of 2001. However, the smaller and weighted FTSE SCS Index was up 14%. Indeed, major recovery at **ITNET** (up 89%), **FI Group** (up 65%) and **Diagonal** (up 62%) lead the field. These were always sound companies and it was only a matter of time before investors realised that perhaps the drop had been overdone. Indeed, with a rise of 9.4% this month, the established IT services companies beat their software products cousins (+0.7%) for once. Having said that the risers this month were headed by a recovery at **Bright Stations** (up 109% at 49p) on the announcement of a marketing agreement with Intel. At the other end of the scale **NetBenefit**, **IS Solutions**, **Netstore**, **Vocalis** and **IDS Group** all recorded 40%+ share price falls.

Resellers in general rose by 20% in Jan. helped by strong performances from **Compel** (up 50%) and **Morse** (up 33%). Even **Computacenter** rose 16%. However, we stick with our view that the indices still have further to fall to reflect lowered growth prospects for the IT industry as whole.

31-Jan-01		SCSI Index					8731.81
		FTSE IT (SCS) Index					2218.82
		techMARK 100					2808.00
		FTSE 100					6297.50
		FTSE AIM					1449.60
		FTSE SmallCap					3326.82
Changes in Indices		SCSI Index	FTSE 100	techMARK 100	FTSE IT SCS Index	FTSE AIM Index	FTSE Small Cap
Month (01/01/01 to 31/01/01)		+4.29%	+1.21%	+9.45%	+13.84%	+0.82%	+4.51%
From 15th Apr 89		+773.18%	+206.66%				
From 1st Jan 90		+849.01%	+166.62%				
From 1st Jan 91		+1133.53%	+191.50%				
From 1st Jan 92		+735.69%	+152.60%				
From 1st Jan 93		+447.93%	+121.24%				+139.80%
From 1st Jan 94		+422.99%	+84.22%				+78.03%
From 1st Jan 95		+482.44%	+105.43%				+90.49%
From 1st Jan 96		+286.62%	+70.70%	+255.78%		+52.04%	+71.35%
From 1st Jan 97		+226.12%	+52.91%	+207.00%		+48.51%	+52.39%
From 1st Jan 98		+187.70%	+22.63%	+194.33%	+121.88%	+46.13%	+43.82%
From 1st Jan 99		+121.54%	+7.05%	+92.86%	+53.45%	+80.84%	+60.65%
From 1st Jan 00		-23.88%	-9.13%	-25.70%	-40.32%	-25.00%	+7.39%
From 1st Jan 01		+4.29%	+1.21%	+9.45%	+13.84%	+0.82%	+4.51%
End Jan 01	Move since 1st Jan 98	Move since 1st Jan 99	Move since 1st Jan 00	Move since 1st Jan 01	Move in Jan 01		
System Houses	222.6%	108.8%	-18.6%	9.4%	9.4%		
IT Staff Agencies	-42.1%	-30.6%	-39.6%	-3.8%	-3.8%		
Resellers	77.6%	88.8%	-9.0%	20.3%	20.3%		
Software Products	1060.1%	891.6%	138.5%	0.7%	0.7%		
Holway Internet Index	465.5%	465.5%	-31.2%	1.1%	1.1%		
Holway SCS Index	203.9%	134.0%	-19.6%	4.2%	4.2%		

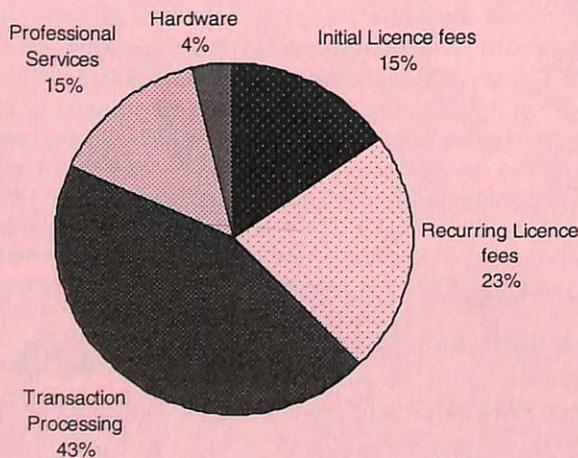


Year 2000 has an effect on results in first half

Any System House reader of any longevity will be aware of Misys' refusal to invite us to their briefings. We are delighted that those days are now over and that we can report results for the six months to 30th Nov. 00 revealing revenue, including acquisitions, up 20% to £413m, PBT down 23% to £37.4m, and EPS down from 6p to 4.7p. Commenting on the outlook, Chairman Kevin Lomax, said: "the Board is increasingly confident that its earlier indications of a much better year and a progressive return to the Group's long term growth rate during the current financial year will be fulfilled".

