

# System House

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## "Make hay whilst the sun shines"

Although outsourcing has received most of the IT services headlines this decade, it is perhaps the IT staff agency sector which has seen the most changes. Astute readers will see that we have revised (upwards) our estimates for revenue growth in the sector considerably. Not because we got the number of contractors wrong but in previous years we failed to recognise the full effect of the increase in fee rates - now

running at upwards of 20%. MSB reports this month that its average contractor earns over £50K p.a. This compares to the average staff costs (incl. benefits) of £31K for permanent staff in IT services companies (Source - 1997 Holway Report) There is every evidence that this "fee rate inflation" will increase as the Y2000 approaches.

Staff churn, which many of you now privately tell us is approaching 30%, means that more IT services companies will themselves turn to staff contractors to meet demand. Indeed, in an interview with one prominent quoted IT staff agency recently we were amazed to learn that four of their top customers were IT services companies - to be precise EDS, IBM, ICL and Sema. We well remember our days at Hoskyns when we were proud to say that we would never use contractors - *those days are now truly gone!* But it is both the structure and leading players in the agency market that have seen the greatest changes. The rankings of our estimates of 1997 UK revenues from IT agency and recruitment activities shows that CRT after its acquisition of Intertech (see p2) - its fourth such acquisition in 12 months - has catapulted it to the #1 position. Delphi (via Computer People) had been the leader for some time. Delphi (also see p2) has this month gone for a NASDAQ

quote and clearly sees its future in overseas expansion. MSB has achieved a quite remarkable 83% organic revenue growth rate (see p2) in its latest year and "Holway estimates" should exceed revenues of £120m in the current year. By contrast, Parity (via CSS Trident) achieved a quite modest 9% revenue growth in 1996 but has decided to move up the value chain "eschewing the commodity end of the market".

The companies involved have been radically restructured over the last four years. The £109m investment by Education Technology has transformed CRT. Roger Graham's team (now departed) did the same at Computer People/Delphi and Philip Swinstead's involvement in Comac has resulted in Parity being about the best investment you could have made in the period - up a staggering 31-times!

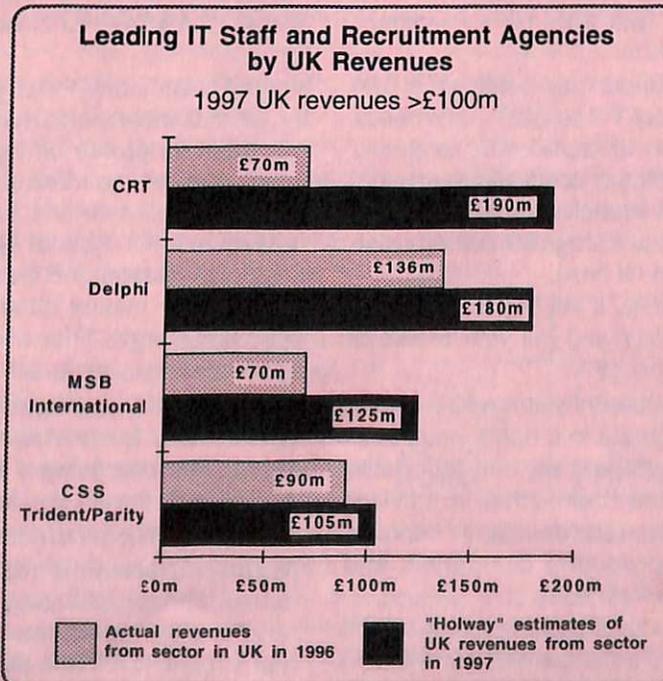
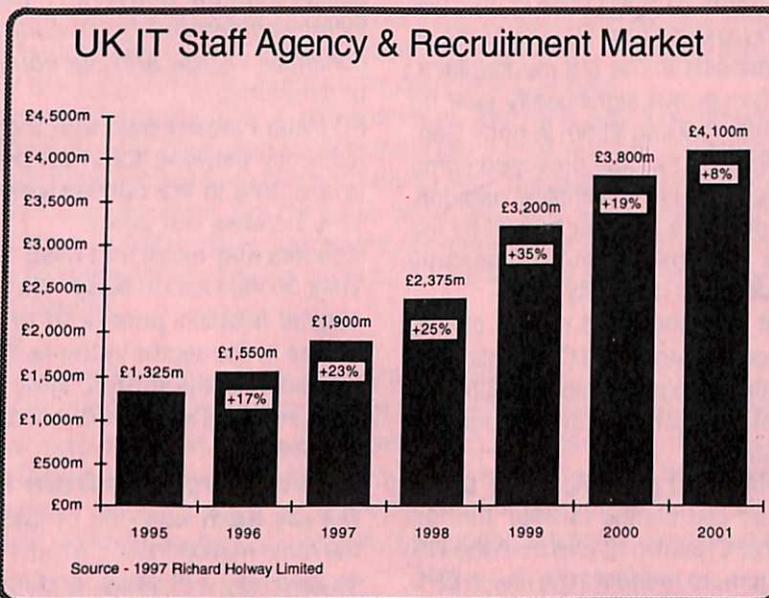
**The future?** Bluntly we see even more

consolidation. There are still many privately owned IT agencies in the UK and some would be well advised to realise

the rewards for their hard work sooner rather than later. But price expectations are already high. Indeed, Carl Chapman from CRT has said on more than one occasion that he does not intend to pay the silly prices some now still expect.

But a note of caution. This sector has always been the barometer of the sector...the first to indicate an upturn but also the first to downturn ahead of recession. If 2000 proves to be the watershed for the industry that some suggest, this sector could indeed suffer very badly. No doubt this is the reason for the diversification "up the value chain" described earlier.

**But for the moment the sun is indeed shining and there is lots of hay to be made!**



## IT Staff Agencies in the news this month...

### Further acquisition by CRT - now UK's #1

CRT is now (see p1) the largest IT contract recruitment company in the UK with an estimated annual run rate of c£190m after the acquisition of **Intertech**. The price to be paid is £10.8m (£2m shares, remainder in cash). Intertech had 100 staff and 1996 revenues of £28.2m and an operating profit (before non recurring exceptionals) of £1.2m. On these figures, this seems quite a bargain. Even after the acquisition, CRT still has c£45m net cash and is to be praised for not paying silly money for companies. At CRT's AGM this month, Chairman Steven Fink was buoyant about current and future trading. *"The first half turnover is likely to be substantially ahead of last year... CRT will report a strong first half PBT performance"*.

After a "quiet spell", CRT's shares performed exceedingly well this month, rising 19% to end Oct. on 322p

### Delphi becomes the latest UK NASDAQ.AQer

Delphi has announced that it is to undertake an IPO on NASDAQ of 5.75m new shares. This will raise c£36m net and the decision, according to CEO Tony Reeves *"reflects our confidence in our prospects in the US marketplace, where our performance has grown significantly year on year"*. The IPO follows Delphi raising \$50m in early Sep. in 10-year Senior Loan Notes. The deal provoked some critical press comment as, for various technical reasons, the IPO means that the directors will now benefit by the early exercise of share options without necessarily achieving the performance goals originally set.

US revenues are now at an annualised rate of c£80m after various US acquisitions - Automated Concepts (cost \$2m), Netserv (up to \$2.5m), Alpine Computer (\$24.5m) and SystemLink (\$2.6m). US profits now account for almost a third of total profits.

At the same time as the NASDAQ announcement, Delphi released its results for the six months to 30th Jun. 97. Revenue increased 33% at £133.4m (£40m from the US) PBT up 23% to £7m with a more modest 10% rise in EPS. UK revenue was only up a rather modest 16% at £84m - surprising given the present buoyant market conditions described on p1. European revenues increased an even more modest 10% at £9.1m (but 30% up on constant exchange rates).

Of course, the placing will dilute the holdings of UK institutions and negatively affect EPS so Delphi now needs to put its foot down on the growth accelerator, probably by consummating more and bigger acquisitions - Delphi has already upped its stake in French Decan to 31%. As many readers know, NASDAQ is a tough market with high expectations. Fail and you get hit hard.

The shares ended Oct. on 693p, a fall of just 1% in the month. Analysts are now forecasting full year profits of £16m - a forward P/E of around 18.

**Comment** UK investors are apparently annoyed that they didn't get the chance to participate in a rights issue here in the UK. However, Delphi's advisers say they found little support for this. We have reported before that, in our view, NASDAQ does not really understand or value IT services (as compared to software products) companies and London would be a better market base.

Delphi is the first UK IT services company to get a joint UK/US quote. We will watch their reception with interest as it's the US "after-market" which is usually much more problematic.

### 83% organic growth at MSB

**MSB International** has announced an excellent set of interim figures for the six months ending 31st Jul. 97. These seem to put them on track to be the third largest IT staff agency in the UK based on 1997 revenues.

Revenues increased 83% at £54.9m, PBT went up 72% to £3.7m (or a lower 53% if the exceptional flotation costs in 1996 are included) with EPS up 73% (or a lower 53% with exceptionals). MSB's contractor numbers have now increased from 1,350 at the beginning of 1997 to over 2,000 by September. **These results are even more creditable if you consider that all growth is organic within the UK** - or perhaps it's because of this specific focus that MSB have done so well! Margins are, in fact, slightly down *"due to investment in the infrastructure"*. But let's not be too critical - even at 6.75% they are still about a third higher than their competitors.

Chairman David Sugden commented *"We continue to benefit from the buoyant IT market and specifically the increasing demand for IT contractors. Our market share continues to grow and our confidence in our prospects is undiminished"*.

FD Peter Flaherty said that they expect charge out rates (currently between £20/£65 per hour) for IT contractors to rise 20% in the current year (and this follows on the 17% increase last year).

Readers may recall that MSB floated in May 96 at 190p. They ended Oct. on 563p - that's a 196% premium to the original flotation price and one of the best performing shares in the sector in the last year. MSB's directors still hold c60% of the shares. They (and other investors) have done very well and could well do even better in the current climate.

### "Maiden" results from Harvey Nash

**Harvey Nash** was one of latest IT agencies to float on the main market in Apr. 97 at 175p. They have performed exceedingly well since, ending Oct. 97 on 290p.

Maiden results as a quoted company show revenues up 45% at £23.8m, PBT up 18% at £2.11m and EPS up 19%. If flotation costs are excluded PBT would have risen by 36% to £2.43m and EPS increased by 37%. It's all organic too.

Harvey Nash makes about 18% of its revenues outside the UK in Germany and Switzerland and, like many others, has seen its profits hit by the strength of sterling. On constant exchange rates, profits would have been up 41%. About 75% of revenues come from IT contractors which makes a fairly typical 6.6% operating margin. The Executive Search and Section activity - although a third of the size - makes almost as much profit and a 21% operating margin. They also have a 25% stake in Internet Appointments which, although reporting a small loss, claims to be the leading IT recruitment site on the Internet.

*"The market for recruitment services is set to remain strong. We look forward to the future with considerable confidence"*. Forecasts are for £5.1m PBT at the full year.

