System House

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

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Internet Frenzy arrives in UK

If there is one new thing we have learned in the last year it is that ***Indices matter***. In Dec. 96, FTSE International announced the creation of an IT Index and an IT sub sector. This undoubtedly contributed to the stampede of investment into the IT companies included - particularly the c30 companies that made up the FTSE IT Index. Without wishing to be too rude, most of this was from City institutions who had little idea of IT - let alone the difference between, say, Logica and MSB. The Index went on a rollercoaster ride as we have shown in previous editions - nearly doubling by the mid year, losing all the gain by October and climbing back to end 1998 up 45%. That volatility was extremely damaging to the sector; for example causing both IPOs and acquisitions to be cancelled or postponed.

Well, now they are at it again. As we have reported, from Apr. 99 the IT sector will be further divided into **Software & Services** and **Hardware**. Within the former, the sub divisions are Software, Computer Services and the Internet. On 21st Dec. 98 FTSE International posted how companies would be categorised on their web site. They didn't seem to tell anyone...*not even their PR agency,* ***Ludgate Communications!*** On 19th Jan. 99, The Times announced that just five companies - Easynet, Internet Technology, Netcall and VossNet from AIM and, amazingly, Gresham Computing from the main market were going to be classified as "Internet". Readers cannot fail to have missed the Internet frenzy in the US where the Goldman Sachs Internet Index is up over 150% in just three months. Where an Internet company like Yahoo, with a market capitalisation of c$40b, is apparently worth twice that of the News Corp.

"Internet"(?) Company	Price 1st Dec 98	Price 31st Jan 99	Change
Easynet	135.5p	248.5p	83%
Gresham Computing	84.5p	140.0p	66%
Intelligent Environments	50.0p	95.0p	90%
Internet Technology	90.0p	168.0p	87%
JSB	205.0p	235.0p	15%
Netcall	42.5p	65.0p	53%
On-line	12.5p	129.0p	932%
VirtualInternet*	117.5p	225.0p	91%
Voss Net	60.5p	54.0p	-11%
Zergo	230.0p	655.0p	185%
Others catching the Internet virus			
Dixons	724.0p	1010.0p	40%
GUS	624.0p	780.5p	25%
RM	414.0p	617.0p	49%
WH Smith	478.0p	594.0p	24%

UK investors - and this time it seemed to be predominately private investors - wanted a share of the action too.

So they piled into every stock with the letters "net" in their names (Netcall has practically nothing to do with the Internet!) and responded to every press article hinting at a company's Internet involvement.

The table shows the ten "IT" companies most affected by the internet feeding frenzy. Most are AIM companies which, in turn, gave the AIM market about its biggest boost since inception. But it didn't end there as much bigger *fish* were caught up in the *net* too:

Dixon's announced that it had 700,000 active users for its Freeserve "free" internet access service and was likely to break into profit this year - far sooner than expected. Freeserve is to be "spun out" as a possible forerunner to an eventual float. **Energis**, where the National Grid raised c£1b this month selling a c25% stake - receives c70% of the call charges of those using Freeserve. BT has complained not only that their 30% share is "unfair" but that its 0845 service is being overloaded. *(Sour grapes - BT could clean up if it offered a free internet service itself).*

Then moribund **WH Smith** caught the bug too. It bought Helicon (which includes the excellent CD-ROM Hutchinson Encyclopedia) for £5.6m amid expansion plans to offer a free internet service *"combined with free access to a regularly updated encyclopedia targeted at families and schools"*. Source - FT 16th Jan. 99.

The rumours then started that **GUS** was to offer a free internet service via its Argos stores. In fact, we have backed GUS - or rather its **Experian** operation - for a long time as THE e-commerce venture to watch. (Note - Martin Trees from EDS has recently moved in as President). Later even **Toys R Us** and **Tesco**'s announced a free service!

We, in turn, probably did our bit to stimulate demand in **RM** as an "internet stock". We are a great fan of their *Living Library* offering and suggested it would be a hit if RM made the same version available at home as used within schools. *"Every thinking/caring parent would sign up"*. (Note - It was only after writing this that it was pointed out that access to *Living Library* is available on VirginNet. *But, of course, RM don't really like to exploit their assets too commercially...)*

We believe;

1) The creation of a UK Internet subsector, at present, is not only premature and meaningless, but downright damaging. It will distort share prices and could even mean death for emerging companies unable to survive the inevitable massive share price gyrations.

2) ALL SCS companies have (or certainly will have) involvement in the Internet and e-commerce. Indeed the EDS, Cap-Gemini, Logica and Sema's in this country do 100-times more e-commerce business than the total of the so called "net" companies listed above. Investors need "educating" on that!

3) However, we have long warned the "conventional" SCS companies that, unless they work even harder and faster to embrace e-commerce, others will come and *"eat their lunch"*. The ever increasing list of non-SCS companies involved in this arena (see above) is early proof. You *"pooh poohed"* the PC - don't do it again!

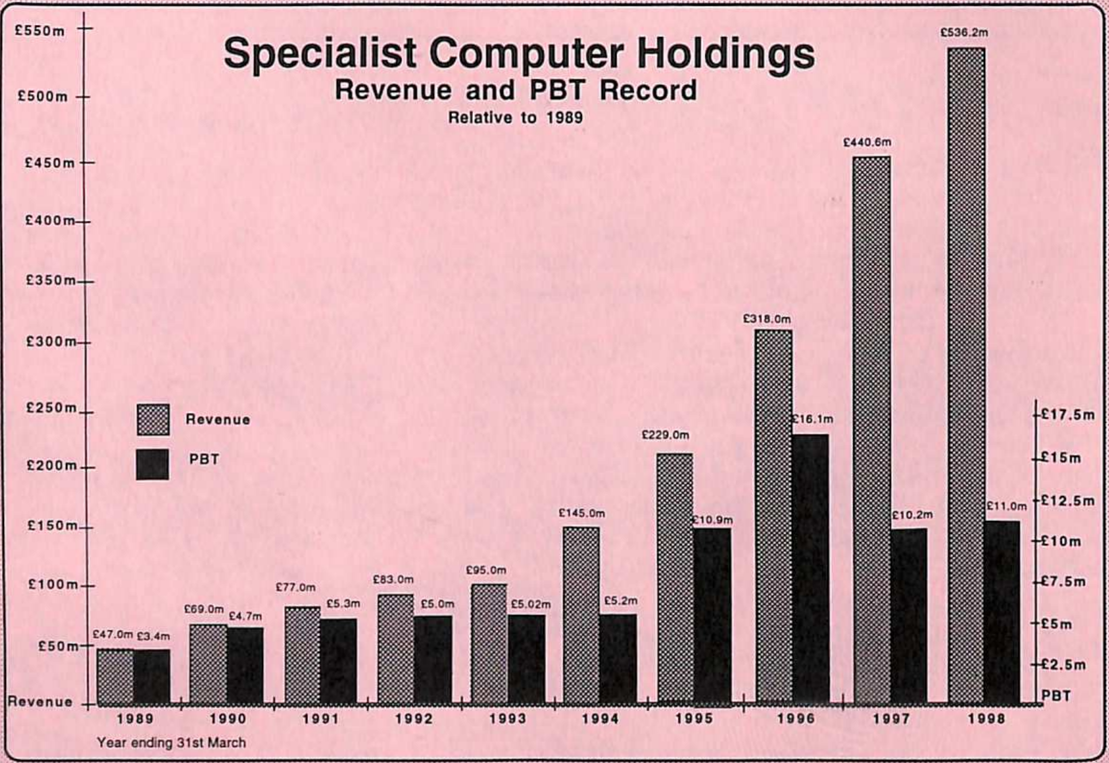
4) Having said that, a new interest in UK IT shares and associated investment in smaller private companies, is to be welcomed with open arms.

SCH

Specialist Computer Holdings

We have just obtained **Specialist Computer Holdings**' accounts for the year ending 31st Mar. 98. Revenue increased 22% at £536.3m (and this is after the impressive 38% rise the previous year). The bulk of the revenue, £513m, comes from the UK with £18.5m in Europe and £5m from the ROW. The FY97 accounts have now been revised and consequently operating profit was virtually static at £10.5m but PBT increased 8% to £11m. The 2.1% margin is the lowest for years and far less than half that achieved in both FY95 and FY96 and exactly half that achieved by Computacenter in the year ending 31st Dec. 97.

But let's look at the figures in greater detail. Although we were not a great fan of the Byte retail operation, believing that Specialist should have concentrated on the corporate sector and, at the same time, increase its services revenues. But we admired Rigby for putting his own money behind a scheme in which he clearly believed. But, last March, SCH did indeed dispose of the PC stores operation Byte to Dixons. At the time the consideration was stated as *"nominal"* but this has resulted in an exceptional gain in the accounts of £2.78m. This sum has more than balanced the net increase in interest paid of c£2.1m. Byte's revenue in the year appears to be c£77m with an operating loss of £4.8m.



Specialist Computer Centres (direct PC seller and value added services arm - the bit that we really rate) continued to be the main contributor to operating profits with £9.7m on revenues of £237m. The distribution arm, Enhancement Technologies Corp., returned excellent operating profits of £5m on revenues of £176m. During the year, Specialist acquired loss making Preview Data Systems and this acquisition has now improved the group's capabilities in the field of mobile computing.

The only blot now on the horizon is the legal claim by a customer for £2.77m in respect of software systems work. This claim has been contested and so far we are unaware of the outcome (judgement was expected in Autumn 1998). But as a private company, we will probably have to await the FY99 accounts before we find the true cost.

Chairman, MD and major shareholder Peter Rigby in his Chairman's statement believes *"that SCH is in excellent shape for the future and is now firmly focused on supplying and supporting the business sector... The start of the current financial year has been positive and it is anticipated that the Group will show significant growth for FY99".*

Comment. We like the "new" positioning of SCH. Mind you, if they had stuck with what they did best, SCH could have been a rival in size to Computacenter. Maybe we would have seen SCH as a quoted company. Now SCH is a "mid-sized" reseller with quite a few competitors. If it wasn't for Rigby's personal and family involvement in the business, we would have said that SCH made a pretty attractive acquisition target to small band of companies wanting to gain, or extend size, in this attractive sector of the UK SCS market.

More news from the privates

Probably very few readers have heard of **Mastek UK**. They are part of a leading Indian software company, **Mastek**, founded in 1982. The group now claim worldwide revenue of £25m with over 750 staff employed though their international offices in Singapore, USA and the UK. The group provides software projects and product services with the stated aim of becoming a major global player in the offshore development marketplace.

