

System House

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

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Y2000 and the UK Software and Computing Industry

The 1997 Holway Report devotes just one of its 1700 pages to the Y2000 problem but has received a disproportionate amount of press coverage. We quoted Robin Guenier's (Head of the UK Government's TaskForce 2000) estimate that to adjust computer systems properly could cost £31 billion and involve 300,000 IT staff.

We, on the other hand, have never undertaken any user-based research into the problem. We approached the problem from a supply viewpoint. We have been sizing the UK IT market for 10 years now and our figures are taken as gospel by most. Our projections show that the average annual UK IT spend in the three years to Y2000 is £35.5 billion p.a. - broken down as shown in the pie chart. But:

- 1) much of the budget has to be spent in running and keeping running existing operational systems. Hardware maintenance, operating software licences, data comms charges, value-added services etc. has to be spent regardless of the Y2000 and will be no help in solving the problem.

- 2) spend on hardware is largely unconnected with the Y2000 problem.

- 3) we feel sure that an increasing amount will be spent on tools to assist the conversion (see Micro Focus' current success) and that some of the spend on application products will be replacement systems specifically to overcome Y2000 problems. But software product spend is a fairly minor part of the overall spend..as we have said on many occasions!

- 4) this leaves the areas of IT spend which are people-related; from internal IT personnel to

external IT consultancy, bespoke development, application management, systems integration and even FM/

outsourcing. Here again the majority of spend will be on the operational issues of the moment - keeping today's systems running, updating for budget tax changes etc. At the **highest** end of our estimates, we suggest that people-related spend on Y2000 will rise from c10% in 1997 to c50% in 1999 - i.e. an average of around 25% p.a. It is worth pointing out that even at these levels, almost all new development within our industry would come to a halt as staff work just on operational issues and the Y2000. *Bluntly, an unlikely scenario.*

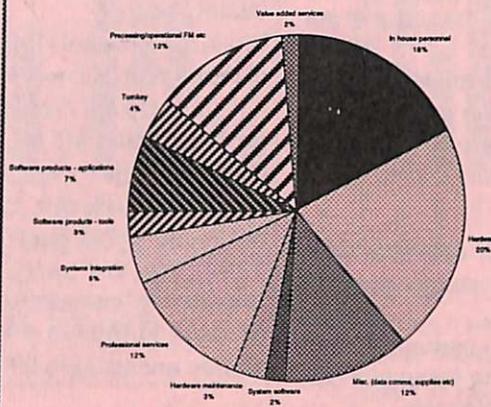
Which all adds up to a maximum total of £10 billion external SCSi spend plus the equivalent of a further £5 billion relating to internal IT staff. **Honestly, it is impossible to spend more than that.**

But that doesn't mean that Guenier is wrong. Indeed there are many who think that Guenier has *underestimated* the resources required.

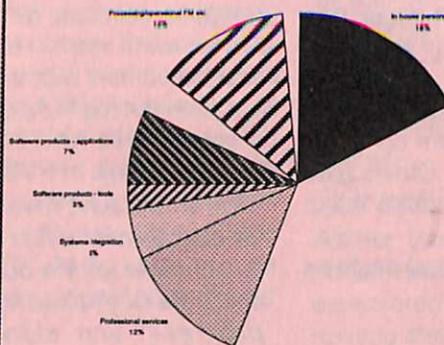
So why don't we just recruit 100,000 new IT personnel? Of course, everyone realises that's impossible. Indeed, not only are there not that many people even suitable for such an IT career, but the length of training etc. means that even acting now would have little effect in the timescale required.

We talked this problem through with Geoff Unwin, COO of Europe's largest SCSi company - Cap Gemini. He likened the current situation to arriving without a booking at Heathrow for a flight. All the economy tickets are already

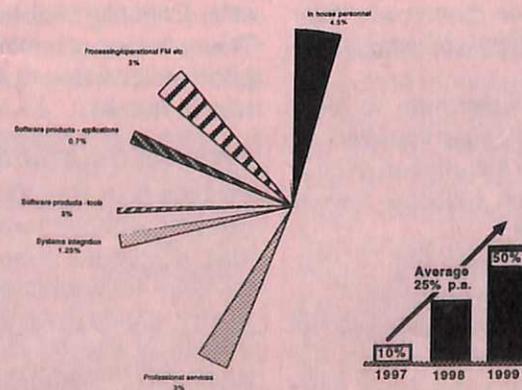
Corporate UK will spend about £35.5b p.a. on IT in each if the years 1997 - 1999



But only £20b p.a. of this could possibly be of any use to solving the Y2000 problem



Assuming a max. of 25% was allocated to the problem, that's £5b p.a. or a max. of £15b in total



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sold. Business Class only...that's why fee rates are escalating by 20%+ at present. Soon it will be First Class only and, after that, however much money you have, you will not get a seat. There are no additional aircraft and clearly we haven't the time to build any new ones. Telling people to report to Heathrow for non-existent flights is a recipe for panic and potential disaster.