### Northern Recruitment Group plc floats

**Northern Recruitment Group** is coming to the main market by way of a placing by Beeson Gregory. About 15% of their revenues relate to IT agency staff and recruitment. NR made profits of £1.72m on revenues up 42% at £10.4m in the year to 30th Jun. 97. That's an excellent 17% profit margin.

## Azlan - a truly ghastly tale

This is not a tale for those of a nervous disposition. If you have any experience in this industry, we know that you will have experienced some, if not all, of the woes that have befallen **Azlan**. But most managers, auditors, directors (including non executives) have spotted the problems in time to fix them before they cause real disaster.

Let us just briefly recap. Azlan (provider of equipment, training and support services for networks) was a new float in Nov. 93 at 230p. The share price has fluctuated widely hitting a low of 118p in Mar. 95 and a high of 760p in Aug. 96. Azlan then announced a 3-for-10 rights issue at 630p in Nov. 96 to fund the purchase of Akam (a Dutch provider of network training etc.) The rights issue was a resounding flop leaving the underwriters nursing substantial losses. At the end of Apr. 97, Azlan issued a statement saying than results for the year to April would be in line with expectations. We - like everyone else - thought the pessimism towards Azlan had been overdone. The shares rose considerably to over £6 - or close to the rights issue price again. We wrote what now looks to be an excruciatingly embarrassing comment ending "*Score so far Warburg City 0 Azlan Athlete 5*".

Then the thunderbolt struck. On 13th June Azlan's shares were suspended at 555p "*in the light of certain unresolved accounting issues which will have a material effect on the results*".

On the 10th Oct. we learnt the full ghastly news. Although revenue was up from £196.5m to £292.9m, rather than the expected £14.8m profit a £14.1m loss was announced with a further £8m expected in the current six months. The cause was a catalogue of mismanagement, inadequate control and, quite possibly, serious deception. Managers had ordered grossly more stock than required at the year end in order to get quantity discounts, stock rotation (i.e. returning out of date stock to suppliers within the agreed time limits) had not happened, marketing incentives had been taken to profit but not claimed from suppliers and an amazing £3.3m (£2.1m from one supplier) had to be written off invoices which could not be reconciled. *We could go on*. Perhaps the most damning allegation from KPMG was that even those controls that were in place were "*being overridden by senior management*". Basically it looks as if the frantic wish to meet targets expected by the City had led to some pretty disturbing practices.

In order to save itself, Azlan undertook a 2-for-1 rights issue at, wait for it, **just 37p**, to raise £24.2m. The issue was fully underwritten by Warburgs. And if the shareholders don't like it (and who can blame them if they don't - the 11% Kleinwort Benson stake alone has fallen from £29m to only £1.4m!) the present Azlan board has said that it will have no alternative but to appoint the receivers. But the Azlan board also said that it believes that "*legal action, involving potentially substantial claims, might be made against the company by certain existing and former shareholders*". If this does happen, the whole refinancing package could be put in jeopardy as the new banking facilities appear to be dependent on this *not* happening.

### Directors and managers

Since all these sins were perpetrated, there have been major changes.

- 18 Azlan staff (but not directors!) face disciplinary action and many of these have already resigned.
- CEO Chris Martin has already resigned (without compensation) accepting "*ultimate responsibility*". But, based on the management accounts, he had been paid £120K in bonuses for the year but has since repaid £100K.
- FD Adrian Lamb has resigned his FD role but has remained as an employee to "*assist with enquiries*". He had been paid £50K in bonuses based on these now highly erroneous management accounts. *So far we understand he has not made any repayment.*
- Mike Brooke stepped down as non exec. Chairman. We were rather interested to see that his fees for this had increased from £55K to £100K in FY97. He has since been paid a further £26.5K in compensation.
- There were other NEDs during the course of the fiasco. Gordon Skinner has resigned but Tony Robinson (MD of Cap-Gemini UK) has not. Indeed he says he will buy shares when re-listed to the value of £20,000.
- Barrie Morgans, ex-MD IBM UK, was appointed on 28th Apr. 97 - the day of the fateful "*we will meet expectations*" announcement. **The next few months must have been hell.** Morgans has now (had to?) assume the mantle of Chairman and CEO. Peter Bertram has been brought in as the new FD. Mind you they could well be rewarded highly if Azlan does recover. They have been granted options with exercise prices of £800K and £600K respectively.
- Brian Walsh (former FD of TI Group) joins as a NED but only when/if the new financing is finalised.

Finally, let us not forget KPMG. Now rewarded with further fees of £1.2m to undertake the investigation whereas they have been auditors throughout and had issued statements of comfort at the time of the rights issue last November. If we were a shareholder, this is one further resignation we would demand.

### The consequences

There are no excuses. This was totally avoidable and ALL directors - executive and non executive - should accept full responsibility. As well as damaging individual reputations, it has also damaged investor faith in our industry. Your and my pension funds have lost out as have a lot of small investors who were naive enough to believe what directors told them. Just like the MDIS, Coda and other sorry tales of the past, the effect on investor confidence in our sector's ability to manage its own companies could be the lasting, infamous legacy of Azlan.

**But what of the future?** Our support of Azlan's move into training and services - particularly our support of its acquisition of Akam - is fully supported by the figures shown in the table. Although Training makes only 7% of revenues it contributed 41% of the profits. If these higher margin businesses can be exploited whilst controls on the products side stabilise profits there, Azlan could be in for a major and rapid recovery. At 37p, the rights issue might just prove to be the investment of the decade. Indeed, when trading resumed on 28th Oct., they closed the first day on 72p.

AZLAN	Revenue		Gross Contribution	
		%		%
Product	£266.3m	91%	£8.4m	63%
Training	£21.5m	7%	£5.5m	41%
Services	£5.1m	2%	-£0.5m	-4%
TOTAL	£292.9m		£13.4m	

## Excellent results from Druid Group

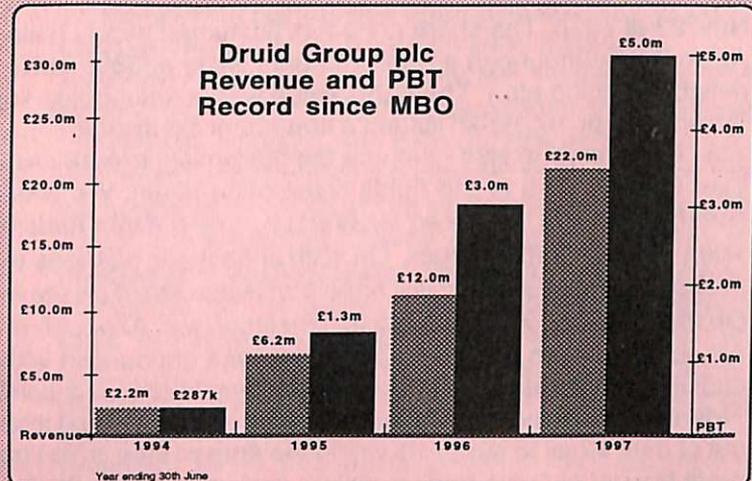
The **Druid Group** was the subject of an MBO in Dec. 93 organised by MD David Thompson; backed by Candover and Phoenix. Druid is involved in the high growth SAP and, to a lesser extent, Oracle Applications development market. They floated on the main market at 275p in Nov. 96 with a capitalisation then of just under £63m. The P/E on flotation was around 40 - which many (certainly us!) felt was "at the high end". But we have all been proved wrong as since then the share price has rocketed and ended Oct. on 678p - a premium of 147% to the new issue price less than a year ago.

The results for the year to 30th Jun. 97 were excellent. Revenue rose 84% to £22.1m, PBT increased 66% to £5m with EPS up an even higher 88%. The majority of the revenue comes from the UK and continental Europe but revenue now also comes from as far afield as the US, Russia and Jamaica. FD Richard Kimber explained that the lower PBT growth was due to the cost of moving to larger offices and the trebling of its sales and marketing team. He also said that the previous year's figures were artificially high because of a glut of payments for long term projects. Overall staff numbers have nearly doubled in the year to 260.

Chairman David Tebbs commented "Druid achieved excellent growth in 1996/97 and the business has continued to perform well in the current financial year. Our broadly based order backlog continues to grow, as does our pipeline of potential clients. We believe that Druid remains well positioned to win its share of a growing market". Their client base is mainly blue chips and across a wide range of industries. Although SAP implementation consultancy remains the core of Druid's business, the newer Oracle Applications practice has "grown rapidly to become one of the largest independent consulting forces in the UK".

The only sad news is the forthcoming departure at the end of the year of the much respected MD David Thompson "on the basis of medical advice". John Pocock, Druid's Commercial Director, is to replace him. We wish Thompson well.

**Comment.** Druid is changing itself into a more sophisticated solutions provider. This means more repeat business, a wider spread of activities and fewer ties to any particular software provider - all good news. Analysts are now predicting 1998 PBT of £6.4m - a forward P/E of a rather more modest 27.



## What's happening at INSTEM?

**INSTEM** (control systems for power stations etc.) seems to be about to become one of the first MBOs of a publicly quoted SCSI company. INSTEM's major shareholder, US Harnischfeger with 35%, has agreed to sell to a new company, Metsin (backed by VC Alchemy Partners). With INSTEM's Chairman and founder (in 1969) David Gare and FD David Sherwin's stake, Metsin has over 50%. Although the deal was done at 210p - a premium of 35p to the previous closing price - there were institutional rumblings that the price was too low. But INSTEM's results over the past few years, although consistent, have hardly been exciting. The share price has since risen to end Oct. on 205p.

## Andersen Consulting and Sears

News in *Computer Weekly* (30th Oct. 97) that **Sears** was ending its £133m p.a. outsourcing contract with **Andersen Consulting** is pretty significant. It was, after all, one of the largest such deals ever signed in the UK and certainly the largest such involving a retailer. It has fallen apart as the grand plan to centralise IT has been scuppered because the individual Sears businesses are being allowed to do their own thing prior to being sold, floated or whatever.

It is said that Andersen will not suffer too much after the compensation payments. Financially that is. But what of the reputation of the Andersen consultants who recommended that Sears outsourced its IT in the first place ("to, er, um, Andersen Consulting" Source - *The Times* 30th Oct. 97)? But Sears - and its IT staff who relocated - will pay a heavy price, as might the reputation of outsourcing in general.

## Compel placing to buy Abtex

**Compel** raised £2.95m in a placing at 251p to fund the acquisition of Scottish PC dealer **Abtex Systems**. Price to be paid is up to £4.5m with £2.5m deferred pending profits to Jun. 99. Abtex made operating profits of £407K on revenues of £12.7m in the six months to Jun. 97. Chairman Neville Davis told this month's AGM that Compel had entered the new year "in a strong position and progress to date has been good". Compel shares ended Oct. up 5% at 271p - a 117% premium to the Sep. 94 new issue price.