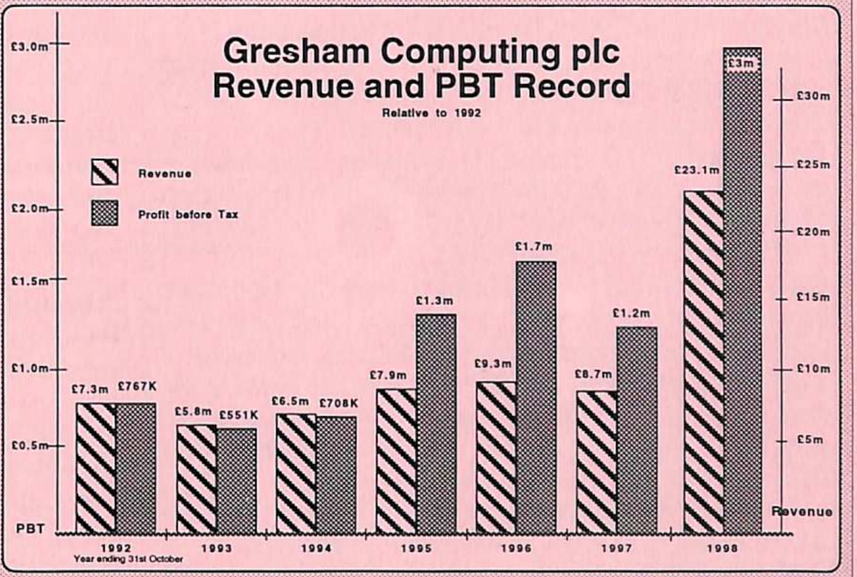
In the UK, the company claims to be growing at over 55% annually. We are unable to substantiate this as revenue has not been made available in the accounts. As at May 98, over 120 staff were employed in the UK and the company had a gross profit of £3.6m. They now employ over 200 people according to MD MJ Cast.

... and Data Communications Associates

Network services specialist **Data Communications Associates (UK)** acquired CSC Network Services from **CSC** in late 1996. They have show spectacular growth since with revenue trebled in FY98 to c£12m and the previous loss of £207K turned into a PBT of c£300K. They have won several significant new contracts during 1998, including 3Com, Asda and Debenhams. MD and majority shareholder Ian Parsons said *"we have enjoyed enormous growth... and expect to grow further in 1999".* We will monitor progress and keep you posted.

Read weaves his spell at Gresham

It can't be in the genes so it must be in the surname! That "other" Mr. Read – the illustrious Trevor – continues to work his magic at **Gresham**, announcing record results for the company he has led since Jul. 97. Full year turnover to 31st Oct. 97 was up a startling 165% to £23.1m (FY97: £8.7m) and PBT (pre-exceptionals) was almost equally dramatic, up 156% to £3m (FY97: 1.2m). EPS rose 142% to 5.73p (FY97: 2.37p). Acquired businesses more than doubled their revenues under Gresham's wing. Nonetheless, turnover from ongoing businesses still rose a very respectable 36%.
Let us remind ourselves of the exciting story that is Gresham! If someone wanted to produce a soap opera or write a novel based on a SCSI company, they should look no further. The current group came into being from the merger of Gresham and **Telecomputing plc.** Founder Sid Green stepped down in 1994 replaced by a new Chairman (Hamish Donaldson) and MD (Chris Swinbank). Although "record" results were reported for FY96 and FY97, there were clear rumblings of discontent among shareholders who had seen the Gresham share price fall from its 186p high in 1993 to about 30p. Organic growth was *"insufficient"* and clearly unsustainable.



In Jul. 97, the main shareholders could stand no more and *another* new management team was brought in, headed by Trevor Read as CEO and Roger Graham (from Close), initially as a non exec. but now elevated to Chairman. The web gets more intriguing. In Sep. 97, Read initiated the purchase of the Systel product from **Performance Software** (now **Cyrano**) for c1x rev. Given that Systel's £400K maintenance revenue was the definitive "cash cow", it looked like an excellent move. Then in Nov. 97 Read bought **CirCa Business Systems** (financial services sector) for an initial £475K + 1m Gresham shares and a further 2m based on profit to 1998. Read has made some other shrewd acquisitions since: **Newlog SA** (Jun. 98), **Open Microsystems** (Jun. 98) and Canadian **Online Financial Services** (Sep. 98).
Meanwhile, each of Gresham's four operating divisions had a good story to tell. **Gresham Commercial Solutions**, in effect their legacy ERP business, grew revenues overall by 33% to c£7m and generated 44% of group operating profit (pre-exceptionals). But please note that services revenues actually grew 86% whereas the products side grew at 'just' 11% (yes, we know you know the message, but just in case ...). **Gresham Computer Personnel** (which absorbed the staff recruitment business from CirCa) grew 75% to c£6m and boasted margins of 10% - very much the high end of the spectrum for a staff agency and indicative of longer term customer relationships and projects. **Gresham Financial Systems**, the new division formed from the CirCa businesses, generated £8.2m in revenues and is now supported by Online Financial Services. The other new division, **Gresham Enterprise Storage**, formed from the Newlog and Open Microsystems acquisitions, added £1.7m to turnover. Read envisages *"making further acquisitions to strengthen both our product and service offering and to enhance our geographical coverage"*.
As a result of these impressive numbers, brokers SG are upgrading 1999 PBT forecast to £3.75m and EPS to 6.9p, and are listing them a *"strong buy"*. At current PE of 21.8, SG forecast a drop to 18 in 1999 and 15 in 2000, which looks remarkably modest compared to the rest of the sector.
Comment: Loyal readers will know our 'vested' interest in Trevor Read. Whilst non-exec. chairman at Performance Software, Holway had appointed Read as CEO. He more than achieved his objectives enabling the company to be sold to French Cyrano. Holway also had a hand in Read going to Gresham. We had great confidence that the new Gresham executive team led by Read would move the company into a new phase of investment (in which it was sadly lacking) and that this would be reflected in the results. Our confidence was not misplaced! Read has restructured the company into selected industry verticals and moved the products businesses into 'solutions' (read 'services') businesses, all in accordance with the Holway mantra. But we did not anticipate that Gresham would be rebranded as an Internet wonderstock (see p1). Anyway it all did wonders for the share price which not only made them the top performer in 1998 (finishing 1998 at 102p, up 341%) but they also surged ahead in 99 too - ending Jan. 99 up another 37% at 140p. Along with the focus on e-business and expected geographic expansion, we fully expect more exciting and rewarding times ahead.

MMT Computing

At their AGM, Chairman Mike Tillbrook said the company was *"performing broadly in line with expectations"* despite *"a reduction in staff utilisation rates from the exceptional levels seen last year"*. Not quite as bullish as his statement only two months ago that he was *"very strong, confident and optimistic for the future"*. The shares fell 36% this month to end on 598p - way below their high of c£14.20.

Intelligent Environments - losses well down

The latest trading statement from **IE** indicates that revenues for FY98 will be c£6.6m (up 50%) with £4m of this in H2. Overall losses for the year should now be down from £3m to c£1m and again H2 was much improved with losses down to "just" £100K. At this rate, the company might even make a profit this year! The shares reacted to the news, more than doubling this month to end on 95p.

Quality shows at F • I • GROUP PLC

FI's results for the six months to 31st Oct. 98 show the importance of quality. Quality of management. Quality of earnings. Quality of customers. *FI has them all.* Revenue was boosted 53% to £108.9m, PBT increased a massive 75% to £4.3m with diluted EPS up 60%. This has increased operating margins to 6.5%. Cash in hand stood at nearly £18m.

During the period, FI obtained £184m in new orders - an increase of 86% - and the order bank now stands at an all time record of £253m. The prime new business was the £150m/5 year London Electricity contract.

AM now represents 68% of total revenues - and clearly at an annualised c£150m makes FI the undisputed *"outsourcing independent"* leader in this important, high quality, fast growing sector.

But all three of FI's market sectors recorded strong growth; **Finance** now represents 41% of the total, **Services** 33% and **Retail** the remaining 26%. The Dec. 97 acquisition of Indian IT specialist **IIS Infotech** (criticised by some at the time - but not us) produced *"an excellent first half result"* with worldwide revenues of £8.8m and £550K PBT contribution. It should also be noted that their staffing operations, **FI Recruitment** and **FI Training**, now represents 12% and 3% of revenues respectively.

CEO Hilary Cropper has commented that, despite the slowdown in both the financial and retail sectors, (over two thirds of total revenue) the slowdown itself is proving a boon. *"IT outsourcing is not suffering much at all...Clearly the economy is slowing and that makes us cautious...But people are so dependent on IT support, it's not something they cut".*

Comment. Over many years we have made no secret of the fact that we are a fan of FI. Their quality shines through. However there was some adverse press comment on the sale stakes by Steve Shirley, Cropper (she still retains c6.5%) and other board members. *But why should they not take profits?*

The question now remains whether other investors decide to take their healthy profits. Articles in both the FT and Times basically said that investors should consider following the example set by Cropper.

But we have heard that argument ever since FI Group was floated back in Mar. 96 at c61p equivalent. Every "Sell...FI is overvalued" has been followed by still more rapid rises. There are, perhaps, two fundamental points to make:

1) FI is about as recession (or slowdown) proof as they come. If FI stumbles, most others in the sector will crash.

2) As we have shown, time and time again, average valuations in the SCS sector tend to track projected earnings growth. FI is currently growing earnings by 60% so P/E's of 60 are not so out of court.

3) Ahhh, you may say, but how can FI continue to boost earnings if growth slows down? FI's margins, even at 6.5%, are still less than the UK SCS average and far lower than many skill-based companies. A slowdown might ease staff cost pressures and, as FI is on long term contracts, that might help increase margins and boost earnings.

4) FI might be up for a Boring Award in 2001. There has never really been a wrong time to invest in other Boring companies like Admiral, Capita, or Sage.

FI ended the month up 13% at 372p.

"Official" profit warning from Riva

When **Riva** (services for the retail sector) announced its interim results last October, comments from Chairman Peter Giles implied that H2 would be adversely affected by overseas operations (particularly Switzerland). The shares fell 44% in that month.

Now they have made if "official" saying that they do not expect profits for FY98 to exceed £700K, i.e. about half that achieved in FY97 (analysts had been forecasting around £2m). The fall has been caused by c£1m exceptional costs resulting from the closures of their Swiss, Spanish and Danish activities and a *"disappointing"* December. Their major operations in UK, France and Benelux *"have continued to maintain a good performance".*

The shares fell 31% this month to end January on just 24p.

Europe (and services) help IBM

Results for **IBM** in Q498, show revenue of $25.1b with record Q4 earnings. US revenue rose 8% to $11.3b with European (inc. Middle East and Africa) up a higher 13% at $8.7b.

Yet again it was Services, where revenue was up 20% in the quarter at $7.1b, that was the real star. But software *"with particular strength in database, transaction processing and Tivoli management systems"* also did well.

For the year ended 31st Dec. 98, total revenue increased 4% (a higher 6% at constant currency (cc)) at a record $81.7b with net income up from $6.1b to $6.3b. As expected, hardware revenues fell 4% (3% cc), services increased 21% (24% cc) to $23.4b, software was up 5% (8% cc) to $13.5b, maintenance was down (no surprise here either) 7% (4% cc) to $6b with rentals and financing revenues up 8% (10% cc) at $4b. Lou Gerstner pointed out that *"Nearly 60% of our total gross profits now come from global services, where $9b new contracts were signed in Q4, and software. Both businesses provide substantial recurring revenues".*

Due to common shares purchases during the year, diluted EPS increased from $6.01 to $6.57 - and they still ended the year with $5.8b cash (down 23.6%).

As yet, we have not obtained separate figures for the UK but anticipate that SCS revenues will be much improved from last year's £800m - possibly to well over £1 billion. They need to go some to rival EDS UK *"estimated"* rev. of c£1.3b in 1998. But with significant new outsourcing wins in '98, IBM could well rival EDS for the #1 spot in '99.

Torrid times ending for Systems Integrated?