Comment - The figures used in the Misys briefing were the 'adjusted' figures illustrating an increase in PBT of 6% and in EPS of 8%, but these figures excluded the effects of goodwill amortisation as well as the company's recent investment in its Internet Services. Actual PBT and EPS figures did not draw quite such a rosy picture (see the headline figures above). The investment in the Internet in this half was £11m compared to £3m in the previous H1. The Screentrade product was initially aimed at developing an 'on-line comparative insurance business' to fight back against increased competition from internet services players in the market. However, the 'evolution' of this service means that it is now a 'more broadly based personal financial services portal'. Misys claims that overall investment in its Internet infrastructure will be lower in the second half (although marketing spends will be higher).

Misys Revenue Profile by Category



The general theme running through Misys' briefing was the effect that Year 2000 had on the H1 results (while other companies seem to be trying to avoid the term Y2K!). Misys results tend to follow a seasonal pattern where a greater proportion of its revenue and profit is attributable to the second half of the year. However, in 99/00, revenue and profit were spread evenly over the financial year as the first half benefited from the effects of Y2K whilst the second half suffered. This was, according to Financial Director Howard Evans, a reason for the disappointing growth rates in this reporting period whilst, as the company returns to its long-term growth trends, H2 will show higher than normal growth rates with the figures being compared to a 'depressed period' in 2000.

We have always praised Misys for its high-quality recurring services oriented revenues - and these interim results were no different. Initial licence fees accounted for only 15% of revenues compared to 29% in 99. Recurring licence revenues, transaction processing and professional services accounted for 81% of revenues. However, the figure of 81% was mainly down to the high growth insurance business which reported transaction processing revenues alone of 94%. In banking and securities on the other hand, initial licence fees accounted for a third of its revenues which may explain the less sparkling results.

Looking at the divisional results in more detail, the insurance division once again proved to be the star performer with revenue up 66% to £153m (organic revenue up 8%) and operating profit of £5.9m, up from £5.3m in the previous H1 (although this does not take into account the investment in Internet services aimed at the insurance market). The strong performance in this division looks set to continue. Revenues in the other divisions however are showing slower recovery post-Y2K, reporting only 3% growth. The Banking and Securities division saw a decrease of 10% in operating profit. Finishing on a positive note, the order intake, for both Banking and Securities and Health, has increased significantly and the effects should be seen in H2. Misys' share price finished the month down 2% at 645p.