## ECsoft Group continues expanding

UK NASDAQer **ECsoft** has acquired Norwegian application development company **Information Management AS**. IM was set up to serve Norway's growing client-server market. Payment is wholly in shares with the final consideration dependent on IM's results. So far ECsoft has paid over shares to the value of \$5m - with the maximum earnout double this.

ECsoft also announced Q3 results showing revenue up 25% at \$17.6m, profits up 50% at \$1.3m but EPS unaltered. ECsoft was an IPO in Dec. 96 at \$10 and, after a bumpy first few months, have performed well since ending Oct. 97 on \$17.62.

## OpenTrade Technologies

**CTG Holdings** has acquired **MTi Trading Systems** from the receivers creating a new operation called **OpenTrade Technologies Ltd**. Joel Jervis has become CEO. OpenTrade will have rev. of £5m in 1997 with £7m projected for 1998. Further acquisitions are planned with negotiations "at an advanced stage" with three companies.

**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

Admiral plc				Division Group plc					
	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison		Interim - Apr 96	Final - Oct 96	Interim - Apr 96	Comparison
REV	£ 43,009,000	£ 90,819,000	£ 54,118,000	+25.8%	REV	£ 3,034,000	£ 4,900,000	£ 2,387,000	-21.3%
PBT	£ 5,180,000	£ 11,243,000	£ 7,200,000	+39.0%	PBT	-£ 2,283,000	-£ 1,678,000	-£ 956,000	Loss both
EPS	5.50p	11.60p	7.40p	+34.5%	EPS	-5.20p	-3.80p	-2.20p	Loss both
AFA Systems plc				Druid Group plc					
	Final - Dec 95 (5 mos)		Final - Dec 96	Comparison		Final - Jun 96		Final - Jun 97	Comparison
REV	£ 0		£ 364,000	n/a	REV	£ 12,013,000		£ 22,066,000	+83.7%
PBT	-£ 121,000		-£ 913,000	Loss both	PBT	£ 3,011,000		£ 5,004,000	+66.2%
EPS	-1.62p		-10.50p	Loss both	EPS	7.41p		13.94p	+88.1%
AIT Group plc				Eidos plc					
	Final - Mar 96		Final - Mar 97	Comparison		Final - Mar 96		Final - Mar 97	Comparison
REV	£ 7,495,000		£ 10,675,000	+42.4%	REV	£ 3,706,000		£ 75,531,000	not comparable
PBT	£ 1,122,000		£ 1,546,000	+37.8%	PBT	-£ 1,949,000		£ 7,626,000	loss to profit
EPS	4.19p		5.68p	+35.6%	EPS	-44.60p		44.40p	loss to profit
Anite Group plc				Electronic Data Processing plc					
	Final - Apr 96		Final - Apr 97	Comparison		Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison
REV	£ 262,860,000		£ 193,399,000	-26.4%	REV	£ 7,894,000	£ 14,267,000	£ 6,490,000	-17.8%
PBT	-£ 19,226,000		-£ 50,377,000	Loss both	PBT	£ 1,505,000	£ 2,519,000	£ 803,000	-46.6%
EPS	-8.30p		-21.20p	Loss both	EPS	3.93p	6.64p	2.01p	-48.9%
Aran plc				F.I. Group plc					
	Final - Mar 96		Final - Mar 97	Comparison		Final - Apr 96		Final - Apr 97	Comparison
REV	£ 3,319,499		£ 2,600,000	-21.7%	REV	£ 78,824,000		£ 98,800,000	+25.3%
PBT	£ 235,994		-£ 400,000	Profit to loss	PBT	£ 3,763,000		£ 6,575,000	+74.7%
EPS	n/a		n/a	Profit to loss	EPS	7.70p		14.20p	+84.4%
Azlan Group plc				Flomerics Group plc					
	Final - Mar 96		Final - Mar 97	Comparison		Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
REV	£ 196,458,000		£ 292,900,000	+49.1%	REV	£ 2,146,559	£ 5,332,409	£ 2,335,584	+8.8%
PBT	£ 10,507,000		-£ 14,100,000	Profit to loss	PBT	-£ 154,643	£ 477,885	-£ 416,188	Loss both
EPS	30.30p		-44.30p	Profit to loss	EPS	n/a	12.30p	n/a	n/a
Cadcentre Group plc				Gresham Computing plc					
	Final - Mar 96		Final - Mar 97	Comparison		Interim - Apr 96	Final - Oct 96	Interim - Apr 97	Comparison
REV	£ 14,186,000		£ 17,339,000	+22.1%	REV	£ 4,579,000	£ 9,271,000	£ 4,503,000	-1.7%
PBT	£ 1,669,000		£ 1,777,000	+6.5%	PBT	£ 708,000	£ 1,682,000	£ 487,000	-31.2%
EPS	7.96p		7.13p	-10.4%	EPS	1.32p	3.15p	0.88p	-33.3%
Capita Group plc				Harvey Nash Group plc					
	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison		Interim - Jul 96	Final - Dec 96	Interim - Jul 97	Comparison
REV	£ 60,067,000	£ 111,869,000	£ 79,087,000	+57.9%	REV	£ 16,403,000	£ 36,321,000	£ 23,767,000	+44.9%
PBT	£ 4,588,000	£ 12,292,000	£ 7,062,000	+53.9%	PBT	£ 1,788,000	£ 797,000	£ 2,111,000	+18.1%
EPS	1.83p	4.77p	2.49p	+36.1%	EPS	4.43p	1.80p	5.26p	+18.7%
Cedardata plc				Highams Systems Services Group plc					
	Final - Mar 96		Final - Mar 97	Comparison		Final - Mar 96		Final - Mar 97	Comparison
REV	£ 12,077,000		£ 10,363,000	-14.1%	REV	£ 13,227,498		£ 16,394,589	+23.9%
PBT	£ 4,384,000		£ 1,589,000	-63.8%	PBT	£ 899,067		£ 878,707	-2.3%
EPS	9.50p		3.60p	-62.1%	EPS	7.20p		7.00p	-2.8%
CFS Group plc				Ilion group plc (was Persona Group)					
	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison		Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
REV	£ 1,751,000	£ 4,569,000	£ 3,702,000	+111.4%	REV	£ 65,164,000	£ 146,875,000	£ 88,389,000	+35.6%
PBT	£ 26,000	£ 552,000	£ 252,000	+869.2%	PBT	£ 2,707,000	£ 6,009,000	£ 4,030,000	+48.9%
EPS	1.60p	6.40p	2.50p	+56.3%	EPS	7.80p	17.20p	11.00p	+41.0%
Chemical Design Holdings plc				INSTEM plc					
	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison		Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
REV	£ 834,000	£ 1,888,000	£ 1,079,000	+70.2%	REV	£ 10,740,000	£ 22,947,000	£ 11,260,000	+4.8%
PBT	-£ 161,000	-£ 165,000	-£ 79,000	Loss both	PBT	£ 402,000	£ 1,321,000	£ 538,000	+33.8%
EPS	-2.58p	-2.93p	-1.21p	Loss both	EPS	5.80p	18.80p	7.70p	+32.8%
Clinical Computing plc				Intelligent Environments Group plc					
	Final - Dec 95		Final - Dec 96	Comparison		Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
REV	£ 2,187,131		£ 1,979,890	-9.5%	REV	£ 2,028,000	£ 3,475,554	£ 2,074,000	+2.3%
PBT	-£ 714,879		-£ 2,079,530	Loss both	PBT	£ 35,000	-£ 1,379,256	-£ 2,046,000	Profit to loss
EPS	-4.40p		-12.30p	Loss both	EPS	0.20p	-7.10p	-9.20p	Profit to loss
CMG plc				IS Solutions plc					
	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison		Final - Dec 95		Final - Dec 96	Comparison
REV	£ 118,816,000	£ 245,159,000	£ 140,704,000	+20.7%	REV	£ 7,627,038		£ 7,671,000	+0.6%
PBT	£ 11,340,000	£ 25,522,000	£ 15,117,000	+33.3%	PBT	£ 38,084		£ 219,000	+475.0%
EPS	11.40p	27.40p	14.90p	+30.7%	EPS	n/a		n/a	n/a
Coda Group plc				JBA Holdings plc					
	Interim - Apr 96	Final - Oct 96	Interim - Apr 97	Comparison		Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
REV	£ 15,264,000	£ 33,889,000	£ 19,962,000	+30.8%	REV	£ 66,039,000	£ 161,810,000	£ 88,102,000	+33.4%
PBT	-£ 3,688,000	-£ 4,899,000	£ 60,000	Loss to profit	PBT	-£ 2,421,000	£ 11,259,000	£ 1,297,000	Loss both
EPS	-13.90p	-18.80p	0.20p	Loss to profit	EPS	-4.03p	18.26p	-2.56p	Loss both
Comino plc				Kalamazoo Computer Group plc					
	Final - Mar 96		Final - Mar 97	Comparison		Final - Mar 96		Final - Mar 97	Comparison
REV	£ 4,796,000		£ 7,792,000	not comparable	REV	£ 66,665,000		£ 77,776,000	+16.7%
PBT	£ 871,000		£ 1,420,000	not comparable	PBT	£ 5,882,000		£ 3,882,000	-34.0%
EPS	n/a		9.95p	not comparable	EPS	10.20p		6.80p	-33.3%
Compel Group plc				Kewill Systems plc					
	Final - Jun 96		Final - Jun 97	Comparison		Final - Mar 96		Final - Mar 97	Comparison
REV	£ 85,620,000		£ 111,792,000	+30.8%	REV	£ 35,242,000		£ 41,348,000	+17.3%
PBT	£ 3,235,000		£ 5,057,000	+56.3%	PBT	£ 6,061,000		£ 7,425,000	+22.5%
EPS	12.50p		16.20p	+29.6%	EPS	33.70p		40.50p	+20.2%
CRT Group plc				Logica plc					
	Final - Apr 96		Final - Apr 97	Comparison		Final - Jun 96		Final - Jun 97	Comparison
REV	£ 103,282,000		£ 134,334,000	+30.1%	REV	£ 284,810,000		£ 338,465,000	+18.8%
PBT	£ 6,515,000		£ 12,056,000	+85.0%	PBT	£ 24,710,000		£ 14,148,000	+13.9%
EPS	5.70p		6.86p	+20.4%	EPS	27.10p		31.00p	+14.4%
DCS Group plc				London Bridge Software Holdings plc					
	Interim - Jun 96	Final (6 mos) - Dec 96	Interim - Jun 97	Comparison		Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
REV	£ 16,147,000	£ 19,095,000	£ 23,742,000	+47.0%	REV	£ 2,013,000	£ 6,306,376	£ 4,095,000	+103.4%
PBT	£ 1,162,000	£ 1,870,000	£ 2,436,000	+75.2%	PBT	£ 501,000	£ 2,499,071	£ 953,000	+90.2%
EPS	4.07p	6.21p	6.48p	+59.2%	EPS	1.67p	8.26p	2.66p	+59.3%
DRS Data & Research Services plc				Lorien plc					
	Interim - Jul 96	Final - Dec 96	Interim - Jul 97	Comparison		Interim - May 96	Final - Nov 96	Interim - May 97	Comparison
REV	£ 2,918,000	£ 4,822,000	£ 4,288,000	+48.3%	REV	£ 17,997,000	£ 45,708,000	£ 52,864,000	+193.7%
PBT	-£ 363,000	-£ 1,734,000	£ 43,000	Loss to profit	PBT	£ 600,000	£ 1,481,000	£ 889,000	+48.2%
EPS	-0.72p	-3.43p	0.10p	Loss to profit	EPS	7.10p	11.80p	1.15p	-83.8%
Delphi Group plc				Lynx Holdings plc					
	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison		Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison
REV	£ 100,174,000	£ 210,635,000	£ 133,413,000	+33.2%	REV	£ 38,133,000	£ 87,644,000	£ 53,915,000	+41.4%
PBT	£ 5,700,000	£ 12,302,000	£ 7,000,000	+22.8%	PBT	£ 2,069,000	£ 6,953,000	£ 3,710,000	+79.3%
EPS	15.10p	33.05p	16.60p	+9.9%	EPS	1.73p	5.36p	2.58p	+49.1%
Diagonal plc				M.A.I.D. plc					
	Interim - Jun 96	Final - Nov 96	Interim - Jun 97	Comparison		Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
REV	£ 12,628,000	£ 28,326,000	£ 17,847,000	+41.4%	REV	£ 9,584,000	£ 21,443,000	£ 14,037,000	+46.5%
PBT	£ 781,000	£ 2,007,000	£ 1,072,000	+37.3%	PBT	-£ 3,284,000	-£ 7,034,000	£ 2,013,000	Loss to profit
EPS	2.70p	7.10p	3.80p	+40.7%	EPS	-3.68p	-7.82p	0.88p	Loss to profit