Systems Integrated Research (SiR), which develops educational software, was an AIM new issue back in Mar. 96. They have had a torrid time since; sinking to a low of just 4p. Most of the directors and workforce lost their jobs as SiR joined the club of companies where losses exceeded revenues.

But results to 30th Nov. 98 look much brighter. PBT of £32K was reported (loss £278K last time) on revenues up 28% at (a still meagre) £661K. But almost all of that now comes from software (up 50%). A £150K p.a. contract with the Further Education National Consortium helped! *"SiR's recurring income stream underpins c32% of group overheads".*

SiR's share price rose over four-fold to end the month on 43p.

M&A in 1998

We had intended to bring you a major review of UK SCS M&A in 1998 in this issue but, as there was so much other news, we decided to hold it over to next month.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 54,118,000	£ 117,191,000	£ 65,805,000	+21.6%
PBT	£ 7,200,000	£ 17,552,000	£ 10,329,000	+43.5%
EPS	7.40p	17.80p	10.50p	+41.9%

AFA Systems plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 62,000	£ 226,000	£ 113,000	+82.3%
PBT	-£ 855,000	-£ 1,801,000	-£ 1,064,000	Loss both
EPS	-8.56p	-16.80p	-8.88p	Loss both

AIT Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 6,710,000	£ 13,556,000	£ 8,430,000	+25.6%
PBT	£ 958,000	£ 2,164,000	£ 1,262,000	+31.7%
EPS	3.33p	7.17p	4.17p	+25.2%

Anite Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 78,948,000	£ 149,540,000	£ 81,101,000	+2.7%
PBT	-£ 526,000	£ 29,347,000	£ 3,986,000	Loss to profit
EPS	n/a	8.90p	1.10p	Loss to profit

Azlan Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 140,990,000	£ 292,073,000	£ 153,711,000	+9.0%
PBT	-£ 7,897,000	-£ 7,860,000	-£ 424,000	Loss both
EPS	-14.20p	-12.20p	-0.80p	Loss both

Bond International Software plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,865,000	£ 6,396,027	£ 4,320,000	+50.8%
PBT	£ 179,000	£ 718,250	£ 284,000	+58.7%
EPS	0.88p	3.54p	1.37p	+55.7%

Cadcentre Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 8,249,000	£ 17,727,000	£ 8,798,000	+6.7%
PBT	£ 841,000	£ 2,754,000	£ 1,367,000	+62.5%
EPS	3.26p	10.06p	4.92p	+50.9%

Capita Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 79,067,000	£ 172,904,000	£ 117,907,000	+49.1%
PBT	£ 7,062,000	£ 18,312,000	£ 10,590,000	+50.0%
EPS	2.49p	6.51p	3.49p	+40.2%

Cedar Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 5,320,000	£ 12,506,000	£ 7,250,000	+36.3%
PBT	£ 1,054,000	£ 2,564,000	-£ 971,000	Profit to loss
EPS	2.20p	5.30p	-2.30p	Profit to loss

CFS Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 3,702,000	£ 6,828,000	£ 3,155,000	-14.8%
PBT	£ 276,000	£ 813,000	£ 161,000	-41.7%
EPS	2.07p	8.29p	1.23p	-40.6%

Clinical Computing plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 1,376,000	£ 3,025,110	£ 1,664,000	+20.9%
PBT	£ 78,000	£ 275,564	£ 205,000	+162.8%
EPS	0.30p	1.10p	0.80p	+166.7%

CMG plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 140,704,000	£ 302,992,000	£ 194,151,000	+38.0%
PBT	£ 15,117,000	£ 38,645,000	£ 24,051,000	+59.1%
EPS	7.40p	19.30p	12.20p	+64.9%

Comino plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 5,087,000	£ 13,151,000	£ 8,721,000	+71.4%
PBT	£ 830,000	£ 1,950,000	£ 1,266,000	+52.5%
EPS	4.89p	11.46p	6.94p	+41.9%

Compel Group plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 111,792,000		£ 210,003,000	+87.9%
PBT	£ 5,057,000		£ 9,021,000	+78.4%
EPS	16.20p		21.40p	+32.1%

Computacenter plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 558,917,000	£ 1,133,523,000	£ 775,746,000	+38.8%
PBT	£ 22,095,000	£ 47,099,000	£ 31,332,000	+41.8%
EPS	8.00p	17.40p	11.40p	+42.5%

DCS Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 23,742,000	£ 59,777,000	£ 46,480,000	+95.8%
PBT	£ 2,036,000	£ 4,920,000	£ 3,053,000	+50.0%
EPS	6.48p	15.68p	9.34p	+44.1%

DRS Data & Research Services plc

	Final - Dec 96		Final - Dec 97	Comparision
REV	£ 4,822,000		£ 6,765,000	+40.3%
PBT	-£ 1,734,000		-£ 826,000	Loss both
EPS	-3.43p		-1.99p	Loss both

Delcam plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 7,065,514	£ 14,556,443	£ 6,479,637	-8.3%
PBT	£ 372,410	£ 504,036	-£ 675,577	Profit to loss
EPS	4.40p	7.40p	-9.60p	Profit to loss

Delphi Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 133,413,000	£ 276,914,000	£ 162,158,000	+21.5%
PBT	£ 7,018,000	£ 12,853,000	£ 2,121,000	-69.8%
EPS	16.65p	28.79p	4.91p	-70.5%

Diagonal plc

	Interim - May 97	Final - Nov 97	Interim - May 98	Comparision
REV	£ 17,847,000	£ 44,788,000	£ 31,860,000	+78.5%
PBT	£ 1,072,000	£ 3,302,000	£ 3,053,000	+184.8%
EPS	5.38p	13.57p	10.57p	+96.5%

Dialog Corporation plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 14,037,000	£ 46,082,000	£ 88,752,000	+532.3%
PBT	£ 2,013,000	-£ 20,432,000	£ 6,989,000	+247.2%
EPS	0.90p	-20.52p	4.10p	+355.6%

Division Group plc

	Final - Oct 97		Final - Oct 98	Comparision
REV	£ 6,678,000		£ 6,020,000	-9.9%
PBT	-£ 1,783,000		-£ 3,842,000	Loss both
EPS	-4.10p		-7.90p	Loss both

Druid Group plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 22,066,000		£ 40,604,000	+84.0%
PBT	£ 5,004,000		£ 8,044,000	+60.8%
EPS	13.94p		23.87p	+71.2%

ECsoft Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 20,388,000	£ 44,295,000	£ 30,193,000	+48.1%
PBT	£ 1,606,000	£ 4,111,000	£ 2,882,000	+79.5%
EPS	14.60p	35.60p	19.70p	+34.9%

Eidos plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 21,817,000	£ 137,234,000	£ 47,586,000	+118.1%
PBT	-£ 18,331,000	£ 16,507,000	-£ 18,928,000	Loss both
EPS	-70.80p	59.80p	-80.63p	Loss both

Electronic Data Processing plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 12,565,000		£ 11,518,000	-8.3%
PBT	£ 1,741,000		£ 2,210,000	+26.9%
EPS	4.50p		5.89p	+30.9%

F.I. Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 71,200,000	£ 161,595,000	£ 108,900,000	+52.9%
PBT	£ 4,300,000	£ 10,670,000	£ 7,500,000	+74.4%
EPS	1.66p	4.46p	2.62p	+57.8%

Financial Objects plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 7,899,000	£ 15,937,000	£ 10,275,000	+30.1%
PBT	£ 1,111,000	£ 2,015,000	£ 1,589,000	+43.0%
EPS	3.46p	7.31p	3.79p	+9.5%

Flomerics Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,335,584	£ 5,786,456	£ 2,938,163	+25.8%
PBT	-£ 416,188	£ 48,085	-£ 268,699	Loss both
EPS	n/a	0.30p	n/a	n/a

Gresham Computing plc

	Final - Oct 97		Final - Oct 98	Comparision
REV	£ 8,689,000		£ 23,063,000	+165.4%
PBT	£ 667,000		£ 3,003,000	+350.2%
EPS	1.17p		5.73p	+389.7%

Guardian iT plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 10,888,000	£ 23,026,000	£ 13,706,000	+25.9%
PBT	£ 1,914,000	£ 4,033,000	£ 2,959,000	+54.6%
EPS	2.70p	5.70p	4.00p	+48.1%

Harvey Nash Group plc

	Interim -Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 23,767,000	£ 55,796,000	£ 44,861,000	+88.8%
PBT	£ 2,111,000	£ 5,527,000	£ 4,074,000	+93.0%
EPS	5.26p	13.36p	9.79p	+86.1%

Highams Systems Services Group plc

	Inerim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 11,318,000	£ 25,143,421	£ 16,163,000	+42.8%
PBT	£ 647,000	£ 1,383,327	£ 782,000	+20.9%
EPS	2.45p	5.08p	3.05p	+24.5%

ICM Computer Group plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 33,989,000		£ 35,881,000	+5.6%
PBT	£ 1,437,000		£ 2,702,000	+88.0%
EPS	4.20p		8.70p	+107.1%

ilion Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 88,389,000	£ 203,134,000	£ 125,601,000	+42.1%
PBT	£ 4,030,000	£ 6,100,000	£ 1,158,000	-71.3%
EPS	11.00p	15.10p	3.50p	-68.2%

Intelligent Environments Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,074,000	£ 4,443,146	£ 2,627,000	+26.7%
PBT	-£ 2,046,000	-£ 3,009,417	-£ 874,000	Loss both
EPS	-9.20p	-13.30p	-3.20p	Loss both

IS Solutions plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 4,086,000	£ 8,750,000	£ 4,198,000	+2.7%
PBT	£ 247,000	£ 539,845	£ 404,000	+63.6%
EPS	4.40p	8.63p	5.68p	+29.1%

ITNET plc

	Interim - Jun 97	Final Dec 97	Interim - Jun 98	Comparision
REV	£ 37,596,000	£ 81,713,000	£ 50,172,000	+33.5%
PBT	£ 2,033,000	£ 6,834,000	£ 2,208,000	+8.6%
EPS	1.40p	4.40p	1.70p	+21.4%

JBA Holdings plc

	Interim - Jun 97	Final Dec 97	Interim - Jun 98	Comparision
REV	£ 88,102,000	£ 221,737,000	£ 126,133,000	+43.2%
PBT	-£ 1,297,000	£ 5,233,000	-£ 4,456,000	Loss both
EPS	-2.56p	10.12p	-8.35p	Loss both

JSB Software Technologies plc

	Final - May 97		Final - May 98	Comparision
REV	£ 3,400,000		£ 3,362,000	-1.1%
PBT	-£ 53,000		£ 6,000	Loss to profit
EPS	n/a		n/a	n/a

Kalamazoo Computer Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 33,801,000	£ 65,711,000	£ 32,018,000	-5.3%
PBT	-£ 514,000	-£ 2,329,000	-£ 550,000	Loss both
EPS	-1.00p	-3.00p	-1.14p	Loss both

Kewill Systems plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 19,334,000	£ 45,088,000	£ 27,475,000	+42.1%
PBT	£ 3,100,000	£ 6,813,000	£ 3,196,000	+3.1%
EPS	14.70p	30.30p	12.30p	-16.3%

Logica plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 338,465,000		£ 472,957,000	+39.7%
PBT	£ 28,148,000		£ 41,825,000	+48.6%
EPS	6.06p		8.46p	+39.6%