Holway/System House SCS Share Prices and Capitalisation

	SCS Cat.	Share Price 31-Jan-01	Capitalisation 31-Jan-01	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 31-Jan-01	Share price move since 31-Dec-00	Share price % move in 2001	Capitalisation move since 31-Dec-00	Capitalisation move (£m) in 2001
Actinic	SP	£0.27	£33.2m	Loss	16.50	333	-29.87%	-29.87%	£14.20m	£14.20m
AFA Systems	SP	£2.02	£46.5m	Loss	26.14	1679	44.96%	44.96%	£14.40m	£14.40m
AIT Group	CS	£11.90	£241.6m	100.8	11.14	7933	0.42%	0.42%	£1.01m	£1.01m
Alphameric	SP	£3.31	£337.6m	91.4	13.33	1518	20.58%	20.58%	£57.64m	£57.64m
Alterian	SP	£2.46	£331.0m	647.4	330.95	1230	3.58%	3.58%	£237.85m	£237.85m
Anite Group	CS	£2.05	£552.9m	44.0	3.48	1196	21.36%	21.36%	£103.80m	£103.80m
Autonomy	SP	£21.47	£2,702.8m	Loss	196.74	655	11.36%	11.36%	£274.88m	£274.88m
Axon	R	£6.78	£338.0m	118.9	13.32	3871	-10.56%	-10.56%	£39.97m	£39.97m
Azlan Group	SP	£1.85	£198.6m	23.1	0.48	804	2.49%	2.49%	£4.74m	£4.74m
Baltimore Technologies	SP	£4.14	£2,098.7m	Loss	90.18	42462	20.00%	20.00%	£349.69m	£349.69m
Baron	SP	£0.72	£3.2m	Loss	0.98	715	-30.24%	-30.24%	£1.39m	£1.39m
Bond International	SP	£0.59	£8.4m	Loss	0.99	900	0.00%	0.00%	£0.00m	£0.00m
Bright Station	CS	£0.49	£86.7m	Loss	0.50	445	108.51%	108.51%	£45.99m	£45.99m
Business Systems	CS	£0.81	£65.2m	130.6	2.01	676	0.63%	0.63%	£0.40m	£0.40m
Cadcentre Group	SP	£5.38	£89.8m	24.7	3.76	2688	-2.36%	-2.36%	£2.14m	£2.14m
Capita Group	CS	£4.91	£3,195.9m	148.8	9.77	132727	-1.80%	-1.80%	£59.05m	£59.05m
Cedar Group	SP	£3.43	£263.1m	58.5	7.24	3262	10.48%	10.48%	£24.95m	£24.95m
Charteris	CS	£1.27	£44.0m	4.9	6.55	1406	0.00%	0.00%	£0.03m	£0.03m
Clinical Computing	CS	£0.31	£7.8m	27.2	2.50	250	16.98%	16.98%	£1.13m	£1.13m
CMG	SP	£10.81	£6,627.2m	101.0	10.89	29821	20.78%	20.78%	£1,140.18m	£1,140.18m
Comino	CS	£5.13	£69.7m	28.1	3.41	3942	0.00%	0.00%	£0.00m	£0.00m
Compass Software	SP	£1.82	£19.5m	60.7	13.24	1210	-1.89%	-1.89%	£0.34m	£0.34m
Compel Group	R	£1.23	£38.1m	14.5	0.13	980	50.31%	50.31%	£12.82m	£12.82m
Computacenter	SP	£3.88	£708.4m	17.6	0.40	578	15.67%	15.67%	£95.96m	£95.96m
DACS Group	CS	£0.99	£23.8m	6.2	0.14	1642	3.68%	3.68%	£0.84m	£0.84m
DeKam	CS	£2.23	£13.2m	15.1	0.84	856	5.95%	5.95%	£0.74m	£0.74m
Diagonal	CS	£2.20	£275.5m	52.2	3.81	4652	62.33%	62.33%	£109.41m	£109.41m
DRS Data & Research	SP	£0.14	£4.7m	19.1	0.57	123	5.88%	5.88%	£0.29m	£0.29m
Easyscreen	SP	£0.50	£22.1m	Loss	20.96	294	-15.97%	-15.97%	£4.17m	£4.17m
ECSoft	CS	£8.13	£95.0m	47.0	1.41	450	33.20%	33.20%	£23.63m	£23.63m
Eidos	SP	£2.70	£277.6m	11.8	1.37	13494	25.58%	25.58%	£55.51m	£55.51m
Electronic Data Proc	SP	£0.65	£17.0m	23.8	2.04	1990	-5.80%	-5.80%	£1.07m	£1.07m
Epic	A	£3.94	£95.0m	126.3	21.84	3748	13.56%	13.56%	£11.55m	£11.55m
Eurolink	CS	£0.58	£6.1m	26.5	0.81	580	-18.31%	-18.31%	£1.24m	£1.24m
FI Group	SP	£4.43	£1,410.3m	62.1	4.58	11346	64.50%	64.50%	£552.49m	£552.49m
Financial Objects	SP	£1.24	£46.9m	33.6	2.10	537	21.67%	21.67%	£8.32m	£8.32m
Flometrics Group	SP	£7.23	£21.0m	26.7	2.41	5558	7.04%	7.04%	£1.40m	£1.40m
F focus	SP	£1.73	£43.4m	Loss	60.19	987	-14.78%	-14.78%	£7.60m	£7.60m
Freemove	CS	£0.47	£1,446.0m	Loss	73.93	843	44.39%	44.39%	£454.19m	£454.19m
Gresham Computing	CS	£0.27	£12.1m	Loss	0.40	295	7.07%	7.07%	£0.80m	£0.80m
Guardian IT	CS	£1.05	£701.5m	92.2	14.25	3341	5.24%	5.24%	£34.94m	£34.94m
Harvey Nash Group	A	£7.85	£229.2m	24.6	1.52	4486	-9.51%	-9.51%	£24.10m	£24.10m
Highams Systems Servs	A	£0.17	£3.3m	Loss	0.12	472	-24.44%	-24.44%	£1.08m	£1.08m
I S Solutions	CS	£1.09	£27.2m	29.4	2.30	4062	-42.63%	-42.63%	£20.28m	£20.28m
ICM Computer	CS	£2.18	£42.1m	14.1	0.85	23444	0.00%	0.00%	£0.05m	£0.05m
IDS Group	SP	£0.69	£33.0m	7.7	2.86	757	-59.65%	-59.65%	£57.64m	£57.64m
IE Group	SP	£0.44	£18.4m	Loss	2.56	463	4.82%	4.82%	£0.85m	£0.85m
Innovation Group	SP	£8.15	£1,049.9m	339.6	109.77	3559	1.88%	1.88%	£18.88m	£18.88m
ISOF Group	SP	£2.22	£248.3m	228.9	13.97	2014	8.05%	8.05%	£18.47m	£18.47m
ITNET	CS	£2.49	£175.1m	22.1	1.34	711	89.35%	89.35%	£82.66m	£82.66m
Jasmin	SP	£1.47	£6.9m	Loss	1.54	977	14.90%	14.90%	£0.89m	£0.89m
Kalamazoo Computer	CS	£0.15	£6.4m	Loss	0.10	429	-9.09%	-9.09%	£0.65m	£0.65m
Kewill Systems	SP	£3.95	£301.0m	Loss	4.00	7806	23.44%	23.44%	£57.19m	£57.19m
Keystone	SP	£0.78	£13.3m	Loss	2.78	350	-9.35%	-9.35%	£1.35m	£1.35m