**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

MMT Computing plc					Rebus Group plc				
REV	Interim - Feb 96	Final - Aug 96	Interim - Feb 97	Comparison	REV	Final - Mar 96	Final - Mar 97	Comparison	REV
PBT	£ 8,255,000	£ 78,881,201	£ 10,703,000	+29.7%	PBT	£ 80,040,000	£ 88,436,000	+10.7%	PBT
EPS	£ 2,372,000	£ 4,531,686	£ 2,424,000	+2.2%	EPS	£ 1,969,000	£ 5,808,000	+195.0%	EPS
	13.00p	24.60p	13.30p	+2.3%		0.33p	4.61p	+1297.0%	
M-R Group plc					Recognition Systems Group plc				
REV	Final - Jun 96	Final - Jun 97	Comparison	REV	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison	REV
PBT	£ 38,361,000	£ 39,430,000	+2.8%	PBT	£ 245,000	£ 324,000	£ 328,000	+33.1%	PBT
EPS	£ 4,810,000	£ 5,604,000	+16.5%	EPS	£ 292,000	£ 1,266,000	£ 1,128,000	Loss both	EPS
	5.70p	7.30p	+28.1%		-1.40p	-5.50p	-4.20p	Loss both	
MDIS Group plc					Riva Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 80,540,000	£ 118,995,000	£ 54,377,000	+10.2%	PBT	£ 32,348,000	£ 84,438,000	£ 32,661,000	+1.0%
EPS	£ 9,213,000	£ 49,545,000	£ 3,910,000	Loss to profit	EPS	£ 905,000	£ 518,000	£ 190,000	Loss to profit
	-9.39p	-48.94p	3.82p	Loss to profit		-3.00p	0.90p	0.30p	Loss to profit
Macro 4 plc					Rolfe & Nolan plc				
REV	Final - Jun 96	Final - Jun 97	Comparison	REV	Final - Feb 96	Final - Feb 97	Comparison	REV	
PBT	£ 25,317,000	£ 23,448,000	-7.4%	PBT	£ 17,128,000	£ 20,299,000	+18.5%	PBT	
EPS	£ 12,147,000	£ 10,300,000	-15.2%	EPS	£ 2,517,000	£ 2,758,000	+9.6%	EPS	
	37.50p	33.80p	-9.9%		12.33p	14.50p	+17.6%		
Micro Focus plc					Romtec plc				
REV	Interim - Jul 96	Final - Jan 97	Interim - Jul 97	Comparison	REV	Interim - Jul 96	Final - Jan 97	Interim - Jul 97	Comparison
PBT	£ 34,140,000	£ 73,089,000	£ 41,349,000	+21.1%	PBT	£ 1,990,000	£ 4,734,877	£ 2,491,000	+25.2%
EPS	£ 9,463,000	£ 5,809,000	£ 5,171,000	Loss to profit	EPS	£ 128,000	£ 326,125	£ 130,000	+1.6%
	-62.20p	-48.00p	22.70p	Loss to profit		1.70p	4.30p	1.90p	+11.8%
Microgen Holdings plc					Royalblue Group plc				
REV	Interim - Apr 96	Final - Oct 96	Interim - Apr 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 38,291,000	£ 73,391,000	£ 34,052,000	-11.1%	PBT	£ 5,383,000	£ 11,679,000	£ 8,892,000	+85.2%
EPS	£ 4,875,000	£ 8,783,000	£ 4,211,000	-13.6%	EPS	£ 1,006,000	£ 2,016,000	£ 221,000	-78.0%
	8.00p	15.10p	6.90p	-13.8%		2.39p	4.66p	-0.35p	Profit to loss
Microvitec plc					Sage Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison
PBT	£ 33,840,000	£ 65,176,000	£ 20,892,000	-38.3%	PBT	£ 71,836,000	£ 136,238,000	£ 73,554,000	+2.4%
EPS	£ 1,610,000	£ 461,000	£ 424,000	Profit to loss	EPS	£ 16,116,000	£ 30,053,000	£ 19,286,000	+19.7%
	1.40p	0.21p	0.10p	-92.9%		9.92p	18.50p	12.03p	+21.3%
Misys plc					Sanderson Electronics plc				
REV	Final - May 96	Final - May 97	Comparison	REV	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison	REV
PBT	£ 279,867,000	£ 325,470,000	+16.3%	PBT	£ 30,583,000	£ 61,385,000	£ 39,408,000	+9.2%	PBT
EPS	£ 50,437,000	£ 62,533,000	+24.0%	EPS	£ 3,317,000	£ 6,201,000	£ 3,504,000	+5.6%	EPS
	44.00p	53.90p	+22.5%		5.30p	10.10p	5.90p	+11.3%	
Mondas plc					SBS Group Holdings plc				
REV	Final - Apr 96	Final - Apr 97	Comparison	REV	Final - Aug 96	Final - Aug 97	Comparison	REV	
PBT	n/a	£ 56,609	n/a	PBT	£ 13,293,182	£ 15,787,558	+14.3%	PBT	
EPS	n/a	£ 421,192	n/a	EPS	£ 341,562	£ 125,661	-63.2%	EPS	
	n/a	-10.50p	n/a		n/a	n/a	n/a	n/a	
Moorepay Group plc					Science Systems (Holdings) plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Dec 95	Final - Dec 96	Comparison	REV
PBT	£ 2,717,246	£ 5,118,415	£ 2,731,603	+0.5%	PBT	£ 12,355,133	£ 14,300,000	+15.7%	PBT
EPS	£ 851,417	£ 1,327,894	£ 886,148	+4.1%	EPS	£ 1,443,739	£ 1,200,000	-16.9%	EPS
	5.37p	11.56p	5.69p	+6.0%		n/a	n/a	n/a	n/a
MSB International plc					Sema Group plc				
REV	Interim - Jul 96	Final - Jan 97	Interim - Jul 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 29,987,000	£ 69,755,000	£ 54,893,000	+83.2%	PBT	£ 426,919,000	£ 926,965,000	£ 559,539,000	+31.1%
EPS	£ 2,166,000	£ 5,431,000	£ 3,714,000	+71.5%	EPS	£ 19,754,000	£ 50,019,000	£ 26,214,000	+32.7%
	7.00p	17.60p	12.10p	+72.9%		12.91p	30.94p	16.03p	+24.2%
NSB Retail Systems plc					Sherwood International plc				
REV	Final - Dec 95	Final - Dec 96	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV
PBT	£ 1,490,000	£ 2,161,000	+45.0%	PBT	£ 11,801,000	£ 24,628,000	£ 13,069,000	+10.7%	PBT
EPS	£ 422,000	£ 296,000	-29.9%	EPS	£ 705,000	£ 2,065,000	£ 1,025,000	+45.4%	EPS
	n/a	n/a	n/a		5.60p	19.20p	7.90p	+41.1%	
OmniMedia plc					Skillsgroup plc				
REV	Final - Dec 95	Final - Dec 96	Comparison	REV	Interim - May 96	Final - Nov 96	Interim - May 97	Comparison	REV
PBT	£ 275,275	£ 1,003,661	+264.7%	PBT	£ 179,200,000	£ 344,337,000	£ 181,600,000	+1.3%	PBT
EPS	£ 1,684,980	£ 2,314,967	Loss both	EPS	£ 6,500,000	£ 14,277,000	£ 6,500,000	+0.0%	EPS
	-9.97p	-10.10p	Loss both		5.80p	12.70p	5.80p	+0.0%	
On Demand Information plc					Spargo Consulting plc				
REV	Interim - Jan 96	Final - Jul 96	Interim - Jan 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 5,677,000	£ 11,429,000	£ 5,801,000	+1.3%	PBT	£ 4,040,000	£ 7,883,000	£ 4,228,000	+4.7%
EPS	£ 1,284,000	£ 2,900,000	£ 2,291,000	Loss both	EPS	£ 602,000	£ 1,204,000	£ 625,000	+3.8%
	-2.50p	-5.60p	-4.20p	Loss both		3.10p	6.17p	3.25p	+4.8%
Oxford Molecular plc					Staffware plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 4,350,000	£ 9,789,000	£ 6,168,000	+41.8%	PBT	£ 4,044,061	£ 10,009,325	£ 7,701,192	+80.4%
EPS	£ 950,000	£ 1,849,000	£ 677,000	Loss both	EPS	£ 159,812	£ 873,879	£ 549,023	+243.5%
	-1.70p	-3.30p	-1.10p	Loss both		0.40p	5.60p	3.30p	+725.0%
Parity plc					Superscape VR plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Jul 96	Final - Jul 97	Comparison	REV
PBT	£ 76,363,000	£ 182,091,000	£ 90,825,000	+18.7%	PBT	£ 3,888,000	£ 3,106,000	-20.1%	PBT
EPS	£ 4,303,000	£ 10,060,000	£ 5,678,000	+32.0%	EPS	£ 2,873,000	£ 5,961,000	Loss both	EPS
	6.75p	15.81p	8.90p	+31.9%		-37.90p	-69.60p	Loss both	
Pegasus Group plc					Systems Integrated Research plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparison
PBT	£ 3,729,000	£ 7,914,000	£ 3,567,000	+49.3%	PBT	n/a	£ 1,248,000	£ 507,000	n/a
EPS	£ 511,000	£ 1,160,000	£ 810,000	+58.5%	EPS	n/a	£ 642,000	£ 1,199,000	n/a
	6.50p	15.40p	12.80p	+96.9%		n/a	-5.80p	-9.10p	n/a
PhoneLink plc					Total Systems plc				
REV	Final - Mar 96	Final - Mar 97	Comparison	REV	Final - Mar 96	Final - Mar 97	Comparison	REV	
PBT	£ 4,356,000	£ 4,316,000	-0.9%	PBT	£ 2,892,802	£ 3,279,809	+13.4%	PBT	
EPS	£ 6,711,000	£ 6,173,000	Loss both	EPS	£ 222,329	£ 412,545	+85.6%	EPS	
	-17.30p	-12.90p	Loss both		1.60p	2.76p	+72.5%		
Proteus International plc					Trace Computers plc				
REV	Final - Mar 96	Final - Mar 97	Comparison	REV	Final - May 96	Final - May 97	Comparison	REV	
PBT	£ 1,083,000	£ 573,000	-46.1%	PBT	£ 20,534,553	£ 17,271,000	-15.9%	PBT	
EPS	£ 5,395,000	£ 3,824,000	Loss both	EPS	£ 5,135,296	£ 635,000	Loss to profit	EPS	
	-14.53p	-7.31p	Loss both		-35.88p	3.35p	Loss to profit		
Quality Software Products Holdings plc					Triad Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Mar 96	Final - Mar 97	Comparison	REV
PBT	£ 11,797,000	£ 25,360,189	£ 13,431,000	+13.9%	PBT	£ 11,880,000	£ 18,827,000	+61.2%	PBT
EPS	£ 1,117,000	£ 28,480	£ 180,000	Loss to profit	EPS	£ 2,131,000	£ 2,656,000	+24.6%	EPS
	-8.60p	0.20p	1.40p	Loss to profit		7.09p	7.25p	+2.3%	
RM plc					Vega Group plc				
REV	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison	REV	Final - Apr 96	Final - Apr 97	Comparison	REV
PBT	£ 45,182,000	£ 99,032,000	£ 48,965,000	+8.4%	PBT	£ 16,032,000	£ 17,977,000	+12.1%	PBT
EPS	£ 1,322,000	£ 6,806,000	£ 1,683,000	+27.3%	EPS	£ 3,452,000	£ 3,261,000	-5.5%	EPS
	5.00p	25.80p	6.30p	+26.0%		16.16p	13.79p	-14.7%	
Radius plc					Xavier Computer Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Period - Mar 96	Final - Mar 97	Comparison	REV
PBT	£ 13,934,000	£ 27,267,000	£ 13,288,000	-4.6%	PBT	£ 457,000	£ 8,961,457	not comparable	PBT
EPS	£ 1,006,000	£ 1,591,000	£ 805,000	-20.0%	EPS	£ 86,000	£ 582,000	Loss to profit	EPS
	2.40p	4.05p	1.93p	-19.6%		-0.13p	0.62p	Loss to profit	
Rage Software plc					Zergo Holdings plc				
REV	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison	REV	Final - Apr 96	Final - Apr 97	Comparison	REV
PBT	£ 4,139,000	£ 9,504,000	£ 3,975,000	-4.0%	PBT	£ 8,483,877	£ 10,398,871	+22.6%	PBT
EPS	£ 1,226,000	£ 3,224,000	£ 1,752,000	Loss both	EPS	£ 214,693	£ 725,736	Loss to profit	EPS
	-0.44p	-1.34p	-0.65p	Loss both		-5.10p	3.40p	Loss to profit	
Real Time Control plc					Shares in <b>Comino</b> have fallen sharply on 3rd Nov. by 20p to 130p. The company says it knows no reason for the fall and that results will be "at least" in line with expectations.				
REV	Final - Mar 96	Final - Mar 97	Comparison						
PBT	£ 11,903,000	£ 12,565,000	+5.6%						
EPS	£ 2,207,000	£ 2,547,000	+15.4%						
	20.80p	25.50p	+22.6%						