London Bridge Software Holdings plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 4,095,000	£ 11,320,000	£ 8,054,000	+96.7%
PBT	£ 953,000	£ 3,701,000	£ 2,705,000	+183.8%
EPS	2.51p	10.03p	6.31p	+151.4%

Lorien plc

	Interim - May 97	Final - Nov 97	Interim - May 98	Comparision
REV	£ 52,864,000	£ 116,930,000	£ 67,985,000	+28.6%
PBT	£ 889,000	£ 1,585,000	£ 2,488,000	+179.9%
EPS	1.10p	4.50p	7.40p	+572.7%

Lynx Group plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 120,752,000		£ 180,870,000	+49.8%
PBT	£ 9,805,000		£ 13,252,000	+35.2%
EPS	6.83p		8.67p	+26.9%

MMT Computing plc

	Final - Aug 97		Final - Aug 98	Comparision
REV	£ 24,639,075		£ 36,698,698	+48.9%
PBT	£ 5,554,611		£ 10,005,754	+80.1%
EPS	29.80p		51.60p	+73.2%

M-R Group plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 39,430,000		£ 46,822,000	+18.7%
PBT	£ 5,604,000		£ 6,902,000	+23.2%
EPS	7.30p		9.20p	+26.0%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

MDIS Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 56,029,000	£ 116,925,000	£ 63,005,000	+12.5%
PBT	-£ 3,910,000	£ 221,000	-£ 387,000	Loss both
EPS	-3.82p	0.22p	-0.16p	Loss both

Macro 4 plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 23,448,000		£ 24,234,000	+3.4%
PBT	£ 10,300,000		£ 10,060,000	-2.3%
EPS	33.80p		33.70p	-0.3%

Micro Focus plc

	Interim - Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 41,349,000	£ 97,015,000	£ 58,642,000	+41.8%
PBT	£ 5,171,000	£ 15,217,000	£ 10,057,000	+94.5%
EPS	4.50p	13.00p	8.30p	+84.4%

Microgen Holdings plc

	Interim - Apr 97	Final - Oct 97	Interim - Apr 98	Comparision
REV	£ 34,052,000	£ 66,398,000	£ 32,560,000	-4.4%
PBT	£ 4,211,000	£ 5,324,000	£ 1,285,000	-69.5%
EPS	6.90p	8.80p	0.40p	-94.2%

Misys plc

	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparision
REV	£ 177,600,000	£ 447,700,000	£ 287,900,000	+62.1%
PBT	£ 32,100,000	£ 51,700,000	£ 58,900,000	+83.5%
EPS	5.30p	5.82p	7.70p	+45.3%

Mondas plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 143,075	£ 297,169	£ 223,945	+56.5%
PBT	-£ 250,795	-£ 484,322	-£ 208,004	Loss both
EPS	-4.10p	-7.90p	-3.40p	Loss both

Moorepay Group plc

	Interim - Jun97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 2,731,603	£ 5,283,379	£ 3,181,393	+16.5%
PBT	£ 886,148	£ 1,385,201	£ 1,141,281	+28.8%
EPS	5.69p	9.04p	7.14p	+25.5%

MSB International plc

	Interim - Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 54,893,000	£ 128,793,000	£ 90,403,000	+64.7%
PBT	£ 3,714,000	£ 9,043,000	£ 5,474,000	+47.4%
EPS	12.10p	29.00p	18.30p	+51.2%

MSW Technology plc

	Final - May 97		Final - May 98	Comparision
REV	£ 1,608,806		£ 2,909,951	+80.9%
PBT	£ 133,629		£ 503,055	+276.5%
EPS	2.16p		6.54p	+202.8%

NSB Retail Systems plc

	Interim -Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 1,547,000	£ 3,284,464	£ 3,413,000	+120.6%
PBT	£ 454,000	£ 837,516	£ 749,000	+65.0%
EPS	4.00p	6.90p	4.60p	+15.0%

Oxford Molecular plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 6,168,000	£ 15,641,000	£ 7,383,000	+19.7%
PBT	-£ 677,000	£ 256,000	-£ 2,195,000	Loss both
EPS		0.20p		Loss both

Parity plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 90,625,000	£ 202,078,000	£ 134,987,000	+49.0%
PBT	£ 5,678,000	£ 13,506,000	£ 8,754,000	+54.2%
EPS	8.90p	20.91p	11.90p	+33.7%

Pegasus Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 5,567,000	£ 12,447,000	£ 7,410,000	+33.1%
PBT	£ 810,000	£ 1,698,000	£ 632,000	-22.0%
EPS	12.80p	29.30p	6.80p	-46.9%

PhoneLink plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 1,850,000	£ 3,206,000	£ 3,479,000	+88.1%
PBT	-£ 1,742,000	-£ 3,746,000	-£ 1,701,000	Loss both
EPS	-3.60p	-7.80p	-3.00p	Loss both

Policy Master plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 3,956,000	£ 8,745,000	£ 5,054,000	+27.8%
PBT	£ 204,000	£ 459,000	£ 164,000	-19.6%
EPS	1.65p	3.70p	1.32p	-20.0%

Proteus International plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 21,000	£ 178,000	£ 612,000	+2814.3%
PBT	-£ 1,931,000	-£ 4,127,000	-£ 1,552,000	Loss both
EPS	-3.37p	-7.44p	-2.27p	Loss both

Quality Software Products Holdings plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 13,431,000	£ 28,016,991	£ 18,135,000	+35.0%
PBT	£ 180,000	£ 2,655,299	£ 1,285,000	+613.9%
EPS	1.40p	20.20p	9.40p	+571.4%

Quantica plc

		Final - Nov 97	PF Interim- May 98	Comparision
REV		£ 5,635,000	£ 6,870,000	n/a
PBT		£ 1,011,000	£ 1,871,000	n/a
EPS		1.29p	3.41p	n/a

RM plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 110,170,000		£ 130,986,000	+18.9%
PBT	£ 8,018,000		£ 10,037,000	+25.2%
EPS	6.20p		7.90p	+27.4%

Rage Software plc

	Final - Jun 97		Final - Jun 98	Comparision
REV	£ 6,758,000		£ 3,623,000	-46.4%
PBT	-£ 15,430,000		£ 860,000	Loss to profit
EPS	-6.30p		0.35p	Loss to profit

Real Time Control plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 7,181,000	£ 15,880,000	£ 8,590,000	+19.6%
PBT	£ 1,477,000	£ 3,163,000	£ 1,887,000	+27.8%
EPS	14.50p	30.80p	18.50p	+27.6%

Rebus Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 40,676,000	£ 87,730,000	£ 48,230,000	+18.6%
PBT	£ 2,941,000	£ 8,390,000	£ 3,881,000	+32.0%
EPS	1.96p	5.72p	2.69p	+37.2%

Recognition Systems Group plc

	Interim - Mar 97	Final - Sep 97	Interim - Mar 98	Comparision
REV	£ 326,000	£ 773,000	£ 327,000	+0.3%
PBT	-£ 1,128,000	-£ 2,255,000	-£ 1,333,000	Loss both
EPS	-4.10p	-8.10p	-3.80p	Loss both

Riva Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 32,661,000	£ 70,208,000	£ 36,199,000	+10.8%
PBT	£ 190,000	£ 1,339,000	£ 349,000	+83.7%
EPS	0.30p	2.00p	0.70p	+133.3%

Rolfe & Nolan plc

	Interim - Aug 97	Final - Feb 98	Interim - Aug 98	Comparision
REV	£ 9,692,000	£ 21,714,000	£ 9,544,000	-1.5%
PBT	-£ 569,000	-£ 894,000	£ 205,000	Loss to profit
EPS	-2.93p	-10.20p	-2.27p	Loss both

Romtec plc

	Interim - Jul 97	Final - Jan 98	Interim - Jul 98	Comparision
REV	£ 2,490,000	£ 4,217,440	£ 1,860,000	-25.3%
PBT	£ 130,000	£ 310,718	£ 30,000	-76.9%
EPS	1.90p	4.10p	-0.30p	Profit to loss

Royalblue Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 8,892,000	£ 20,647,000	£ 13,312,000	+49.7%
PBT	£ 221,000	£ 2,041,000	£ 1,815,000	+721.3%
EPS	2.70p	6.10p	3.50p	+29.6%

Sage Group plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 152,089,000		£ 191,547,000	+25.9%
PBT	£ 37,635,000		£ 47,635,000	+26.6%
EPS	23.43p		28.85p	+23.1%

Sanderson Group plc

	Final - Sep 97		Final - Sep 98	Comparision
REV	£ 67,143,000		£ 73,589,000	+9.6%
PBT	£ 2,778,000		£ 8,592,000	+209.3%
EPS	4.70p		12.80p	+172.3%

SBS Group plc

	Final - Aug 97		Final - Aug 98	Comparision
REV	£ 17,914,000		£ 35,856,000	+100.2%
PBT	£ 687,000		£ 1,485,000	+116.2%
EPS	8.50p		11.80p	+38.8%

Science Systems plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 8,793,000	£ 18,601,000	£ 12,107,000	+37.7%
PBT	£ 1,155,000	£ 1,855,000	£ 1,245,000	+7.8%
EPS	4.30p	6.80p	4.70p	+9.3%

Sema Group plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 559,539,000	£ 1,130,086,000	£ 610,564,000	+9.1%
PBT	£ 26,214,000	£ 64,073,000	£ 31,144,000	+18.8%
EPS	4.01p	9.79p	4.83p	+20.4%

Sherwood International plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 13,069,000	£ 30,036,000	£ 18,090,000	+38.4%
PBT	£ 1,025,000	£ 3,095,000	£ 1,846,000	+80.1%
EPS	7.90p	22.80p	13.20p	+67.1%

Skillsgroup plc

	Interim - May 97	Final - Nov 97	Interim - May 98	Comparision
REV	£ 181,600,000	£ 376,969,000	£ 115,000,000	-36.7%
PBT	£ 6,500,000	-£ 16,308,000	£ 6,600,000	+1.5%
EPS	5.80p	-22.90p	5.80p	+0.0%

Spring Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 119,326,000	£ 279,231,000	£ 193,301,000	+62.0%
PBT	£ 6,574,000	£ 18,109,000	£ 3,206,000	-51.2%
EPS	3.05p	8.38p	0.78p	-74.4%

Staffware plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 7,701,000	£ 17,585,000	£ 9,641,000	+25.2%
PBT	£ 549,000	£ 1,772,000	£ 231,000	-57.9%
EPS	3.30p	10.80p	1.30p	-60.6%

Superscape VR plc

	Final - Jul 97		Final - Jul 98	Comparision
REV	£ 3,106,000		£ 4,220,000	+35.9%
PBT	-£ 5,961,000		-£ 3,516,000	Loss both
EPS	-69.60p		-37.30p	Loss both

Systems Integrated Research plc

	Interim - Nov 97	Final - May 98	Interim - Nov 98	Comparision
REV	£ 516,000	£ 1,035,000	£ 661,000	+28.1%
PBT	-£ 296,000	-£ 493,000	£ 32,000	Loss to profit
EPS	-2.40p	-4.00p	0.10p	Loss to profit