Robin Guenier has written to us on many occasions saying **"you have a duty to help...People simply don't believe the problem is real. They are sure I am exaggerating. Your report is being used (arguably unfairly) to support that view"**. We faxed him the draft of this article and he was then also pretty upset with the aircraft analogy. **"..it is dangerous - simplistic and therefore misleading and ...could be damaging"**. **"You argue that it is better to allow those who understand what is going on to quietly board the plane and take off - keeping the rest in the dark about it in case they vent their frustration by messing up the plans of the privileged few"**.

Even if Guenier does not agree with the analogy he did make the valid point that **"a disaster on the ground would quickly affect those who made it into the air - where are they going to land assuming that air traffic control is still operating?"**

Consequences for the UK SCSI companies

Strong demand for your services is not always good for the bottom line.

- there are already major staff shortages - perhaps 50,000 extra IT staff are required. But recruiting inexperienced staff will not solve the problems in the timescale.
- even though order books may mount if, as Logica found (see page 11), you can't get the staff, you can't earn the revenue.
- staff wage and contractor rates will rise significantly. Maybe 20% in 1997 and more in 1998. Don't forget, you will have to pay these rates to your existing staff as well as those you poach from your competitors.
- this will increase staff "churn"...now running at over 20%.
- many outsourcing companies with long term contracts with prices linked to the RPI will be hard hit. Others (see recent MMT report) will find it difficult to pass these increases on to clients.

Bluntly we think that profits (rather than revenue) might be quite badly hit in certain SCSI companies.

So what should we do?

We also faxed the draft of this article to Geoff Unwin. Unwin wanted us to point out that there were steps which could still be taken to mitigate the consequences. **"Productivity MUST increase dramatically. There are very few project managers who really understand this problem and their skills must be maximised. There is no reason why their skills should not be utilised across several companies. We must "train the trainers"**.

We agree. We also agree with Guenier that we must **"determine priorities...cancel matters of lesser importance"**. For our part we would advocate further investments in tools to assist the problem. We would also advocate **"loyalty bonuses"** to staff who stay the course.

And how about getting those 50/60 year old COBOL programmers out of retirement and back on the job?

We have been heavily criticised for merely pointing out that, correctly, all the seats on flights are now booked. It is now up to our industry to provide users with some other mode of transport.

System House

Electronic Data Processing - disappoints again

EDP (**"the brand leader in the supply of software solutions to the merchanting/distribution industry in the UK"**) has announced its interim results for the six months to 31st Mar. 97. Revenue fell 18% to £6.5m, PBT dropped 47% at £803K with EPS down even more - falling 49%. These disappointing results are due to **"continuing significant compression in the selling prices of equipment and the reduction in hardware maintenance revenues"**. The problem we have with this is:

- 1) EDP was meant to be a SCSI company. It certainly had the ratings of one back in 1994.
- 2) We now find this excuse akin to **"our blacksmith's operation continues to suffer from the competition caused by the automobile"**.

At least EDP has continued to write off R&D as incurred - £939K this half.

Chairman Michael Heller **"is hopeful that the second half of the current year will show an improvement in profitability compared to the first half and I anticipate that the results for the full year will be acceptable"**.

Once again the company has stressed its **"attractive"** profit margin of 12.4% but, for years now, EDP's margins have continued to fall each year from the peak of 32.6% in 1993. We are sorry that EDP is another **"wasted opportunity"** company. Shareholders have considerable grounds to grouse. From a high of 230p in 1993, the shares ended June 97 on 69p.



KALAMAZOO COMPUTER GROUP

Kalamazoo - **"the European leading supplier of specialist computer solutions to the retail motor trade"** - has really had an awful 1997. They had to pay £2.1m in an out-of-court settlement with their franchisees. Then they issued a profits warning in April due to **"falsifying of management accounts"** in its Tetra division. Profits were then expected to remain static in FY97 at c£6m.

Then on 3rd June it was announced that Kalamazoo was **"in discussions which may or may not lead to an offer being made for the company"**. It later emerged that the suitor was Lynx but they then pulled out due to **"slow progress"** and also citing the Kalamazoo Trust shareholding problem.

The 50 year old Trust holds 40% of total shares on behalf of the employees; both past and present. Investigations are proceeding (and have done so for around a year so far) as to whether these shares are actually available for sale. Evidently the position is **still** unclear.

This collection of bad news has caused havoc to the share price which ended June on 78p - far away from its 141p high in Aug 94.

Proteus International

Proteus (like OmniMedia p11) is another company that has just reported losses (at £3.8m) in the year to 31st Mar. 97 greater than revenues (nearly halved at just £573K). Anyway Chairman David Gratton says he **"has every reason to be confident about the future"**. And did you know that Proteus has a vaccine that is a **"safe alternative"** to the surgical castration each year of 20m dogs and cats. **Who says that computing is boring!**

New floats...

There has been a flurry of new issues in the last month.