## UK M&A

**Quality Software** has issued 648,700 shares to **Salomon Bros. UK Equity** which represents 4.76% of the enlarged equity. This will raise c£1.6m net at the issue price of 245p for additional working capital. Also, Alan Mordain, one of QSP's founders, has sold shares equal to 5.1% of the equity realising £1.7m, leaving him with a minuscule 0.4% holding.

**Intelligent Environments** has placed 1.1m shares at 27p with **Finsbury Technology Trust** to raise £300K.

**Staffware** is placing 465K shares at 275p to raise c£1.3m. New (Apr. 97) AIM company **Comino** has acquired **Excelsis** for a maximum of £2.25m - part cash, part shares. Excelsis operates in the same market (housing association systems) as Comino's Context subsidiary and made a loss of £66K on 1996 revenues of £4.2m.

**Kewill Systems** has acquired **Alpha-Numeric Systems** and **Alpha-Numeric International** for an initial £1m cash and a maximum of up to £2.3m in total depending on profits to Mar. 99. Alpha-Numeric develops electronic label print systems and had 1996 revenue of £3.6m and PBT of £130K. **HBO** has acquired **AT&T's** UK specialist healthcare division, thus continuing AT&T's IT services disposal programme.

Contrary to what Chairman John Perry told us last month, Mike Tillbrook's **MMT Computing** has now increased its stake in **Trace** from 9.2% to 10%.

**Fayrewood plc** (not one of the most familiar SCSi companies) has acquired **ComputerLinks Computerhandels AG** - a German computer networking and services company - for £4.75m cash + 1.46m shares + £2.25m cash (deferred).

Trevor Burke, the founder of **Phonelink**, has sold 8.3% of the company to **Reggeborgh** (a private Dutch company) for £2.4m or 60p a share. Reggeborgh has an option on Burke's remaining 34.7% by Apr. 98 at 80p. *But, oh how the mighty have fallen.* The Burke's at one stage headed our "richest in the industry" listings. That was when the shares hit 424p in 1994.

**Sema** (via SG-RS) has acquired a 70% stake in French disaster recovery operation, **Europe Assistance Informatique** adding c£2m revenues.

**Anite** has managed to dispose of some prime building land at Egham, Surrey to Fairview New Homes. This is part of the majestic estate which Anite acquired when it bought **PE International**. It will bring in much needed £2m cash now, £2m on planning permission plus further payments.

**Network Technology** has acquired **Bits per Second Ltd** for around £300K.

**US Harbinger Corp.** has acquired Manchester-based EDI company - **Atlas Products International Ltd** - for \$11.8m in shares. **Guardian**, the UK disaster recovery operation, has acquired **TeleVault** "the automatic on-line data storage facility of **Securicor's SecurIT** subsidiary". No consideration disclosed. Guardian says their own revenues are now in excess of £22m.

**4Front** has made its first acquisition in Continental Europe by acquiring **Eurosystems** - a French and Belgium-based TPM and networking business with a contract base of c\$4m - for \$560K cash + \$600K worth of shares.

**Action Computer Group** has acquired Bucks-based PC dealer **Fraser Associates** for £3.46m. Fraser had rev. of £32.8m and operating profits of £448K in the year to 31st Jul. 97. This increases Action's rev. to >£200m "a significant milestone on the route to the company's goal of £500m."

## Syntegra acquisition - but what of the future?

**Syntegra** has acquired French IT consultancy **Alcoria** for an undisclosed sum. We suspect it's quite small as even Alcoria's MD, Francois Pelissier said "Ours is a small business with huge skills and a growing international customer base".

But of course, the real BT news is still unfolding. Last month we had combined our reviews for our latest report of Syntegra and MCI Systemhouse. Syntegra told us not to until it was a "done deal". A few days later the WorldCom bid for MCI was announced. However, there is still hope that the GTE counterbid would preserve Concert and might even allow some kind of alliance of the SI businesses. But it does look as if a UK-owned \$2 billion revenue SCSi company is now as far off as ever.

## Our own System House™ news.

We started *System House* eight years ago in Sep. 89 and applied to register the trademark soon afterwards. SHL Systemhouse objected and there started a long and frustrating period with, bluntly, SHL being far from helpful. We offered to limit the trademark to periodicals but SHL didn't seem to like that either.

Anyway this month the Patent Office has thrown out SHL's claims and found in our favour...with no restrictions.

## Price Waterhouse buys into Origin

**Price Waterhouse** is already in the throes of a merger with another top accountancy firm, **Coopers & Lybrand**. But in the meantime, PW is taking a minority stake in **Origin** (owned 82% by Philips) with both the size of the stake and the final price still to be decided. Post the merger and stake, the enlarged group, will have annual revenues of \$4.8 billion (against Anderson's \$5.3 billion) and nearly 40,000 management and IT consultants worldwide. Although Philips remains "totally committed to Origin" according to new chief financial officer Jan Hommen, they "would like to see Origin less dependent on Philips". Some 45% of Origin's income originates from the Philips group. As we have said many times before, the big are really getting bigger and bigger and we can see no immediate end to this process.

## UK-based Autonomy heads for NASDAQ

UK-based **Autonomy** is only about a year old. With the help of VCs **English National Investment Co.** and **Apax** (both owning 20% each), Autonomy has developed an intelligent Internet search engine. It lost £2.6m on revenue of just £164K in the seven months from inception to 31st Dec. 96, but reckons sales could exceed £10m in 1997. Autonomy is now heading for a NASDAQ IPO with "a valuation of \$100m to \$150m" which even the FT (29th Sep. 97) described as "ambitious". We will keep you posted as events develop. This month **Rage Software** sold its 884K share stake in Autonomy for £1.1m to **M-J Technologies**.

## Chemical Design auditors resign

Appoint a new CEO and FD and what do you usually get? A review followed by a profits warning.

**Chemical Design** (software for biotech and pharmaceutical companies) was a new issue in Aug. 96 at 110p and had more than doubled in price since. Interims to 30th Jun. 97 showed a loss of £79K on revenues up 70% at £1.1m. Shares halved in price to end Oct. 97 on 120p - about the same as the new issue price.

The auditors have tendered their resignation due to disagreements over a further £554K which they think should have been charged to the P&L account in FY96.

## Tetra prepares for float

UNIX business and accounting software developer Tetra is to float on the main market in November. Tetra has had its problems in the past but is now back in profit. In the year to 31st May 97 they made profits of £2.8m on revenues of £22.4m. The float is expected to value Tetra at around £40m. Tetra will raise between £15/£20m of which c£3m will be new money.

Founders Shaun Dowling (non-exec. Chairman) and ex-director Rod Cooke are expected to sell half of their combined 60% holding, realising c£12m.

More news next month.