Systems International Group plc

	Interim - Jun 97		Interim - Jun 98	Comparision
REV	£ 6,350,000		£ 12,400,000	+95.3%
PBT	£ 728,000		£ 1,570,000	+115.7%
EPS	n/a		n/a	n/a

Tetra plc

	Final - May 97		Final - May 98	Comparision
REV	£ 22,358,000		£ 30,286,000	+35.5%
PBT	£ 2,096,000		-£ 558,000	Profit to loss
EPS	7.10p		-7.28p	Profit to loss

Torex plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 10,828,000	£ 21,029,000	£ 9,426,000	-12.9%
PBT	£ 1,453,000	£ 7,277,000	£ 1,603,000	+10.3%
EPS	3.80p	16.20p	3.80p	+0.0%

Total Systems plc

	Interim - Sep 97	Final -Mar 98	Interim - Sep 98	Comparision
REV	£ 2,017,128	£ 4,134,866	£ 1,780,866	-11.7%
PBT	£ 476,206	£ 1,019,675	£ 495,484	+4.0%
EPS	3.19p	6.80p	3.32p	+4.0%

Touchstone Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 2,998,000	£ 6,154,000	£ 3,508,000	+17.0%
PBT	n/a	£ 841,000	£ 460,000	n/a
EPS	n/a	6.91p	3.30p	n/a

Trace Computers plc

	Final - May 97		Final - May 98	Comparision
REV	£ 17,270,621		£ 14,658,625	-15.1%
PBT	£ 634,601		£ 1,205,166	+89.9%
EPS	3.35p		6.11p	+82.4%

Triad Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 14,199,000	£ 32,161,000	£ 22,112,000	+55.4%
PBT	£ 2,851,000	£ 6,609,000	£ 3,816,000	+33.8%
EPS	2.00p	17.78p	3.00p	+50.0%

Ultima Networks plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 20,892,000	£ 38,598,000	£ 8,286,000	-60.3%
PBT	-£ 424,000	-£ 13,240,000	-£ 833,000	Loss both
EPS	0.10p	-16.20p	-0.99p	

Vega Group plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 10,399,000	£ 22,457,000	£ 12,870,000	+23.8%
PBT	£ 805,000	£ 3,081,000	£ 1,428,000	+77.4%
EPS	3.48p	13.75p	6.00p	+72.4%

Workplace Technologies plc

	Interim - Jun 97	Final - Dec 97	Interim - Jun 98	Comparision
REV	£ 30,752,000	£ 65,938,000	£ 39,977,000	+30.0%
PBT	£ 986,000	£ 1,830,000	£ 1,317,000	+33.6%
EPS	1.21p	2.17p	2.41p	+99.2%

Xavier Computer Group plc

	Interim - Sep 97	Final - Mar 98	Interim - Sep 98	Comparision
REV	£ 7,805,000	£ 16,252,000	£ 9,059,000	+16.1%
PBT	£ 501,000	£ 743,000	£ 723,000	+44.3%
EPS	0.38p	0.79p	0.52p	+36.8%

Zergo Holdings plc

	Interim - Oct 97	Final - Apr 98	Interim - Oct 98	Comparision
REV	£ 5,400,000	£ 13,176,770	£ 7,700,000	+42.6%
PBT	£ 78,000	£ 296,664	-£ 3,070,000	Profit to loss
EPS	-0.23p	-1.00p	-13.35p	Loss both

UK M&A

KLV Ltd (a TPM based in Guildford) has ceased trading. They made a loss on revenue of £1.7m in 1997. They join a string of TPMs throwing in the towel recently - a list which has included **Cytek Engineering**, **Fourthrite** and **Services Industries** in the last month or so.

Adaytum Software (budget management solutions) has now become a US corporation as part of a $5.1m venture capital deal led by St.Paul Venture Capital. The capital is to be used to expand US operations.

French comms software house **BVRP Software** has acquired distributor **Kommunicate** for $6.2m. Seems a good buy as Kommunicate made £1.1m PBT on £4.4m revenues in FY98.

Catalyst Solutions has acquired **Datel Advanced Systems** (the IBM RS/6000 and SP Server reseller division of **Datel Group**) for an undisclosed sum.

Acorn Group has sold its 50% interest in educational IT supplier **Xemplar Education** to its JV partner **Apple Computer** for £3m. Xemplar had FY97 PBT of £200K and net assets of £4.2m.

Hays Group has purchased 97% of French **France Partners** (FP) for an initial FFr150m (c£15.9m) with up to a further FFr50m payable in 2000/1 on performance. Apart from specialising in the medical and optical sectors, FP has an IT element - providing cheque clearance and IT support for banks. FP had FY98 revenues of FFr276m and profits of FFr11.1m.

Flexible Management Systems (financial sector software) has acquired German financial software developer **Banking Software Partners** for DM38m. £10m equity was provided by 3i and Lloyds Development with a further £5m from Lloyds Bank. FMS now expects c£20m revenue in 1999.

Cable and Wireless has bought German ISP **ECRC** Network Services for £27.5m cash. ECRC was owned by **ICL** (who always seem to sell at the end of their financial year) and were one of Germany's Top 5 ISPs. They have forecast revenues of c£17m for 1999. **Regent Associates** acted in this deal.

US **SPSS** has acquired **Integral Solutions** (ISL) for $7.1m cash. ISL had FY98 revenues of £2m, PBT of £48K and employs 30 people. Both SPSS and ISL *"are recognised leaders in data mining and business intelligence"*.

Reuters has sold its two healthcare subsidiaries, **Reuters Health** (better known as VAMP) and **Distal SA** to **Cegedim SA** for an undisclosed sum.

Cadcentre Group and **AEA Technology** have announced a strategic alliance for both 2D and 3D plant design software products. Cadcentre will pay up to $4.5m for rights to integrate and develop the joint 3D technology and client base and will also receive rights to sell AEA's 2D software.

Nomura International has acquired a 17.5% stake in **ARC Cores** (processors for the IP market). **Apax Partners** will also provide further capital to increase the funding to £3.5m.

Olympia UK has called in the administrators. The company manufactures its own PCs for sale by mail-order firms. Their latest accounts for FY97 show revenue of £6.5m and losses of £1.7m.

Datrontech has hived off subsidiary **Xenon Training** to shell company **Dalkeith Inns** in a reverse takeover. Dalkeith raised the £3.9m plus costs involved by placing

Mergers and acquisitions - continued

15.59m shares on AIM.

We missed the announcement that resellers **Keltec** and **Progress** merged last November. Their combined revenues now approach £40m. In this market size does matter.

Talks between **Microsoft** and **AT&T** are said to be ongoing concerning the possible purchase by AT&T of Microsoft Network and other media assets. Microsoft has also invested £300m in **NTL** *"the third largest UK cable TV network operator"*. Coincidentally, the last bit of the old ISTEL - the travel/travel agency part - has been sold by AT&T. The new company is called **Extant**. NTL have a majority stake. "New" MD is Daman (who left Istel over 5 years ago - and Chris Chiles (who was CEO of Istel in its "glory days") is non-exec. Chairman.

UK-NASDAQer **4Front** has acquired **I-NEA SA** - the French maintenance bit of Siemens AG - for $4.2m.

Internet Technology Group has acquired Dutch ISP **Internet Facilities Europe** for c£4.27m.

Druid has acquired **Gamut Technologies** for £4.63m. Gamut had 1997 rev. of £2.6m but a pre-tax loss of £62K.

New name for Micro Focus

To reflect a change of focus for struggling **Micro Focus**, they are proposing a change of name to **Merant.** *But name changes for ailing companies rarely seem to work!*

Another company goes west

Yet another private company we have featured in *System House* has been acquired. This time it's **Alison Associates** that have been bought by US **Bell & Howell** for an undisclosed sum. **Broadview** acted for Alison in the deal. The latest filed accounts for Alison are for the year to 31st Mar. 97 and show a PBT of £951K on revenues of £14.4m - 55% of revenue comes from outside the UK. They provide systems for vehicle manufacturers; especially systems to manage the distribution from the plant to the dealer.

Comment. That's the serious bit. Now for some background. In Richard Holway's 1997 CSSA presentation, some amusing chairman's statements were featured. One was from Gatton (acquired last month), and another was from Alison's Chairman Chris Bennett who declared *"Turnover for vanity, profit for sanity... Margins will be given priority"*. The next year's accounts showed higher revenue but PBT plummeting to just £22K. Bennett then prefaced his comments with *"How difficult it is to write the appropriate Chairman's remarks"*. To be fair, the FY97 accounts recovered well and were sent to us by Bennett with the comment *"Richard I know how suspicious you are about the motives of Chairman who do this..."*. Well, it would appear now that his motives were crystal clear!

We are not complaining but we really ought to be in the M&A business, as we appear to have become a bit of a ***dating agency*** recently.

London Bridge buying again

London Bridge Software has bought **Hatton Blue** for an initial £15m (£11.25m cash, the rest shares) with up to a further £6m payable on performance. Hatton Blue owns Vectus, a customer relationship management software product for financial institutions. HB had net assets of £879K, trading profits of £487K and employs 60 staff. **KPMG** acted for Hatton Blue after beating off stiff competition.

Stunning figures from Microsoft

Q299 figures for **Microsoft** are literally stunning. Earnings are up 75% to $2 billion on revenues up 38% at nearly $5 billion. Their cash hoard increased to over $19 billion (up from c$14 billion at the end of FY98). But CFO Greg Maffei is reported as saying that despite strong growth in PC shipments and Y2000 demand *"we remain guarded about growth in 1999, given the likelihood that organisations will reduce their non-Y2K-related IT spending and the uncertain international economic outlook"*.

We have to disagree. We think that SMEs in particular will turn to PC replacement as their way around the Y2K problem.

Overall revenue growth in the UK, France and Germany was solid and was particularly high in Sweden, Holland, Belgium and Denmark. Asia suffered with "only" a 14% increase to $373m (Japanese revenue was flat). Non product licence revenue grew 36% to £467m, i.e. about 10% of the total *(and still a long way to go before it reaches our 50% prediction by 2002!)* But practically all of Microsoft's recent acquisitions have been in the services/content sector (see p7 for this month's crop).

A happy new year at Azlan

We do not intend to go over the sorry **Azlan** saga - you will have to re-read the many reports in our archives. But it would appear that the worst is now behind them as the Serious Fraud Office investigation has now been completed and no further action is planned. Good news for the company and all credit to Barry Morgans (now returned to the non-executive benches) for his annus horribilis. Azlan shares rose 4% in the month to 64p.

.....but not so at JBA

Again readers must visit our archives to find previous reports on **JBA** - none have been positive recently. We had thought that the position was improving but they issued yet another profit warning this month and the share price went into freefall with an immediate 74% drop to just 50p (at one time not too long ago the shares were c£12.50). A *"significant"* operating loss for FY98 is now expected and analysts have been busy revising forecasts from profits of £10m to a £10m loss.

At least the shares recovered a little later in the month to end on 94p - down 49%.

JBA also announced the sale of their **North American Computer Solutions Division** to US **Avnet** for a maximum of $24m (c£14.4m). This should generate an exceptional $18m profit *"to reduce debt and fund acquisition strategy"*.

Comment. Can Chairman Alan Vickery now survive? He offered to resign after the previous profit warning. It was only as recently as last August that he said of FY98 *"We are comfortable that £13m PBT is achievable"*. JBA desperately needs to restore its credibility in the eyes of the City and other investors.