Knowledge Management	SP	£0.32	£81.2m	Loss	38.86	596	-4.02%	-4.02%	£3.47m	£3.47m
Knowledge Support	SP	£2.60	£191.9m	Loss	104.38	1182	-29.54%	-29.54%	£89.70m	£89.70m
Logica	CS	£19.08	£843.3m	109.0	1.00	26130	9.03%	9.03%	£6,891.70m	£6,891.70m
London Bridge Software	SP	£4.38	£742.5m	236.8	13.09	10938	32.58%	32.58%	£182.48m	£182.48m
Lorien	A	£0.78	£15.3m	Loss	0.11	780	1.96%	1.96%	£0.28m	£0.28m
Lynx Holdings	SP	£1.08	£168.7m	24.7	0.67	2700	22.03%	22.03%	£30.48m	£30.48m
Macro 4	SP	£9.00	£187.2m	23.7	4.84	3629	0.00%	0.00%	£0.04m	£0.04m
Manager Software	SP	£0.38	£5.1m	Loss	3.19	387	41.51%	41.51%	£1.51m	£1.51m
MERANT	SP	£1.02	£137.0m	Loss	0.60	490	6.84%	6.84%	£4.80m	£4.80m
Microgen Holdings	CS	£2.58	£131.0m	45.3	4.18	1100	-16.26%	-16.26%	£25.48m	£25.48m
Misys	SP	£6.45	£3,714.7m	43.9	5.24	8025	-2.27%	-2.27%	£86.32m	£86.32m
MMT Computing	CS	£5.48	£65.2m	17.8	1.75	3259	3.79%	3.79%	£2.40m	£2.40m
Mondas	SP	£0.25	£5.0m	Loss	3.68	333	-37.50%	-37.50%	£3.00m	£3.00m
Morse	R	£5.03	£634.7m	27.8	1.25	2010	33.11%	33.11%	£157.86m	£157.86m
MSS International	SP	£1.04	£21.1m	6.0	0.11	545	-10.00%	-10.00%	£2.40m	£2.40m
NetBenefit	SP	£0.76	£12.1m	Loss	1.60	378	-40.78%	-40.78%	£8.34m	£8.34m
Netstore	CS	£0.45	£39.4m	Loss	26.88	297	-45.40%	-45.40%	£38.65m	£38.65m
Nettec	CS	£0.38	£40.8m	Loss	8.50	158	28.81%	28.81%	£9.07m	£9.07m
Northgate Information Solutions	CS	£0.73	£205.0m	Loss	1.24	279	5.45%	5.45%	£12.58m	£12.58m
NSB Retail Systems	CS	£1.78	£562.1m	494.4	26.41	15435	5.97%	5.97%	£168.60m	£168.60m
Orbital Software	SP	£0.99	£44.3m	Loss	232.44	0	-2.48%	-2.48%	£1.04m	£1.04m
Orchestream	SP	£2.83	£344.9m	Loss	841.22	1527	2.73%	2.73%	£9.10m	£9.10m
Parity	A	£1.46	£224.0m	22.6	0.71	24333	24.79%	24.79%	£44.50m	£44.50m
Patsystems	SP	£0.98	£123.9m	Loss	203.84	911	-5.34%	-5.34%	£6.96m	£6.96m
Planit	SP	£0.81	£65.2m	29.3	4.98	3375	-22.12%	-22.12%	£18.86m	£18.86m
Pyramaster	SP	£3.10	£48.7m	38.2	2.91	2057	-6.06%	-6.06%	£3.11m	£3.11m
PSD	A	£10.13	£254.1m	17.8	4.01	4832	6.02%	6.02%	£14.39m	£14.39m
OSP	SP	£0.37	£33.3m	6.5	0.66	486	22.31%	22.31%	£6.12m	£6.12m
Quantica	A	£0.62	£24.2m	9.9	1.33	496	11.88%	11.88%	£2.58m	£2.58m
Rail International	SP	£0.47	£30.5m	247.4	3.33	738	-26.19%	-26.19%	£11.50m	£11.50m
Rage Software	SP	£0.10	£32.4m	Loss	7.67	375	-9.30%	-9.30%	£1.93m	£1.93m
RDL	A	£1.61	£24.6m	19.0	1.35	1789	-8.00%	-8.00%	£2.20m	£2.20m
Recognition Systems	SP	£3.16	£286.8m	Loss	33.27	4507	13.29%	13.29%	£33.59m	£33.59m
Retail Decisions	SP	£1.25	£170.6m	112.6	14.29	1682	0.81%	0.81%	£1.40m	£1.40m
RexOnline	A	£0.90	£5.9m	Loss	8.08	1071	-6.74%	-6.74%	£0.43m	£0.43m
RM Group	SP	£6.03	£562.7m	76.3	2.71	17214	5.70%	5.70%	£30.30m	£30.30m
Rolle & Nolan	SP	£3.40	£48.0m	22.4	2.10	4048	-13.04%	-13.04%	£7.13m	£7.13m
Royalblue Group	SP	£13.20	£397.4m	100.8	10.01	7765	25.71%	25.71%	£81.29m	£81.29m
Sage Group	A	£3.81	£4,823.2m	94.3	11.70	146442	24.12%	24.12%	£937.18m	£937.18m
SBS Group	CS	£0.89	£8.1m	18.3	0.15	890	-11.00%	-11.00%	£1.00m	£1.00m
Science Systems	CS	£6.05	£152.4m	54.3	4.92	4690	22.22%	22.22%	£27.75m	£27.75m
SDL	CS	£3.38	£133.6m	Loss	10.31	2250	-9.15%	-9.15%	£13.49m	£13.49m
Scima	CS	£3.76	£2,308.2m	26.9	1.64	4725	27.48%	27.48%	£497.19m	£497.19m
ServicePower	SP	£0.61	£30.9m	Loss	8.22	605	-12.95%	-12.95%	£4.60m	£4.60m
Sherwood International	CS	£3.32	£141.6m	13.9	3.00	11061	4.73%	4.73%	£6.43m	£6.43m
Skillsgroup	CS	£1.42	£124.9m	13.8	0.63	635	2.91%	2.91%	£3.52m	£3.52m
Sopheon	SP	£1.39	£55.2m	Loss	36.57	2000	-13.13%	-13.13%	£8.28m	£8.28m
Spring	A	£0.84	£125.2m	Loss	0.32	933	-5.08%	-5.08%	£6.70m	£6.70m
Stalfware	SP	£15.63	£219.9m	65.2	8.71	6944	11.61%	11.61%	£22.94m	£22.94m
StatPro	SP	£0.67	£19.5m	Loss	6.20	831	-4.32%	-4.32%	£0.90m	£0.90m
Superscape VR	SP	£1.93	£70.1m	Loss	32.54	972	-22.69%	-22.69%	£20.54m	£20.54m
SurfControl (was JSB)	SP	£12.43	£369.6m	Loss	42.46	6213	6.88%	6.88%	£23.74m	£23.74m
Synigence	CS	£0.32	£13.4m	Loss	21.45	586	-39.42%	-39.42%	£8.29m	£8.29m
Synstar	CS	£0.54	£85.9m	11.0	0.37	324	12.63%	12.63%	£9.70m	£9.70m
Systems Integrated	SP	£0.37	£5.0m	19.9	3.23	322	19.35%	19.35%	£0.81m	£0.81m
Systems International	CS	£0.36	£11.9m	74.2	0.66	609	-6.67%	-6.67%	£0.87m	£0.87m
Systems Union (was Freecorn)	CS	£1.06	£108.9m	Loss	181.78	812	50.71%	50.71%	£36.69m	£36.69m
Telework	SP	£2.02	£383.7m	194.2	20.95	0	6.33%	6.33%	£21.73m	£21.73m