## Quantum leap for MAID

MAID has now confirmed the acquisition of US Knight-Ridder Information at \$420m with a further \$30m of transaction costs and \$10m for reorganisation (a total of c£286m). The deal will be funded by a combination of debt and a placing of c£120m of new shares at 220p. The enlarged company (to be renamed **The Dialog Corporation** after completion in November) will be one of the world's largest on-line data and information provider. This is a very brave deal for CEO Dan Wagner. KRI last year had sales of \$290m (£180m) which dwarfs MAID's £21m. In addition MAID made a £7m loss whilst KRI made a profit of \$11.3m (£7m). But this position reversed in the first half of this year when KRI's profits have been wiped out by heavy investment on flat sales and MAID made a £2m profit on increased revenue of £14m.

Dan Wagner, as always, is bullish. He stresses the "perfect match" and said "In one step we have achieved what it would take us years to do otherwise". The new operation will be a world leader - with 25% of the on-line information market - compared with Lexis Nexis 24% share. Evidently senior KRI management is staying on and will receive shares in the placing but the present senior MAID team will obviously be in charge of Dialog with Wagner as CEO, Michael Mander (Chairman) and David Matthey (FD) on the new board.

But this deal is about as high risk as they come. Dialog will have to pay upwards of £16m a year to service the debt and intends to axe 300 jobs to make £20m cost savings. The uncertainty caused by the takeover affected MAID's sales in Q3 which were "flat" at £7.3m. MAID's valuation is based on every faster increasing sales and this is the first such "reversal".

But let's not be too negative. The UK needs more young entrepreneurs like Dan Wagner. Call him brave or foolish...at least he's going for it! We wish him luck.

## EDS/CSC

With UK revenues of £765m and £437m respectively in their last financial years, EDS and Computer Sciences (CSC) are ranked #1 and #4 in the UK. Their performance is pretty relevant to the whole sector.

But EDS has not had the best of times since its spin out from GM in Jun. 96 at \$58. Results for Q3 (to end Sep. 97) show revenue up a minimal 4.6% at \$3.73b but profits down 14% at \$230m.

In comparison, CSC's results for the same quarter looked better with revenue up 16.5% at \$1.6b and profits up 19% at \$59m.

But investors in both companies have suffered - EDS down 44% at \$32.5 and CSC at \$72 down 16% from the \$86 high reached roughly a year ago

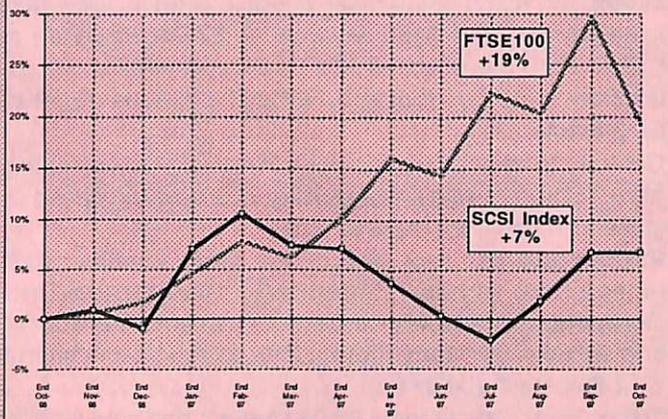
## Crisis? What Crisis?

Readers will not need reminding of the turbulence in the markets in October. We were inundated with media calls asking for our reaction and our views of the effects in our own SCSI sector. The answer is immensely boring (*which is probably why none of the hacks chose to quote us!*)...to all intents and purposes, it has had no effect at all.

### The facts:

- 1) Our SCSI Index is UNCHANGED on the month compared to a 8% decline in the FTSE100.
- 2) Our SCSI Index is 8% higher than at the start of 1996 and 7% higher than a year ago (31st Oct. 96). This is lower than the 19% increase in the FTSE100 in the period, but we have long reported that 1996 was the peak period for relative valuations in our sector.

## SCSI Index v FTSE 100



3) Nearly 60% of all SCSI shares are higher than a year ago.

4) Indeed, over 40% of all SCSI stocks are at, or within 10%, of their 52 week high.

5) Over 20% of all stocks are >50% higher and six have more than doubled. The best performers have been:

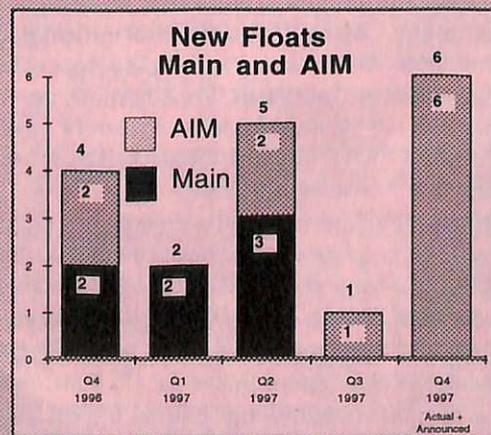
- Trace +162%
- Druid +146%
- Total +138%
- Capita up 123%
- MSB International and Micro Focus both +116%.

(For completeness, the worst performers were **Virtuality** and **Wakebourne**, which appointed the receivers, followed by **Azlan** and **On-Demand**, both down 91%).

6) One of the most usual effects of a downturn in the market is an abrupt halt to new issues. As can be seen, new issues

h a v e continued at a high level with Q4 promising to be a bumper period.

*It could, of course, all end in tears. But you should have no need of the Kleenex based on events to date.*



## SCSI Index ends October unaltered

Superscape staged a recovery - up 70% this month, but still 65% lower than at the start of 1997 - on news of several significant JVs for their 3D Internet browser. Newcomer NSB had a superb reception; putting on 46%. Druid (up 37%) and Harvey Nash (up 33%, see p2). Total (up 24%) benefitted from continued buying from MMT Computing (also up 21%). Although Azlan (see p3) had a good reception compared to its 37p rights issue, it did record a 88% fall from its pre suspension price. Omnimedia (down 44%) and Chemical Design (down 43% - see p7) led the fallers.

31-Oct-97		SCSI Index			
		FTSE 100	2855.16		
		BDO AIM	1341.97		
		FTSE SmallCap	2312.25		
Changes in indices		SCSI Index	FTSE 100	BDO AIM Index	FTSE Small Cap
Month (29/9/97 - 31/10/97)		-0.11%	-7.24%	-1.76%	-0.53%
From 15th Apr 89		+185.52%	+135.80%		
From 1st Jan 90		+210.31%	+105.01%		
From 1st Jan 91		+303.35%	+124.14%		
From 1st Jan 92		+173.26%	+94.23%		
From 1st Jan 93		+79.17%	+70.11%		+66.67%
From 1st Jan 94		+71.01%	+41.65%		+23.74%
From 1st Jan 95		+90.45%	+57.96%		+32.40%
From 1st Jan 96		+26.42%	+31.25%	4.67%	+19.09%
From 1st Jan 97		+6.64%	+17.57%	-1.01%	+5.92%