Of course it has not been helped by increasing evidence that the business software/ERP new licence market is getting tougher and tougher - as others such as SAP and Baan know only too well especially now that the Y2K and Euro pressures in Europe are (largely) over. Of course the on-going support and ERP outsourcing market will continue, but JBA relies on new business. *Can JBA itself now survive in its present form?* Although a prime takeover target the number of potential purchasers must also be dwindling.

New System House Sub-sector Index

We have been monitoring the performance of the various sub-sectors in our SCSI Index over many years but have now decided to publish them each month. We decided *against* an Internet Index - preferring for the time being to report these as Services or Products companies as appropriate.

	Move in 1998	Move in Jan 99
System Houses	192% +5%	7.7%
IT Staff Agencies	-23% 71%	-4.8%
Resellers	~~-23%~~ -6%	9.1%
Software Products	68% +1%	20.9%

Reversing the trend of 1998 (and before!) the Internet frenzy (se p1), however, meant that the product companies (+21%) performed much better than the System Houses (+8%) in Jan. 99. The IT agencies (-5%) continued their decline.

Eidos shares soar

UK NASDAQer computer games company **Eidos** was a new issue in 1990 at 100p and was launched onto NASDAQ in Dec. 96 at $12.125 (c732p). Since then the share price has been on a bit of a roller coaster rising to nearly £13 (Jun. 98) and down to c£6 in Aug. 98. This month the board said that they expect results for FY99 (end March) will show a level of profit before goodwill *"substantially in excess of current market expectations"*. Profits of c£30/35m are now predicted - double last years. All this success is put down to high Tomb Raider 3 sales (amongst others) with its popular heroine Lara Croft.

The market reacted immediately with a 65p rise and finished the month up 25% at £11.75.

Defence cutbacks actually help Vega

Vega specialises in the defence, aviation and space markets but strangely enough, although overall defence budgets are reducing, they are prospering. In their interim results for the six months to 31st Oct. 98, revenue increased 24% to £12.9m with PBT up 77% at £1.43m. EPS was up an even higher 75%.

The reason for the apparent anomaly is due to the increasing complexity of IT used in the armed forces. According to Vega this means that the need for IT-based training systems is even more acute and they can actually save hard-pressed military managers much needed resources. Vega has won more than £20m of contracts in H1 and has a £30m backlog of orders.

MD Roger Gilbert said *"there is an enormous demand for our sort of services"*. The company now wish to broaden the portfolio of sectors, possibly to include finance and telecomms and acquisitions are being considered.

House brokers, Beeson Gregory, are leaving their full year estimates at c£4.3m - a prospective P/E of 27.

Strong interims from

Firstly, let us apologise for, more than once, not mentioning Triad as a current holder of our coveted *System House* **Boring Award**. Fortunately results for the six months to 30th Sep. 98 indicate that it is unlikely that **Triad** is in any danger whatsoever of losing said Award. Revenue increased 56% to £22.1m, PBT went up 34% at £3.8m with EPS up 37%. To save you working it out, that's an impressive 17% margin.

Chairman Alistair Fulton commented *"Trading continues to be in line with expectations. I look forward to another very successful year"*. Analysts are now forecasting full year profits of c£3.9m. But the share price has fallen from its 1998 high of 774p to 483p - down another 9% in Jan. 99.

A dramatic start to the year

A 21% rise in the FTSE IT Index in the first month of 1999 was actually higher than the 14% gain it made in Jan. 98. We hope this is not a portent for *another* volatile year. The dramatic rises in Internet stocks (see p1) were not the cause..as none are included in the FTSE IT Index. **Misys** (p11), which heads the weightings, was up (recovered?) a massive 46% - rising in value by £1.1b to £3.6b and increasing their chances of re-entering the FTSE100. Others in the Top Five also did well - **CMG** up 12%, **Logica** up 19%, **Sage** up 22% and **Sema** up 15%. Biggest faller was **JBA** down 49% (p8), **MSB** (-36%) and **Riva** (p4) down 31%.

31-Jan-99		
	SCSI Index	4480.99
	FTSE IT Index	1746.10
	FTSE 100	5896.00
	FTSE AIM	834.90
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap	2131.20

Changes in Indices	SCSI Index	FTSE 100	FTSE IT Index	FTSE AIM Index	FTSE Small Cap
Month (31/12/98 - 31/1/99)	+13.69%	+0.23%	20.75%	+4.15%	+2.91%
From 15th Apr 89	+348.10%	+187.11%			
From 1st Jan 90	+387.01%	+149.62%			
From 1st Jan 91	+533.02%	+172.91%			
From 1st Jan 92	+328.86%	+136.49%			
From 1st Jan 93	+181.19%	+107.13%			+53.62%
From 1st Jan 94	+168.39%	+72.48%			+14.05%
From 1st Jan 95	+198.90%	+92.33%			+22.03%
From 1st Jan 96	+98.41%	+59.81%		-12.43%	+9.77%
From 1st Jan 97	+67.36%	+43.16%		-14.47%	-2.38%
From 1st Jan 98	47.64%	14.81%	20.75%	-15.84%	-7.87%
From 1st Jan 99	13.69%	0.23%	20.75%	4.15%	2.91%