Buyer	Seller	Seller Description	Acquiring	Price	Comment
365 Corp	Formula-1.co.uk	Formula One Website	100% of company	£250K	Payable in cash and shares.
AFA Systems	Smacsoft Group	SA-quoted software developer supplying straight through processing systems to investment mgmt industry	100% of company	£5.7m	Comprises an initial cash payment of cZAR36.6m (£3.3m) and an additional deferred payment of c£2.2m new AFA shares. AFA claims that Smacsoft will complement its existing products and markets, "enabling AFA to offer an enhanced product range to a wider market"
Alphameric	MRS Software	Reseller of proprietary back office systems and EPOS systems	100% of company	£1.5m max	£1.1m cash + shares + earnout - the latest in Alphameric's acquisition trail to strengthen activities in the retail, bookmaking and finance and customer services areas
Amaze	Y2K Medien	German	100% of company	£5m	Y2K has rev of c£2m but there is no mention of profit!
Cable & Wireless	ML Integration Group	UK-based data networking and systems integration company	100% of company	Undisclosed	C&W's largest acquisition to date by number of employees (357)
Cube8.com	Plain English Group		13.2% equity stake	£475K	Part of a total fund raising of £600K by PEG which will strengthen the position of Cube8 in the media sector
EO	EPO.com		100% of company	Undisclosed	EO is an online share distribution platform for retail investors
Freequotes.co.uk	TheStreet.co.uk		All rights to the database	Undisclosed	Freequotes.co.uk is a subsidiary of themutual.net and is a provider of unlimited, free, real-time stock quotes in the UK.
JZ International LLC	Skillsgroup	ITSA (Acuma is its loss making hardware reseller and business intelligence/data warehousing business)	100% of Acuma	£4.5m	There is also a potential deferred consideration valued at up to £2.5m. Executive Chairman, Keith Burgess commented, "the sale of this last remaining hardware-related business will enable all efforts to focus on our core business operations".
MCA's owners	E-xcentric		MCA Holdings	£1 and £15m in shares	MCA Holdings, the web design company was E-xcentric's one and only investment following the forming of the cash shell in Jan. 00
Microsoft	Great Plains	US SME accounting s/w supplier	100% of company	£1.1bn	A 30% premium on Great Plains previous closing price.
PinkRocade	ECsoft	e-business consultancy, systems integrator and IT solutions provider	100% of company	£9m	The business assets of the company and 120 employees will transfer to Pink Elephant, Pink Rocade's UK subsidiary. The initial cash payment is £4m with a further £4.75m available during the course of 2001.
Protocol Associates	Spring Group		Spring Skills and Spring Education	£71.9m	£71.9m cash includes debts of £2.4m. These businesses generated some £71m rev and £6.3m profit in year to 30th Apr. 00. The deal is subject to shareholder approval.
SurfControl	EmU Tech Pty	Australia's "leading provider" of e-mail filtering products and technology	100% of company	Undisclosed	The acquisition has resulted in the formation of SurfControl Australia
The Innovation Group	InFront Solutions		18% interest	£2m	Payable in cash on completion. Additionally, The Innovation Group has made available to InFront, a working capital facility of up to £1.8m which may be converted to a maximum of 15% of InFront's authorised share capital at its request
Torex	Laufenburg Group	European healthcare IT company		DM130m (£39.9m)	Torex will carry out a 1 for 6 rights issue of 6,083,859 New Torex shares at 480p to fund the acquisition. Torex is looking to expand further in Europe, using Laufenburg as a platform
Totally	London Jewish News and		100% of company	Undisclosed	Conditional upon the admission of the share capital of the company to AIM
Wanadoo	Dixons	ISP	100% of Freeserve	See comments	The terms are a share exchange on the basis of 0.225 of a Wanadoo share for each Freeserve share, valuing each Freeserve share at 157p and the company at £1.6bn. Dixons will become the second largest shareholder in Wanadoo with a 12.7% stake