## System House SCSI Share Prices and Capitalisation

	Share Price 31/10/97 (£p)	Capitalisation 31/10/97 (£m)	Historic P/E	PSR Ratio Cap./Rev.	CSI Index 31/10/97	Share price % move since 29/9/97	Share price % move in 1997	Capitalisation move (£m) since 29/9/97	Capitalisation move (£m) in 1997
Admiral	£5.85	£369.70m	44.0	4.07	21143.96	17.00%	60.27%	£53.70m	£139.80m
AFA Systems	£1.13	£13.50m	Loss	37.50	937.50	-4.26%	-19.35%	-£0.60m	-£0.40m
AIT	£1.73	£35.00m	32.4	3.28	1150.00	2.99%	15.00%	£1.00m	£4.60m
Anite	£0.43	£102.10m	Loss	0.53	251.46	-4.44%	17.81%	-£4.80m	£15.60m
Azlan	£0.65	£69.20m	Loss	0.24	282.61	-88.29%	-88.55%	-£127.80m	-£131.70m
Cadcentre	£2.90	£48.10m	38.9	2.27	1450.00	2.84%	13.50%	£1.30m	£5.60m
Capita	£3.09	£590.80m	57.0	5.28	27837.84	6.92%	90.74%	£38.20m	£306.70m
Cedadata	£1.09	£34.40m	30.0	3.32	1033.33	19.89%	-56.60%	£5.70m	-£44.80m
CFS	£0.90	£6.62m	12.7	1.45	994.44	-12.68%	7.19%	-£0.96m	£0.44m
Chemical Design	£1.20	£7.92m	17.7	3.11	1090.91	-42.86%	-17.24%	-£5.98m	-£1.52m
Clinical Computing	£0.38	£9.41m	Loss	4.75	302.42	-6.25%	25.00%	-£0.59m	£1.88m
CMG	£13.85	£887.80m	44.9	3.62	4775.86	-6.26%	64.88%	-£59.30m	£349.40m
Coda	£1.76	£48.80m	Loss	1.44	746.81	5.41%	63.26%	£2.50m	£18.90m
Compel	£2.71	£75.20m	16.5	0.67	2164.00	4.64%	53.26%	£6.40m	£48.30m
Comino	£1.45	£17.50m	13.4	2.25	1115.38	-3.65%	11.54%	£0.90m	£3.15m
CRT Group	£3.22	£481.10m	46.9	3.58	3577.78	18.82%	28.80%	£96.60m	£139.90m
DCS Group	£2.63	£57.80m	20.7	1.90	4375.00	-7.41%	-2.78%	£0.80m	£6.00m
Delphi Group	£6.93	£201.00m	20.1	0.95	2851.85	-1.35%	-5.39%	-£2.00m	-£10.00m
Diagonal	£5.21	£96.40m	51.5	3.40	1892.73	11.70%	89.27%	£10.10m	£45.50m
Division Group	£0.39	£17.20m	Loss	3.51	975.00	-12.36%	-29.09%	-£2.40m	-£6.90m
DRS Data & Research	£0.25	£8.38m	Loss	1.74	222.73	-5.77%	0.00%	-£0.51m	£0.00m
Druid	£6.78	£155.10m	48.8	7.03	2463.64	36.87%	99.26%	£41.70m	£77.30m
EDP	£0.55	£14.40m	11.6	1.01	1684.02	-18.52%	-20.29%	-£3.30m	-£3.70m
Eidos	£7.00	£118.30m	31.8	1.57	7000.00	-13.58%	-3.11%	-£18.60m	£22.20m
F1 Group	£6.71	£199.30m	46.9	2.02	2855.32	6.93%	18.03%	£12.90m	£30.50m
Flomerics	£1.30	£3.38m	63.7	0.63	1000.00	0.00%	-39.53%	£0.00m	-£2.13m
Gresham Computing	£0.26	£8.34m	9.4	0.90	274.19	-16.39%	-51.43%	-£1.63m	-£8.86m
Harvey Nash	£2.90	£80.80m	161.1	2.23	1657.14	33.33%	65.71%	£20.20m	£32.00m
Highams Systems	£1.15	£10.20m	16.0	0.62	1597.22	-4.17%	-15.75%	-£0.50m	-£1.90m
Illion (was Persona)	£2.72	£68.30m	13.4	0.47	1700.00	-15.66%	-11.97%	-£12.60m	-£8.30m
INSTEM	£2.05	£9.63m	10.0	0.42	2050.00	0.00%	41.38%	£0.00m	£2.96m
Intelligent Environments	£0.24	£5.52m	Loss	1.59	250.00	-6.00%	-63.85%	-£0.08m	-£8.98m
I S Solutions	£1.48	£7.01m	n/a	0.91	1100.75	10.07%	10.07%	£0.62m	£0.62m
JBA Holdings	£9.58	£350.40m	47.5	2.17	5984.38	11.66%	80.66%	£36.60m	£169.70m
Kalamazoo	£0.64	£27.20m	9.3	0.35	1814.29	-20.63%	-40.93%	-£7.10m	-£3.80m
Kewill	£5.45	£69.80m	13.0	1.69	2154.15	-2.07%	4.11%	-£1.40m	£3.30m
Logica	£8.45	£617.70m	27.1	1.82	2315.07	0.60%	-8.00%	£3.70m	£34.50m
London Bridge	£3.82	£110.60m	38.3	17.56	1907.50	3.53%	90.75%	£3.70m	£63.60m
Lorien	£3.65	£62.40m	54.1	1.37	3650.00	15.87%	8.63%	£8.50m	£24.10m
Lynx Holdings	£0.98	£101.00m	16.1	1.15	2450.00	-2.97%	13.29%	-£3.10m	£16.30m
M-FR Group	£0.96	£53.60m	13.1	1.36	380.95	0.52%	12.94%	£0.30m	£6.20m
Macro 4	£3.35	£66.00m	10.0	2.81	1350.81	0.00%	-31.63%	£0.00m	-£30.50m
MAID	£2.15	£204.90m	Loss	9.56	1954.55	-1.15%	6.70%	-£2.40m	-£20.10m
MDIS	£0.40	£82.80m	Loss	0.71	151.92	1.28%	19.70%	£1.10m	£48.20m
Micro Focus	£20.48	£317.40m	55.6	4.34	9891.30	-5.32%	111.08%	-£15.60m	£170.90m
Microgen	£1.01	£40.00m	7.2	0.55	431.62	-9.42%	-32.67%	-£4.20m	-£19.20m
Microvitec	£0.13	£10.40m	63.1	0.16	323.17	-13.11%	-53.51%	-£1.60m	-£12.00m
Misys	£15.03	£1,302.00m	27.9	4.00	3737.56	-2.59%	34.57%	-£35.00m	£351.90m
MMT Computing	£6.29	£74.90m	25.3	4.44	3744.05	21.31%	10.16%	£13.20m	£7.50m
Mondas	£0.77	£4.67m	Loss	81.93	1020.00	-1.29%	-8.38%	-£0.06m	-£0.36m
Moorepay	£2.75	£29.70m	32.5	5.80	4640.90	-1.79%	37.50%	-£0.50m	£8.40m
MSB International	£5.63	£114.80m	24.8	1.65	2960.53	19.05%	51.82%	£18.90m	£39.50m
NSB Retail	£1.68	£16.30m	65.0	7.55	1456.52	45.65%	45.65%	£5.10m	£5.10m
Omnimedia	£0.01	£0.31m	Loss	0.31	16.67	-44.44%	-86.84%	-£0.24m	-£2.03m
On Demand	£0.07	£3.59m	Loss	0.31	83.33	-35.00%	-85.56%	-£1.92m	-£21.21m
Oxford Molecular	£2.40	£173.50m	Loss	17.72	3000.00	-13.82%	-32.58%	-£27.90m	-£43.30m
Parity	£5.74	£246.80m	32.0	1.52	31888.77	3.14%	29.72%	£7.50m	£58.70m
Pegasus	£2.44	£17.00m	10.3	2.15	663.49	-9.81%	-34.89%	-£1.90m	-£6.60m
Phonelink	£0.42	£20.00m	Loss	4.64	267.74	-2.35%	-31.97%	-£0.50m	-£9.20m
Proteus	£0.37	£20.50m	Loss	35.78	440.48	-1.33%	-1.33%	-£0.30m	-£0.10m
Quality Software	£2.38	£32.30m	23.2	1.27	625.00	1.06%	16.42%	£1.70m	£5.80m
Radius	£0.44	£12.20m	12.1	0.45	315.22	-2.25%	-30.95%	-£0.30m	-£5.40m
Rage	£0.04	£10.40m	Loss	1.09	163.46	-5.56%	-63.04%	-£0.60m	-£17.50m
Real Time Control	£3.14	£21.90m	12.3	1.74	6397.96	11.17%	34.84%	£2.20m	£5.60m
Rebus	£0.87	£80.00m	19.6	1.20	982.95	13.82%	19.31%	£9.70m	£27.20m
Recognition Systems	£0.20	£5.26m	Loss	16.44	278.57	-31.58%	-66.67%	-£2.44m	-£10.54m
Riva	£0.36	£11.00m	8.5	0.17	252.30	5.97%	51.06%	£0.60m	£3.90m
RM	£9.23	£164.20m	34.1	1.66	5271.43	11.14%	48.79%	£16.50m	£53.80m
Rolfe & Nolan	£3.00	£39.90m	20.7	1.97	3571.43	-12.41%	-17.24%	-£5.70m	-£5.80m
Romtec	£1.03	£5.33m	22.0	1.13	1640.00	5.13%	27.33%	£0.26m	£1.14m
Royalblue	£2.41	£79.40m	44.8	6.80	1414.71	6.89%	41.47%	£5.10m	£32.70m
Sage Group	£7.10	£767.50m	34.4	5.63	27307.69	3.35%	33.96%	£24.90m	£198.80m
Sanderson Electronics	£0.95	£43.40m	8.8	0.71	1608.51	-2.07%	-37.00%	-£0.90m	-£24.30m
SBS Group	£1.34	£9.48m	23.5	0.62	1335.00	16.59%	33.50%	£1.35m	£2.43m
Science Systems	£1.51	£25.60m	22.2	1.79	1166.67	16.67%	16.67%	£3.70m	£3.70m
Sema Group	£13.40	£1,541.00m	39.7	1.66	4213.84	3.47%	23.50%	£52.00m	£334.00m
Sherwood	£3.75	£312.20m	17.5	12.68	3125.00	11.94%	92.31%	£283.40m	£295.40m
Skillsgroup	£1.27	£32.20m	9.9	0.09	567.26	-12.76%	-18.39%	-£85.70m	-£92.90m
Spargo Consulting	£1.20	£14.90m	18.9	1.90	1257.89	-2.45%	-17.87%	-£0.40m	-£3.30m
Staffware	£2.80	£33.90m	36.7	3.39	1244.44	0.00%	7.90%	£1.40m	£3.90m
Superscape	£1.39	£12.20m	Loss	3.92	702.02	69.51%	-65.03%	£4.98m	-£21.20m
Systems Integrated	£0.10	£1.34m	Loss	1.07	86.96	-9.09%	-42.86%	-£0.13m	-£1.01m
Total	£0.75	£7.58m	27.2	2.31	1415.09	23.97%	158.62%	£1.47m	£4.68m
Trace	£0.78	£11.20m	29.0	0.65	620.00	14.81%	121.43%	£1.48m	£6.27m
Triad	£2.79	£70.20m	38.5	3.73	2062.96	14.37%	32.94%	£8.80m	£17.50m
Vega Group	£2.25	£34.60m	16.2	1.92	1844.26	20.64%	-15.89%	£5.90m	-£6.50m
Xavier	£0.08	£4.95m	9.3	0.55	825.00	-5.71%	-25.00%	-£0.30m	-£0.80m
Zergo	£2.25	£20.70m	66.3	1.99	2307.69	-16.67%	-22.41%	-£4.10m	-£6.00m

Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.

## Recognition Systems breaks into US

We met with Dr David Bounds of **Recognition Systems** and were greatly impressed by this highly innovative UK company. They specialise in intelligent software which enables companies, like insurance companies, utilities, to manage their customer relations better by examining customer transactions. Recently they have been successful by breaking into the US with an initial \$430K deal with the Dime Savings Bank and others with the Prudential and Sears & Roebuck.

To fund this expansion Recognition is raising £1.9m in a 4-for-11 rights issue at 21p. They also announced that the loss in the year to 30th Sep. 97 would not exceed £2.26m (loss £1.27m last time).

Of course that 21p right issue price is at a massive discount to the 70p new issue price back in May 96. But let's be bold for once. Recognition is exactly the kind of innovative UK company that deserves to succeed. It would have had a great reception on NASDAQ. So, if the UK wants to retain such companies, perhaps it should put its money where its mouth is for once.

If 70p looked steep, 21p looks a very exciting bet.

## No bugs at Dr Solomon's

*"Dr Solomon's Software is the world leader in computer virus detection, identification and repair"* Even in the US **Dr. Solomon's** is currently the #3 ranked anti-virus software provider in the market behind Symantec and McAfee.

In Feb. 96, S&S changed ownership (and its name to Dr Solomon's Group plc) as a result of an Apax and 3i.-backed MBO led by Leary. Dr. Alan Solomon continued as a non exec. However, the much respected Dr Solomon Data Recovery business became a separate organisation - **AuthenTec** which remains owned by Alan and Susan Solomon. The remaining Dr Solomon's Group has over 300 staff worldwide with offices in the UK, US and Germany. In addition they have 40 international distribution partners which provide services in 80 countries.

On 27th Nov. 96 Dr Solomon's became the first company to start trading on the new EASDAQ market. Mind you, they *"hedged their bets"* with a simultaneous NASDAQ listing too. The IPO was at \$17 per share valuing them at \$310m. The NASDAQ price has since increased by 80% to \$30.63 at the end of Oct. 97

Financial performance has been...**exemplary**. Revenues increased by 61% to £37.2m and PBT more than tripled from £2.86m to £8.9m in the year to 31st May 97. Indeed orders outside the UK were up 109% and non-UK revenues now represent over 40% of total revenues.

The excellent performance has continued in Q1 FY98 (three months to 31st Aug. 97) with operating profits nearly doubled to £3.0m and revenues (net of deferrals) up 67% at £11.7m. This month Dr Solomon's announced (we think) their first acquisition of the **Virex** and **netOctopus** product lines from DataWatch Inc. for \$16.75m - *"the technology leader in Apple Mac anti-virus protection"*.

## MBO good for First Software

Under the previous Squire/Harrison regime, **Oracle UK** had built a fairly major application software and services business. The problem was that much of it was "locally-based" whereas Oracle Corp. wanted to develop applications which could be exploited worldwide. The new Oracle UK regime was urged to implement a disposal programme.

In Jul. 95, Oracle's local authority operations undertook an MBO creating **First Software**. It looks as if the executive directors put in about £200K to buy a majority stake with MD John Walsh ending up the biggest shareholder with a c40% stake. Unusually, no VCs were involved as Oracle retained a minority stake. There are £650K in preference shares to be redeemed between 2000 and 2002. We have just obtained the accounts for the first full trading year to 31st Dec. 96 showing revenues of £6.8m and PBT of £547K. Although a pretty "acceptable" result, a number of factors - for example the costs of moving out of Oracle's premises - hit profits. But we were more than a little concerned that First Software has now started to capitalise product development to the tune of £316K in the year. Revenues for 1997 will exceed £10m.