System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	SCS Cat.	Share Price 31-Jan-99	Capitalisation 31-Jan-99	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 31-Jan-99	Share price move since 31-Dec-98	Share price % move in 1999	Capitalisation move since 31-Dec-98	Capitalisation move (£m) in 1999
Admiral	Yes	CS	£12.78	£809.90m	59.0	6.91	46173.34	9.66%	9.66%	£71.30m	£71.30m
AFA Systems		SP	£0.99	£12.50m	Loss	55.31	825.00	-8.76%	-8.76%	-£1.20m	-£1.20m
AIT Group		CS	£2.41	£48.90m	30.2	3.61	1606.67	4.78%	4.78%	£2.20m	£2.20m
Anite Group	Yes	CS	£0.41	£100.80m	15.3	0.67	239.77	2.50%	2.50%	£2.50m	£2.50m
Azlan Group	Yes	R	£0.64	£68.50m	Loss	0.23	278.26	4.07%	4.07%	£2.60m	£2.60m
Bond International		SP	£0.93	£12.60m	22.5	1.97	1423.08	-1.60%	-1.60%	-£0.20m	-£0.20m
Cadcentre Group		SP	£2.24	£37.20m	18.7	2.10	1120.00	-11.64%	-11.64%	-£4.90m	-£4.90m
Capita Group		CS	£5.65	£1,118.00m	76.5	6.47	50900.90	1.71%	1.71%	£19.00m	£19.00m
Cedar Group		SP	£1.00	£33.50m	18.9	2.68	952.38	3.63%	3.63%	£1.20m	£1.20m
CFS Group		SP	£1.11	£17.60m	26.0	2.58	1233.33	11.56%	11.56%	£1.80m	£1.80m
Clinical Computing		SP	£0.41	£10.30m	23.8	3.40	330.65	12.33%	12.33%	£1.14m	£1.14m
CMG	Yes	CS	£18.50	£2,369.00m	76.2	7.82	12758.62	21.31%	21.31%	£416.00m	£416.00m
Compel Group	Yes	R	£4.44	£134.10m	20.4	0.64	3552.00	11.56%	11.56%	£20.30m	£20.30m
Computacenter	Yes	R	£5.99	£1,060.00m	25.7	0.94	894.03	36.14%	36.14%	£281.20m	£281.20m
Comino		CS	£2.03	£26.90m	14.3	2.05	1557.69	-2.41%	-2.41%	-£0.70m	-£0.70m
DCS Group		SP	£5.44	£126.10m	30.6	2.11	9058.33	0.65%	0.65%	£1.40m	£1.40m
Delcam		SP	£0.51	£2.98m	6.8	0.20	194.23	8.60%	8.60%	£0.24m	£0.24m
Delphi Group	Yes	A	£3.75	£110.20m	22.3	0.40	1543.21	4.90%	4.90%	£5.10m	£5.10m
Diagonal	Yes	CS	£10.03	£201.50m	54.8	4.50	3645.45	4.16%	4.16%	£8.00m	£8.00m
Dialog Corporation		O	£0.77	£115.80m	Loss	2.51	695.45	31.90%	31.90%	£28.00m	£28.00m
Division Group		SP	£0.39	£27.00m	Loss	4.49	968.75	61.46%	61.46%	£10.30m	£10.30m
DRS Data & Research		SP	£0.13	£4.50m	Loss	0.67	118.18	1.96%	1.96%	£0.09m	£0.09m
Druid Group	Yes	CS	£14.63	£334.90m	61.5	8.25	5318.18	11.01%	11.01%	£33.20m	£33.20m
ECSoft		SP	£20.45	£222.90m	41.5	5.04	1131.71	10.54%	10.54%	£21.20m	£21.20m
Electronic Data Proc		SP	£0.67	£17.40m	10.6	1.51	2036.13	-1.48%	-1.48%	-£0.30m	-£0.30m
Eidos		SP	£11.75	£192.20m	11.5	1.40	11750.00	25.00%	25.00%	£31.50m	£31.50m
FI Group	Yes	CS	£3.72	£746.00m	73.7	4.62	7904.26	13.09%	13.09%	£86.40m	£86.40m
Financial Objects		SP	£3.04	£108.10m	33.2	6.78	1319.57	23.88%	23.88%	£20.80m	£20.80m
Flomerics Group	•	SP	£1.60	£4.16m	26.5	0.72	1230.77	3.23%	3.23%	£0.13m	£0.13m
Gresham Computing		CS	£1.40	£49.10m	24.3	5.65	1500.00	37.44%	37.44%	£13.40m	£13.40m
Guardian IT	Yes	CS	£6.23	£318.70m	109.2	13.84	2441.18	31.05%	31.05%	£75.50m	£75.50m
Harvey Nash Group		A	£3.03	£85.30m	17.3	1.53	1728.57	-2.42%	-2.42%	-£2.10m	-£2.10m
Highams Systems Servs		CS	£0.75	£14.20m	12.6	0.56	2083.33	-11.76%	-11.76%	-£1.80m	-£1.80m
ICM Computer		CS	£2.49	£47.20m	22.8	1.32	1380.56	-1.97%	-1.97%	-£1.10m	-£1.10m
Ilion Group		R	£0.60	£15.10m	7.7	0.07	375.00	6.19%	6.19%	£0.90m	£0.90m
Intelligent Environments		SP	£0.95	£29.40m	Loss	6.62	1010.64	113.48%	113.48%	£15.60m	£15.60m
I S Solutions		CS	£2.35	£11.30m	27.0	1.29	1753.73	14.63%	14.63%	£1.46m	£1.46m
ITNET	Yes	CS	£4.66	£327.20m	116.4	4.00	1330.00	-1.48%	-1.48%	-£5.00m	-£5.00m
JBA Holdings	Yes	SP	£0.94	£34.70m	21.3	0.16	587.50	-49.19%	-49.19%	-£33.20m	-£33.20m
JSB Software		SP	£2.35	£22.30m	n/a	6.64	1175.00	14.63%	14.63%	£2.80m	£2.80m
Kalamazoo Computer		SP	£0.41	£17.40m	Loss	0.26	1157.14	2.53%	2.53%	£0.50m	£0.50m
Kewill Systems	Yes	SP	£14.75	£197.70m	31.4	4.38	5830.04	15.69%	15.69%	£26.90m	£26.90m
Logica	Yes	CS	£6.23	£2,300.00m	73.5	4.86	8525.04	19.14%	19.14%	£371.00m	£371.00m
London Bridge Software	Yes	SP	£16.55	£496.50m	165.0	43.86	8275.00	28.54%	28.54%	£115.40m	£115.40m
Lorien		A	£1.13	£22.10m	5.5	0.19	1125.00	-23.21%	-23.21%	-£6.60m	-£6.60m
Lynx Holdings	Yes	SP	£1.85	£197.80m	21.3	1.09	4625.00	-6.80%	-6.80%	-£14.40m	-£14.40m
M-R Group		CS	£1.06	£58.90m	12.9	1.26	418.65	3.94%	3.94%	£2.30m	£2.30m
Macro 4	Yes	SP	£4.48	£88.20m	13.3	3.64	1804.44	31.62%	31.62%	£21.20m	£21.20m
MDIS Group	Yes	CS	£0.46	£96.80m	23.9	0.83	175.00	-1.09%	-1.09%	-£1.10m	-£1.10m
Micro Focus	Yes	SP	£1.16	£166.60m	16.6	1.72	560.26	12.08%	12.08%	£18.00m	£18.00m
Microgen Holdings		CS	£1.26	£54.80m	14.3	0.83	538.46	-8.03%	-8.03%	-£4.80m	-£4.80m
Misys	Yes	SP	£6.39	£3,596.00m	40.9	8.03	7953.02	46.20%	46.20%	£1,136.00m	£1,136.00m
MMT Computing	Yes	CS	£5.98	£71.70m	12.9	1.95	3556.55	-36.27%	-36.27%	-£40.80m	-£40.80m
Mondas		SP	£0.51	£6.36m	Loss	21.41	673.33	0.00%	0.00%	£0.00m	£0.00m
Moorepay Group		CS	£2.50	£29.20m	27.7	5.53	4219.00	8.70%	8.70%	£2.30m	£2.30m
MSB International	Yes	A	£2.35	£47.80m	6.7	0.37	1234.21	-31.03%	-31.03%	-£21.60m	-£21.60m
MSW Technology		CS	£1.26	£10.30m	19.1	3.54	1298.97	18.31%	18.31%	£1.57m	£1.57m
NSB Retail Systems		SP	£1.97	£21.60m	22.9	6.58	1708.70	15.59%	15.59%	£2.90m	£2.90m
Oxford Molecular		SP	£0.39	£33.50m	Loss	2.14	481.25	-20.62%	-20.62%	-£8.60m	-£8.60m
Parity	Yes	A	£5.93	£292.10m	24.8	1.45	32916.54	3.49%	3.49%	£9.90m	£9.90m
Pegasus Group		SP	£2.48	£17.30m	10.8	1.39	674.39	-18.18%	-18.18%	-£3.90m	-£3.90m
PhoneLink		O	£0.42	£28.50m	Loss	8.89	267.74	50.91%	50.91%	£9.60m	£9.60m
Policymaster		SP	£1.98	£27.80m	45.8	3.18	1316.67	4.22%	4.22%	£1.10m	£1.10m
Proteus International		SP	£0.36	£26.30m	Loss	147.75	422.62	0.00%	0.00%	£0.00m	£0.00m
Quality Software Prods		SP	£3.40	£46.20m	12.1	1.65	894.74	-4.23%	-4.23%	-£2.10m	-£2.10m
Quantica		A	£0.61	£23.80m	10.3	4.22	491.94	-16.44%	-16.44%	-£4.60m	-£4.60m
Rage Software		SP	£0.14	£36.00m	42.1	9.94	556.73	75.45%	75.45%	£15.90m	£15.90m
Real Time Control		SP	£5.00	£35.00m	14.4	2.20	10204.08	3.63%	3.63%	£1.20m	£1.20m
Rebus Group	Yes	CS	£1.26	£116.10m	19.8	1.32	1426.14	10.09%	10.09%	£10.60m	£10.60m
Recognition Systems		SP	£0.13	£9.79m	Loss	12.71	189.29	32.50%	32.50%	£6.10m	£6.10m
Riva Group		SP	£0.24	£7.54m	9.1	0.11	167.02	-30.88%	-30.88%	-£3.36m	-£3.36m
RM Group	Yes	CS	£6.17	£560.40m	77.2	4.28	17614.29	33.01%	33.01%	£139.50m	£139.50m
Rolfe & Nolan		SP	£2.12	£28.10m	Loss	1.29	2517.86	20.86%	20.86%	£4.80m	£4.80m
Romtec		CS	£0.67	£3.52m	16.2	0.83	1064.00	-13.07%	-13.07%	-£0.53m	-£0.53m
Royalblue Group	Yes	CS	£4.03	£111.90m	47.6	5.42	2367.65	20.15%	20.15%	£18.80m	£18.80m
Sage Group	Yes	SP	£19.10	£2,215.00m	67.7	11.56	73461.54	21.66%	21.66%	£394.00m	£394.00m
Sanderson Group		CS	£1.57	£74.50m	13.0	1.01	2663.83	1.95%	1.95%	£1.40m	£1.40m
SBS Group		A	£2.03	£17.80m	16.4	0.50	2025.00	2.53%	2.53%	£0.40m	£0.40m
Science Systems		CS	£2.00	£33.90m	27.5	1.82	1546.51	27.48%	27.48%	£7.30m	£7.30m
Sema Group	Yes	CS	£6.81	£3,137.00m	64.3	2.78	8566.04	15.23%	15.23%	£413.00m	£413.00m
Sherwood International		CS	£13.38	£125.70m	46.0	4.18	11145.83	-1.29%	-1.29%	-£1.70m	-£1.70m
Skillsgroup	Yes	CS	£2.25	£184.80m	20.5	0.49	1006.73	23.69%	23.69%	£35.40m	£35.40m
Spring		A	£1.80	£260.30m	20.0	0.93	2000.00	23.71%	23.71%	£49.90m	£49.90m
Staffware		SP	£2.62	£33.20m	30.4	1.89	1162.22	-2.24%	-2.24%	-£0.80m	-£0.80m
Superscape VR		SP	£1.67	£20.50m	Loss	4.86	840.91	-13.95%	-13.95%	-£3.30m	-£3.30m
Systems Integrated		SP	£0.43	£5.70m	Loss	4.56	369.57	448.39%	448.39%	£4.66m	£4.66m
Tetra		SP	£1.88	£47.20m	Loss	1.56	1171.88	3.31%	3.31%	£1.50m	£1.50m
Torex Group		SP	£1.04	£33.50m	17.4	1.59	2009.71	16.95%	16.95%	£4.80m	£4.80m
Total Systems		CS	£0.48	£4.99m	6.9	1.21	905.66	-18.64%	-18.64%	-£1.15m	-£1.15m
Touchstone		SP	£1.04	£10.10m	15.0	1.64	985.71	-8.81%	-8.81%	-£1.00m	-£1.00m
Trace Computers		SP	£1.42	£20.80m	23.5	1.42	1132.00	15.51%	15.51%	£2.80m	£2.80m
Triad Group		CS	£4.83	£121.60m	23.6	3.78	3574.07	-9.39%	-9.39%	-£12.60m	-£12.60m
Ultima		R	£0.04	£5.16m	17.9	0.08	91.46	0.00%	0.00%	£0.00m	£0.00m
Vega Group		CS	£5.63	£90.60m	30.7	4.03	4610.66	45.16%	45.16%	£28.20m	£28.20m
Workplace Technologies		CS	£1.90	£55.10m	26.8	0.84	1085.71	-3.55%	-3.55%	-£2.00m	-£2.00m
Xavier Computer Group		R	£0.14	£14.10m	13.6	0.87	1425.00	-3.39%	-3.39%	-£0.40m	-£0.40m
Zergo Holdings		SP	£6.55	£178.20m	Loss	13.62	6717.95	52.33%	52.33%	£100.20m	£100.20m

Note: Main *System House* SCS 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.

Category Codes: CS= Computer Services **SP** = Software Product **R** = Reseller **A** = IT Agency **O** = Other

Division increases losses and is acquired

We had high hopes of **Division** with its "serious" VR products for lighting design and drug design - rather than just for entertainment. But the VR market did not blossom as expected and they have produced pretty consistent losses. The latest *"disappointing"* results for the year ended 31st Oct. 98 are no exception. Revenue fell 10% to £6m with losses more than doubling at £3.8m.

Earlier in the month, Division put out a statement confirming a bid approach and saying *"If an offer were to be forthcoming... it would be at a level below the prevailing market price"*. As the price then stood at c32p, this proved to be misleading. The bid from **Parametric Technology (UK)** was at 40p valuing Division at £28m.

Comment. Probably best for everyone that the sale proceeds. Their products are excellent but the market just does not appear to be there. As part of a larger organisation perhaps they still stand a chance. Strangely enough, if you had been an original investor way back in May 93, you would now have exactly got your money back. But if you had taken profits at their highest price in 1995, you could have more than trebled your outlay!

AGMs, trading updates and other miscellany

...On-Line . Shares in AIM quoted computer games company **On-Line** have been on a steep roller coaster ride this month. They started on c13p, rose to 285p and then fell back to end the month on 129p. Chairman Michael Hodges *"could see no reason why the increased interest in the shares should not herald the start of UK and European companies having similar valuations to US companies"*. See our p1 article. But he has "reluctantly" sold more than half his holding (25%) to improve liquidity in the stock (at one time directors held c80% of the shares).

... MSB International. **MSB** share price has been "volatile" this month - mainly due to adverse comment on the IT recruitment sector especially in the City. But the board reports that current trading is *"satisfactory"*. Mind you ex-chairman Mark Goldberg might be forced to sell more shares later this year to ease his problems at Crystal Palace FC if press reports are correct. This won't help the share price.

...SBS Group. *"The new FY has got off to a very encouraging start with Q199 revenue and profits ahead of expectations"* commented Chairman John Davies.

... Staffware. Early in January, **Staffware** put out a statement that it was *"unaware of any specific reason for in increase in the share price"*. A further trading announcement is expected shortly.

...Zergo. **Zergo** is linking with KPMG to help clients make their e-commerce projects more secure. The share price reacted strongly. See also p1.

...Pegasus Group. Due to much increased R&D costs of c£4.4m, **Pegasus** has announced that FY98 profits are expected to be down some £500K despite an increase in revenue of 20%. The share price has fallen 18% this month.

UK Software Partnering & Investment Forum

We happen to think that the first **UK Software Partnering & Investment Forum** to be held at Hotel Inter-Continental on 24th-25th Feb. 99 is important. So much so that we are on the Advisory Board and moderating the debate on what the UK needs to do to become more competitive.

Fifty "pre IPO" UK companies will be showcased and the initial list looks exciting. It gives them a venue to present directly to VCs and other investors. This kind of show is very popular in the US and we are pleased to see it coming to the UK. Contact Zoe Hemmings at the CSSA on 0171 3956717 for more information.