Kalamazoo - Suffering from a double whammy

Kalamazoo, the software and services provider for the automotive industry, announced results for the six months to 30th Sep. 00. The double whammy of Y2K and the state of the UK car industry led Kalamazoo to suffer a 27% drop in revenues from continuing operations to £22.6m (and a 31% decline on total revenue). As presaged back in Jun. 00, PBT of £754K became a LBT of £2.1m, and EPS of 0.9p became a Loss Per Share of 3.5p. Commenting on the prospects, Chairman Bob Jordan said: "Whilst immediate trading conditions remain difficult, the Board continues to work towards returning the Group to profitability and expects to see some of the benefits from having a more efficient organisation flowing through during the second half of this financial year".

Comment - Kalamazoo has completed phases one (reduction in cost base) and two (efficiency programme) of its *Advantage 2000* change programme, and is now (rather late in 2000!) starting on phase 3 - growth. Kalamazoo expects growth to come from new offerings; its pan-European dealer management system, and the expansion of a start-up business called e-Zoo (formed via an alliance with a US company).

The last two financial years have seen Kalamazoo report losses, so a return to profitability is much needed to restore investor confidence. The shares ended the month down 9% at 15p.

SR **Systems Integrated Research**, which 'designs, produces and supplied multimedia educational software' for schools and further education, has announced interim results for the period to 30th Nov. 00. Turnover for the period increased from £659K in the comparative period in 1999, to £786K; an increase of 19%. Profit before tax increased 169% to £113K and diluted EPS increased from 0.15p to 0.68p (up 353%).

Comment - From 1996 to 1998, SiR reported losses year on year and failed to report constant revenue growth. The above improvement in SiR's results is something that we have been hoping to see for some time considering the rapid growth in the market - it was either going to be a case of working hard to survive on its own or finding a willing buyer. Over the past six months, the company has managed to increase its geographical coverage through its first contract in the Caribbean as well as reporting steady growth in its distribution agreement in North America. In addition, Freeserve launched its Internet Based Learning System allowing SiR's software to be used in homes as well as schools. The company also continues to develop its products and has made them suitable for Web TV. Hopefully, it will continue to develop as positively in the next six months but it still won't be in the same league as **RM**.

A better use for the cash?

Virtual Internet, a provider of "Internet hosting, naming and on-line brand management services", has announced results for the year to 31st Oct. 00. Highlights: turnover up more than threefold to £6.3m (compared to the thirteen months to 31st Oct. 99), LBT deepened from £4.4m to £7.9m and Loss Per Share went from 25.61p to 34.81p. Commenting on the results Jason Drummond, CEO, said: "We expect to grow revenues aggressively again this year building on new product developments and client gains. Our strong financial position is providing us with enhanced opportunities, both in attracting quality personnel and driving expansion."

Comment - Net Searchers is the company's Internet brand and trade mark protection business, which has now provided services in relation to 24 of the world's top 75 brands. This is a significant and growing sector, but targeted by all the names people (e.g. NetBenefit) who see the value draining out of domain name registration - domain name sales has seen a dramatic drop in prices over the last year. The company has introduced an on-line automated registration service to handle this side of the business. As with all businesses in this sector, the name of the game is to take customers up the value chain. Virtual Internet has had some success in this respect, increasing the number of active hosted and managed domains to 85,000, from 25,000 a year earlier. In Apr. 00 Virtual Internet moved from AIM to a main LSE listing, at the same time raising £25m. It has since looked to acquisitions as a means to grow, but has apparently not found the right company, with the result that it had £19m in the bank at the end of the financial year. In this highly competitive sector there must be a better use for the cash in the drive to provide higher-value services and start moving towards profit. Virtual Internet's share price is unchanged at 123p.