On the surface it might look as if First Software's systems to collect council tax, manage housing benefits and provide management systems for council housing and housing associations, are totally UK-oriented. Indeed they claim a 25% UK market share and are Oracle UK's largest ISV. But *"overseas opportunities, particularly for the housing product in both North America and the Asia Pacific region"* look particularly promising. First Software has recently integrated Cedardata's *cfacs* systems to launch First Financials into the local authority market with the first sales just made.

Whether First Software ultimately seeks a quote or gets swallowed up, this does look like another MBO team that will realise a significant gain on their investment. But it would be wrong to use First Software's successes to criticise Oracle's disposal programme. Their own global applications businesses almost doubled in size in Q1 FY98, making up for lacklustre performance elsewhere. Indeed, many analysts believe this sector will form the majority of Oracle's revenues in the next few years.

## A Letter from Robin Guenier

We offered Robin Guenier (see p11) an opportunity to put his views but unfortunately do not have space to print this in full. Guenier says *"Reports of the demise of Taskforce 2000 are exaggerated. We are an independent not-for-profit company with private as well as public funding. At present levels of activity, we can keep going for three or four months. And we will - but more may be difficult."*

*Taskforce 2000 is uniquely placed to fulfil a critical role; to continue to turn high levels of superficial awareness into understanding, to ask the difficult questions and possibly to establish a focus for a strategic view of the date-change problem as events develop. We have an excellent track record, an international reputation, a strong brand image and established and increasingly good media relationships. It seems senseless to stop now. But we cannot continue without funding. So, as I did this time last year, I am asking for IT industry help.*

*Why should you? Well, this problem shows signs of going horribly wrong - look at the current Cap Gemini report. Such an outcome would bring terrible discredit and, I suggest, long term harm to the IT industry. I know that Taskforce 2000 can contribute to the avoidance of such an outcome"*.

So if you wish to help, please contact Robin Guenier at: 07071 83200 (phone), 01582 832827 (fax) or [guenier@compuserve.com](mailto:guenier@compuserve.com).

	Jul-95	Jul-97	Growth
Housing	32	53	66%
Revenues	34	59	74%
Benefits	32	53	66%

## Alison Associates

Those of you who attended Richard Holway's presentation for the CSSA in July 97 will remember the section on "notable Chairman's statements of the last ten years".

We quoted Chris Bennett's - Chairman of Alison Associates - preface to his FY95 accounts saying "Turnover for vanity, profit for sanity...margins will be given priority" whilst reporting a £673K PBT.

We then reported his contrition the following year as revenues rose by 34% but PBT plummeted to just £22K. "How difficult it is to write an appropriate Chairman's statement..." he began his FY96 report!

Bennett wasn't actually present to hear the laughter. But several of you clearly let him in on the joke and he contacted us soon after.

Anyway, Bennett this month has sent us his FY97 accounts - sometime before they are filed at Companies House. These show a dramatic recovery with revenues up 18% at £14.4m but PBT surging to a "record" £951K.

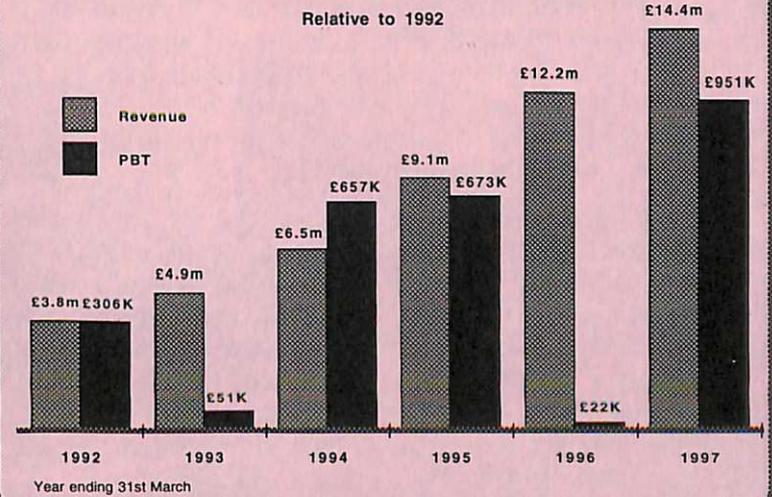
Alison Associates provides systems for vehicle manufacturers; specifically systems to manage the distribution from the plant to the dealer. They now make 55% of its revenues from outside the UK. Bennett owns 60% of the equity, 120 other managers and employees own another 21% and 3i the remaining 19%. (3i bought out a previous shareholder 9 years ago but have never actually put any new money into the company).

**The future?** Alison is at an interesting stage. Expand? Float? Exit? Bennett said "After I sent you our R&A I read your comment about being suspicious of the motives of Chairman who did this." Readers will have to draw their own conclusions.

**Footnote.** Attendees at the presentation will also be aware of the none too flattering statements we made about Total Systems and its Chairman Terry Bourne.

As a result, we were invited to lunch at the end of October. More details next month.

## Alison Associates Ltd Revenue and PBT Record



## Y2000

As readers know we got embroiled in the Y2000 debate earlier in the year when we looked at the supply-side of the debate, determining that Corporate UK couldn't spend more than £15 billion (that's on internal IT staff and external services) on solving the problem because there just weren't the resources available.

This month Cap Gemini (with additional research from IDC) has launched their Millennium Index which uses our research extensively. Cap Gemini has added £7b of Y2000 hardware spend to come up with a "cost" of £23b. Cap Gemini's main findings are truly scary:

- demand for IT staff to fix the problem will exceed supply by Apr. 98. Rather surprising as only 24% of companies believe that the IT skills shortage will be a problem to them.
- around 11% of companies will not meet the deadline. A disproportionate number of these will be larger companies which therefore means that 29% of the UK's GDP will be put at risk.
- but that assume everything runs as expected. Slip your schedules by just 3 months and 27% of organisations miss the deadline and nearly 40% of GDP is at risk.
- an amazing 13% of large companies surveyed had not even started work yet.
- Retail/wholesale and Finance seem to be the best prepared sectors with the public sector the worst prepared.
- the most "popular" (44% of the total) advice from respondents was that the Government should get its own house in order. Indeed, many peoples' fears focus on the DHSS and the Health Service where the likelihood of non compliance are the highest and the consequences the most serious.

**Comment.** This is the most seriously conducted Y2000 research we have seen. The results seem completely credible. More importantly, therefore, its findings seem to point to a high level of user complacency with consequences which could be disastrous - in every sense of the word. Anyone who thinks that all this extra work is all good for our business has clearly not been reading our previous reports on the effect that staff shortages are having on our industry with an unprecedented number of profits warnings already this year. It's a bit like saying that overbooking is good for the reputation - and ultimately the financial performance - of airlines. *Clearly not true.*

**So what is the Government doing about it?** Well they have said Goodbye to Robin Guenier of Taskforce 2000. We have not always agreed with him but, like the Cap Gemini survey above, he did get people to think about the millennium issues. Mind you the manner of his going looks a bit rough in our opinion. Not "your fired" but "we have decided to close your organisation - thanks - and by the way we are starting a new organisation (Action 2000)".

Guenier only had about an hours notice of the announcement. Of course, this is just the way you would expect any right wing capitalist employer to act... except it was the New Labour Government what done it. But Guenier has obtained sufficient private funding to keep his operation going until early next year.

Action 2000 looks the same as Taskforce 2000 - and will have minimal public funding - but will now have OfTel regulator Don Cruickshank as its Chairman.

## "Unknown" appointed as Anite CEO

**John Hawkins (?)** has been appointed, at long last, as CEO at much troubled **Anite**. We thought we knew most of the senior people in the industry but John Hawkins (who was sales and marketing director at Philips Computer Operations, a GM at DEC and, more recently, CEO of Grasby plc) has passed us by. Judging by the calls we have had, few of our readers have heard of him either. So we called Mike Shone - MD of Anite Systems - who said "I have never heard of him. I look forward to meeting him. I am sure our Chairman Alec Daly has done the right thing". So we are sure your concerns are misguided. Appointing an unknown hardware/electronics guy to head a company which makes all of its profits from IT services just must be the typically sensible move we would expect from an ex-Ford Motor Company Chairman. Anite needs all the help it can get to restore confidence. We are not sure that this is the way to achieve that.

### Who wants a SCSI Index?

We found the City Editor's comments in the 5th October edition of The Sunday Telegraph very interesting. Basically he said that share listings in the FT (and other papers) for UK quoted software and IT companies was worked on a "dustbin" basis. What he meant was (and we fully support this view) that finding these quoted SCSI companies is a bit of a lottery. They are mainly filed under Support Services, but others are under Media, Leisure, Pharmaceuticals, Electronics etc. This is as decreed by the FTSE Actuaries Steering Committee "a quaint group of publicity shy eggheads". "Moves were afoot to drag actuaries into the 1990s".

But this month FTSE International has found that "it has not yet proved possible to reach a consensus" on the constituents of an IT classification. Most of you are dead against a classification which includes telecoms, media etc. Indeed, most want a classification similar to our own SCSI Index (see page 9). But this index represents only about 0.7% of the value of the market and to have a separate classification you need to represent >1%.

Even so, if anyone wants our SCSI Index, we are open to offers!

### Vega - new contract, new Chairman

Andy Roberts (ex-CEO of Data Sciences) has been appointed non-exec. Chairman at **Vega** in place of Robert Drummond. Drummond was appointed Chairman at two of John Rigg's **Boring** companies - Triad and Vega. Triad decided to rid themselves of Drummond in Jan. 97 and retained their **Boring** award by the skin of their teeth. Triad's share price rose 20p on the news.

Vega took a bit longer to act and paid the price. No **Boring Award** anymore. Vega's share price also reacted positively on the news as the combination of Vega's new CEO Roger Gilbert and Roberts looks powerful. We know them both and would suggest they were highly complementary.

Vega's shares had, in any event, recovered much of the ground lost after the profits warning last month after the announcement that they were to take a £6m share in the £275m PFI consortium with Serco and CAE to provide RAF ground based aircrew training. "The contract is the largest in Vega's 19 year history" and is clearly a real tonic for new CEO Dr. Roger Gilbert.

### Software and Computing Services in Europe

We are delighted to announce that the fifth annual edition of the **Software and Computing Services in Europe report** will be available shortly. Many of you know this already as your cooperation in supplying us with the very detailed information it contains has been even more superb than usual.

With so many readers now operating on a pan-European basis - indeed, acquiring quite significantly on the Continent - what goes on in France, Germany etc. is of great significance. We have always believed that there is no substitute for local knowledge. Many of our competitors try to produce European research from London. That's why our joint venture with Pierre Audoin Conseil, Nomos Ricerca and PAC GmbH is not just unique but has made the report about the most authoritative and insightful around. Over 70% of Europe's leading SCSI players are customers and almost everyone seems to buy it every year.

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