UK Star Shines in Cap Gemini Firmament

As presaged earlier this year (*System House* Nov. 98), it was **Cap Gemini**'s UK operation that stole the limelight when the group announced its preliminary results for the year to 31st Dec. 98. Revenues at group level rose 28.4% at Euro3.95 billion, with net profits up 62% at Euro188m (actually 120% if you take out the cEuro30m gain on the 1997 sale of its 19.6% stake in debis Systemhaus). Considering this growth was entirely organic, and the highest Cap Gemini has posted since it went public in 1985, they have a right to be pleased with these results. They have also turned net debt of Euro249m into net cash of Euro570m.

Operating profit was Euro406m - which means a margin of 10.3% this year compared with 8.1% last year. Perhaps Sema could aim for that... What's more, Cap Gemini is expecting *"... to increase its revenues in 1999 by approx. 20% **and to improve its margins further**"*.

But it was **Cap Gemini UK** that was the star of the show, with revenues up 59% to Euro865m (c£605m), much as we predicted at the halfway stage. The UK now tops France as Cap Gemini's largest operation (by revenue – France has the higher headcount!). France grew revenues 'just' 30% to Euro759m. – even so, pretty good compared to a more modest growth in the French SCS market.

The other big market, Benelux, was up 26% at Euro636m USA was up 22% at Euro502m and Nordic region rose 28% at Euro446m. **Gemini Consulting** was basically static at Euro485m

Given the UK results, it was not surprising to see that outsourcing was the group's fastest growing service line – up 43% on the year. Software development grew 35% and SI by 30%.

Comment - Seems a sound performance to us – and an achievable forward forecast for a quality company like Cap Gemini. Why then did the Cap Gemini share price take such a beating days before these excellent results were announced? *Seems like a suitable case for investigation.*

Note. Sorry our "old" Macs don't have the Euro symbol. We'll have to consider moving to our newer PCs which do!

ERP

Japanese sales problems hit SAP

SAP shares tumbled after a preliminary announcement from the company that FY98 profit growth would be well below its own forecasts despite an expected 40% increase in revenue. Profits would now probably be only up a much lower 15% against the expected 30/35% rise. They have increased staff worldwide by c6,500 in 1998 to cover expected demand.

ICL moves in on the ERP market

According to reports, last year **ICL** set up an ERP "base" in Finland and has also acquired 51% of Czech based PC Dir - one of the biggest Czech implementers of SAP software. ICL have also set up a partnership with SAP.

....as IBM strengthens its ERP services

IBM Global Services (led from the UK) has acquired the minority shareholding from the founders of **Management and Applications Support** (MAS) Group thereby strengthening its lead in the fast growing ERP marketplace. MAS has some 800 staff to add to their 7,500 staff working on ERP and BMS solutions worldwide. IBM results see p4.

BPO Watch

Mega-deals drive growth in UK BPO market

Preliminary analysis of BPO deals signed in 1998 reveals that this market has ***at least*** doubled in size during last year. With help from the **ITNET Index**, we currently estimate that BPO contracts to the total value of some £650m-£700m were awarded during 1998 – that's about twice the £300m - £350m we saw in 1997. Mind you, almost half of the 1998 figure came from the £305m/5 year deal at the DSS Benefits Agency won by **Sema** early that year. On the other hand, we have not included the UK's biggest BPO deal ever – the £1 billion/15 year National Savings contract won against the odds by **Siemens Business Services** (**EDS** were not amused!) as the contract was not actually signed until the end of Jan. 99.

All these BPO contracts came from the public sector – we have yet to untangle the web of contracts signed by the 'unusual suspects' such as **Hays** and **Serco**. Some of these deals will undoubtedly reveal themselves to be 'genuine' BPO contracts - we will update you when we know more.

Meanwhile, we were bemused to read (Microscope 19 Jan. 99) that ERP specialist, **Druid**, has predicted the BPO market will stall and that *"less would be spent on BPO over the next five years than over the past two"*. **We think not.** There is every indication that the public sector will continue to seek ways to relieve themselves of burdensome back-office business processes. Meanwhile, business support services companies like Hays, Serco, **WS Atkins** – and perhaps **Arthur Andersen** – will quietly expand their presence in commercial businesses. Druid's comments (if accurately reported) are a little surprising given that ERP and related areas such as supply chain management are where we see much potential for BPO in the private sector – indeed, Hays is earning a nice living doing just that. Add to this the continuing growth in the outsourced call centre market (yes, we think that counts as BPO), let alone the expected 'follow-on' BPO opportunity on the back of the emerging application outsourcing market (*"we run the application – why not let us run the business process too")* – and to us the future seems rosy.

What The Doctor Ordered at Misys?

Misys is the most valuable, probably most important UK-owned SCS company. It is also the company that we have more problems with than any other. Despite our involvement as an NED at BOS Software and TIS (both of which Misys acquired in the late 80s), our obvious long standing professional interest and our equally long standing interest as a shareholder, some years ago Misys (well, Kevin Lomax to be precise) decided not to talk to us anymore. It all came to a head after criticism of their accounting policies at the time of the ACT purchase. The invitations to the analyst's briefings ceased abruptly. As so many people say - current and past directors of Misys, major shareholders and other intelligent observers - the current situation is somewhat *"stupid"*. For our part we have gone out of our way to "build bridges". Lomax has built a SCS company from a valuation of £8m in 1987 to over £4 billion in 1998. We, and almost everyone we talk to, thinks that's pretty fantastic. Lomax, you are a torch bearer for our industry. Everyone we know wants you to play an important part in the development of the UK SCS sector as a whole.

Anyway whatever concerns we might have had about Misys' $923m acquisition of US healthcare software company **Medic** back in Sep. 97, the latest set of results seem to be quite ***superb***.

Misys group results for the six months to 30th Nov. 98 showed revenues up 62% to £288m and PBT up 83% to £59m. This was way ahead of expectations. EPS rose 46% to 7.9p. At the headline level these results were buoyed by the Medic acquisition but, even so, organic growth was impressive - revenues up 31% and operating profits up a sparkling 54%. As a consequence, Misys' share price rocketed by 46% to 639p this month *(still lower than their 740p 1998 high)*. This added over £1.1 billion to the capitalisation and puts them on course to re-enter the FTSE100.

In Misys' **Banking & Securities Division**, revenues rose 36% to £158m and profits up 64% to £46m - a 29% margin (both revenue & PBT were reported slightly higher at comparable exchange rates) - indeed, this division accounted for 55% revenues and 71% of profits at group level. Although Misys has clearly benefited from Y2K and Euro projects (the latter of which represents some 10% of turnover) Misys chairman Kevin Lomax is not worried about fallout after the dust settles. Misys reckons that this work will be replaced by new systems and deferred projects.

Healthcare Division (i.e. Medic) showed revenues of £81m and profits of £13m, giving a c16% margin. Indeed, Lomax reported that the assimilation of Medic had made *"good progress"* and that the business *"is well placed to fulfil the Group's aspirations for profitable growth in this sector"*. Their +Medic product aims for the smaller physician's practice in the US and boosted orders 42% over the same period the year before. However, shipments of upgrades and add-ons *"were disappointing*". Their Vision product for large practices showed increased sales in the period but *"the order book declined ... given the generally slower demand in this segment"*. However, recurring income streams (e.g. maintenance, upgrades, transaction processing) *"continue to grow well"*.

Misys also sold, as expected, most of its **Information Systems Division** in a £29.7m cash sale (c£35m if debt is taken into account) to a group of investors led by Kleinwort Benson Development Capital. Misys will take a c£20m loss on the disposal this FY. The press release only mentioned *"certain members of the management"*. But the Financial Times (29th Jan. 99) showed a beaming Malcolm Coster on the sofa with KBDC's Ian Grant. Coster will be the CEO of the new MBI. Coster was the *"senior VP at Unisys"* who took a pay cut *"of between £500K and £1m"* to join Lorien at a salary of just £125K in Nov. 96. Eight months later he had left Lorien with a payout of c£2m. We would lose too many readers if we attributed any views about Coster to them directly. ...*You get the drift?*

But you can imagine the scene on the settee at Burleigh House for the ultimate interview (after all, Misys had been through many suitors). *"So what do you think of Holway, Malcolm?"*. *"He's a ****"* says Coster. *"You got it!"* says Lomax. Whatever, great deal for both of you...great performance from Misys. *Long may it continue.* Misys up for ***System House* Boring Award** in 2001.

Services help Unisys

Oft-troubled **Unisys** has reported profits for the first time since 1993 in FY98. Revenues increased from $6.6b to $7.2b with a net income of $387m (loss $854m last time). The group is slowly transforming itself from a traditional mainframe company with proprietary technology, into a group dominated by services. Services already represents c67% of total revenue and according to CEO Larry Weinbach, they hope to increase this to 75%. *"That is where the value-added lies".*

...as wins new contract with ICL

A consortium led by **ICL** and Unisys has been awarded a PFI £183m/10 year desktop IT infrastructure/services contract (known as Project Libra) for magistrates' courts. This has upset EDS as their £120m bid for the same work in the same timescale was refused after EDS were classified as a Category A risk, i.e. would not deliver on time. So HM Govt. is evidently prepared to pay more in an attempt to ensure completion on time. Due to the risk of upsetting someone, we will not comment further.

CCI remoulds the clay

AIM listed shell company **CCI Holdings,** which made clay pigeons, is transforming itself into a software group after the £14.7m acquisition of **Xavier Computer Group** - another AIM company - **KSE** for £11m and up to £3m for **CSL Xenon (Isle of Man)**. A new company called **XKO Group** is being formed under Chairman & CEO Brian Beverley specialising in ERP. Funding will be £15m cash and the rest in shares. CCI shares have now been suspended at 125p. More next month when trading in the shares should have resumed.

Erratum

Our readers are very swift in pointing out our mistakes. Last month we said that **Network Technology** ended Dec. 98 on 8p. The correct figure was 33.5p. Worth noting that they have fallen slightly to 30p this month (they were lower at one stage)...so you might only have to wait.

Highams complained that we quoted their IPO price at 72p. They have undertaken a split since - so the base was meant to be 36p. Due to a "Sell" recommendation in Techinvest, Highams fell by 12% to 75p in Jan. 99.

FTSE IT Sub sector

We happen to believe that the new FTSE International categorisation of UK IT stocks is bordering on the crazy. It proves, if proof is needed, that those in the City who decide on these things have no knowledge of the sector. If they did would they put **ilion** in the "Distributor" sector but **Azlan** in "Computer services"? Would they put **MSB** in "Computer services" but leave Lorien, Harvey Nash, Quantica and SBS as "Education, Business training and Employment Agencies"? The list of crazy anomalies goes on and on and on.

FTSE International has made it so difficult for people to know what category they are now in. If FTSE International's PR people - Ludgate - are unaware you can hardly be surprised that even the companies themselves don't know what category they are in. Anyway, we have done all the donkey work for you and posted the complete Excel spreadsheet on our website - **holway.co.uk/hotnews**.

Good news on the job front

....CSC European HQ

According to our local newspaper reports, **CSC** is to build its new UK and European headquarters down the road from us in Aldershot. If it all goes ahead, then up to 1,800 staff will be employed. The present offices in nearby Farnborough will be vacated and staff transferred, hopefully towards the end of 2000.

....EDS Services Delivery Centre

EDS is to open its new Services Delivery Centre in Sheffield which should create an immediate 300 new jobs during 1999, with up to another 700 in the longer term. About one third will be transferred from the Employment Service and the remainder will be experienced IT staff.

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