Recent IPOs

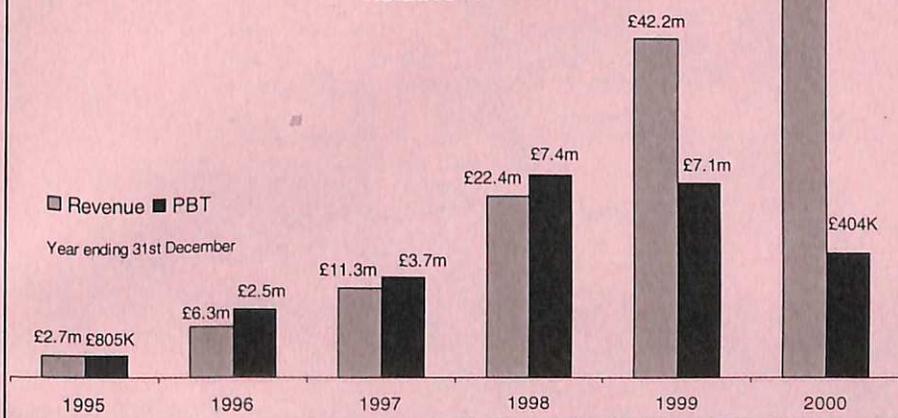
Name	Activity	SCS or Dotcom Index	Index Class	Market	Issue Price	Market Cap.	IPO Date	Price end Dec 00	Premium/Discount
Intercede Group	Security Management Solutions	SCS	SP	AIM	60p	£9.8m	08-Jan-01	86p	43%
earthport	Internet Payment Infrastructure	Dotcom	SP	AIM	137p	£100.0m	30-Jan-01	109p	-20%

Forthcoming IPOs

Name	Activity	SCS or Dotcom Index	Index Class	Market	Issue Price	Est Mkt Cap.	IPO Date
Altdigital	Internet Services	Dotcom	S&S	MAIN	tbc	£140.0m	early 2001
Cityjobs.com	Internet Recruitment	Dotcom	B2C	AIM	tbc	tbc	Q1 2001
Computer Futures	IT Recruitment	SCS	A	MAIN	tbc	£1,000.0m	2001
Digital Brain	Online Education Service	SCS	CS	TBA	tbc	£50.0m	early 2001
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
Embedded Solutions	Software	SCS	SP	TBA	tbc	tbc	H1 2001
Kinetic Information Systems	Financial Software	SCS	SP	MAIN	tbc	tbc	2001
Logical	IT Consultancy	SCS	CS	MAIN	tbc	£1,500.0m	early 2001
Phase8	Internet Services	Dotcom	SS	AIM	tbc	£20.0m	Jan-01
Popkin Software & Systems	Software & Systems	SCS	SP	MAIN	tbc	£70m	Jan-01
Shopcreator developments	Software Producer	SCS	SP	AIM	tbc	£140.0m	2001
STG Holdings	Hi-tech investment	SCS	O	MAIN	200p	£61.2m	early 2001
theoilsite.com	B2B exchange	Dotcom	B2B	AIM	tbc	£5.0m	early 2001
Timberweb	Online Marketplace Provider	Dotcom	B2B	AIM	tbc	£25.0m	early 2001
Tribal Group	Online Support Services	Dotcom	SS	AIM	tbc	£30.0m	Feb
Warthog	Computer games developer	SCS	SP	AIM	43p	£18.0m	01-Feb-01
Zeus Technology	Internet Software	Dotcom	SP	TBA	tbc	£150.0m	early 2001

It has been a slow start to the New Year with only two SCS IPOs to report, but there are many deals in the pipeline, including those that said they would float in January so we await a busy February! The first new issue of 2001 was **Intercede**, the security management solutions company, which provides intranet and internet security software products. In the six months ended 30th Sep. 00, the company reported turnover of £1.1m and LBT of £313K. The other company to float was **earthport**, developers and operators of a secure payment system for the internet. The company was originally developed in 1995 to run the only internet-based charity lottery for the International Red Cross. In 1999, it decided to use its experience to enter the e-commerce market.

**London Bridge Software Holdings plc
Six Year PBT and Revenue Record
Relative to 1995**



Mixed Fortunes at London Bridge...

Results from **London Bridge Software**, "supplier of software and services for credit risk management and customer relationship management systems", for the full year to 31st Dec. 00, reveal revenue up almost 35% to £56.7m, but PBT down by almost the same percentage to £4.7m. Diluted EPS fell from 3.18p to 1.85p.

Comment - London Bridge's results were somewhat of a mixed bag. Overall the company missed its revenue targets by 10% but in fact, in the first half it reached its revenue and profit targets. Q3 let the company

down - following Misys, it is another company that has highlighted the effects of Y2K on its performance levels for the last year. Most of London Bridge's orders for new licenses follow a 6-8 month process before showing in the accounts, hence the effect of Y2K on Q3. Finally Q4 was a record quarter in terms of revenue for the company but failed to raise the figures enough to meet the full year targets.

Also showing mixed fortunes were Europe and Asia compared to the US - the Europe and Asia regions performed ahead of expectations with revenues in Europe increasing by 75% and in Asia by 124% and profits also showing strong growth. However, this US did not perform as well with revenue growth of only 10%.

Also contained in London Bridge's statement was the news that the role of Chairman and Chief Executive will be split with Gordon Crawford remaining as Chief Executive but Jon Lee, the COO taking the Chairman's role. Chris Rowbottom will take over as COO. The shares ended the month up 33% on 438p.



NetB2B2, has announced interim results for the six months ending 30th Sep. 00. Turnover was £137.7K compared to £80.2K in the six months to 30th Sep. 99 - an increase of 72%. LBT deepened from £286.3K to £797.1K and loss per share of 0.46p was reported. Keith Young, Chairman, commented, "The Directors continue to investigate a number of opportunities in order to pursue their previously stated growth strategy

through acquisitions, joint ventures and organic growth to consolidate the company's positioning in the provision of business-to-business services using the internet".



Recent news from across the pond...

Compaq has released its results for Q4 and year ending 31st Dec. 00. Total revenue for the year was up 10% to \$42.4bn - services accounted for 16% of the total at \$6.7bn (the proportion of services revenues in 1999 was 20%). Income before tax was reported as \$875m for the twelve months, down from \$934m in 1999, a drop of 6%, and was reflected in the EPS which fell from 34c to 33c. EMEA revenues were \$14.2bn; a third of the total, compared to \$14.4bn in 1999 which was 37% of total revenue. Michael Capallas, Chairman and Chief Executive commented on the business outlook by saying, "Whilst market conditions will be difficult in the first half of the year, we will continue to differentiate ourselves by developing innovative products, integrating them into solutions and serving the global market".

Unisys has also reported Q4 and full year results for 2000 with reported revenue decreasing almost 9% to \$6.9bn and income before tax seeing an even steeper decline from \$770m down to \$379m - over 50% down on the previous year - with diluted EPS also falling 50% to \$0.79 from \$1.59. Although the income results were poor, Chairman and CEO, Larry Weinbach stated that the year had been 'challenging' and that the company had finished the year by meeting Q4 revenue and earnings targets. The 50% drop in income before tax can be put down to the "one-time, pre-tax charge of \$127.6m against Q4 2000 net income for actions taken to focus on higher growth, higher margin, value-added business and reduce its cost structure in line with a more focused business model". Although worldwide services revenue showed a decline of 7% in Q4, mainly down to declines in the systems integration and proprietary maintenance areas, the UK services business was boosted by the closing of large outsourcing contracts with Lloyds TSB and Barclays Bank, and Abbey Life - both contracts are for 10 years and have a total value of c\$1bn. Unisys also claims to have a record \$5.8bn of services backlog, up 25% on 1999. The company is taking a "cautious view of 2001" although believes that the changes it has made provide a "solid foundation".

IBM's results were marginally ahead of expectations and their conference call briefing was upbeat. **IBM Global Services** grew revenues by 5% (12% in constant currency) to \$9.2bn in Q4. E-business services revenues increased by more than 70% but "revenues were adversely affected by year-over-year decline in Y2K services and the sale of IBM Global networks to AT&T." Adjusting for these factors, IBM Global services grew revenue by c10% in Q4. Software revenues, however, fell by 1% to \$3.6bn. For the year as a whole, IBM Global Services grew by a mere 3% (6% in constant currency) to \$33.4bn with PBT of \$4.464bn and software fell 1% to \$12.6bn with PBT of \$3.1bn.

Comment - Given that IBM Global Services is the world's leading IT services operation and, indeed, is the market leader in the UK, France and Germany, these "mid single digit" growth rates affect the stats for the market as a whole and certainly support our view of a "relatively" low growth in the sector in 2000. As IBM Global Services order bank seems to have fallen in Q4, the outlook is for single digit growth in 2001 too.

Siebel Systems also announced year-end results, with revenue for the year to 31st Dec. 00 up 121% to \$1.8bn, and net income up 116% to \$123.1m. Revenue from software sales more than doubled to \$1.1bn, and revenue from professional services grew 225% to \$303m.

During the year Siebel acquired Janna Systems (a developer of e-business software for financial institutions) and OnLink Technologies (a developer of "interactive selling and product configuration software"). Siebel also reports that it increased its alliance partner base by 250 companies, to more than 700, with IBM, Accenture and Avaya (a spin-off from Lucent Technologies) and Great Plains coming on board.

And finally, **Computer Associates** Q3 results (to 31st Dec. 00) were announced: on a proforma basis, taking into account that under its new business model, CA's product revenue is now recognised over the term of the contract, total revenue increase 5% to \$1.4bn in Q3, and net income by 28% to \$247m. Product revenue increased 13% to \$1.28bn in Q3, and professional services revenue declined 37% to \$120m (reflecting the sale of Sterling Federal Systems Group).

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