Indeed the last quarter has seen five new UK issues. The incoming Labour Govt. has been greeted with a feel-good factor which has seen UK successes at cricket, football and even the Eurovision Song Contest...and a record numbers of new issues. But could it all just be companies heeding "Olde Holway's" warnings that prices have reached their peak and will never be this high again? Certainly, as you will see in our share price review, our SCS Index continues to plunge with another 3% fall this month - that's 6% in Q2.

Anyway, the companies making hay before the rapidly dimming sun is eclipsed by the storm clouds of uncertainty are:-

Royalblue Group

As previewed in our May and June editions, **Royalblue** successfully completed their main market float on the 3rd June. A total of c6.8m shares were placed at 170p raising a net £5.2m. That's a P/E of 37 - about par nowadays. At this price, and taking into account shares that will come onto the market over the next four years from options, this means a valuation of Royalblue of £56.2m. However at the placing price, the company is valued at a lower £46.7m. CEO John Hamer commented "We are delighted by the response we have received from institutions... We look forward to being able to continue to develop the business both geographically and organically". At the same time as the placing, Royalblue announced its biggest order to date with a "significant" deal with BZW.

The shares did well in the month, rising 22% to end on 208p. We have now added them to our Index.

AIT

Established in 1986, **AIT Group**, is a UK company specialising in systems for retail financial services organisations with customers like Bristol & West and the Halifax. They have come to the market via a placing of 8m shares at 150p. The valuation at the flotation price is £30.4m with a P/E of c25. The placing raised only a net £2m, with most of the money going to directors and employees.

The prospectus gives AIT's revenue for the year to 31st Mar. 97 at £10.7m with a PBT of £1.55m. The shares ended June on 151p, that's up very slightly on the flotation price.

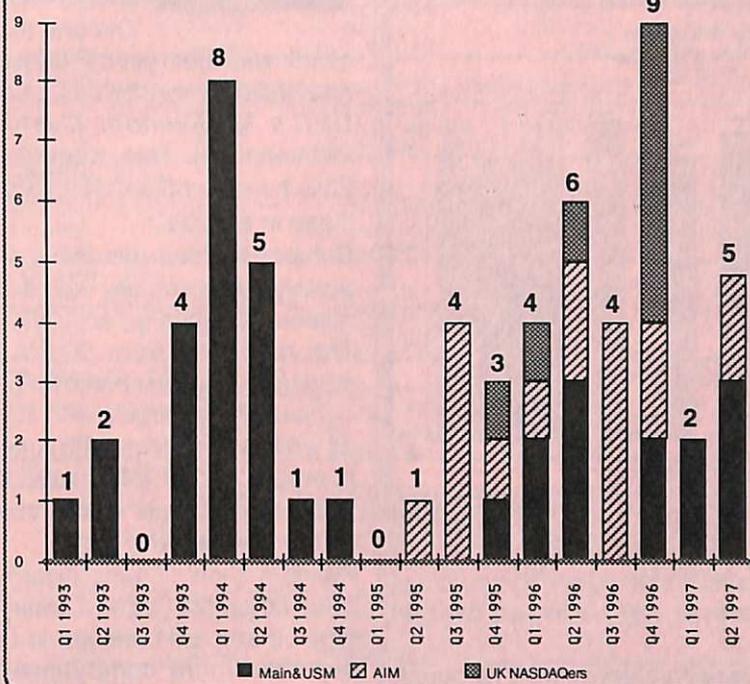
SBS

Old established **SBS Group**, a specialist IT recruitment agency, has raised £1.2m with an AIM float. They placed 1.52m shares (or 21.5% of the enlarged share capital) at

100p. At this price the company is valued at £7m.

In the year to 31st. Aug. 96, SBS had revenues up 14% at £15.2m, with OP up 29% at £584K. But PBT actually fell 63% to just £126K after exceptionals on property disposals of £72K combined with compensation to a former director of £319K. In its seven month interims to end Mar. 97, revenue was up 13% at £10.1m with PAT up 53% at £268K. The FY97 accounts should therefore show a much improved position - assuming, of course, that they have not been snapped up by a much larger competitor in the same field! IT agencies are the current favourites for consolidation so SBS might make an attractive target

"Record" number of new issues in last 12 months



The shares have been added to our index after rising 13% to 113p at the end of June.

.... with HTEC to follow

HTEC develops software and hardware for loyalty card promotions and is scheduled to come to the London market with a full listing during July. The placing is expected to value HTEC at up to £22m, and will raise c£10m, of which £7m will be used to redeem preference shares and the balance for capital expenditure. The eleven strong management team will receive over £1.5m but will still hold c51% of the shares. The rest is held by VCs 3i. and Gresham Trust (who also own 78% of the preference shares).

But not Akhter Group

Akhter Group produces PC hardware (its best selling product is its removable disc drives) and also provides associated services, maintenance, consultancy and training mainly to the education and public sector. Akhter employs 300+ and made £6m PBT on revenues of £36m in 1996 - a quite exceptional 15%+ margin. Akhter had intended to float in early July with an anticipated value of £60m. However, on 26th June they pulled the float awaiting "an improvement in sentiment" towards the sector. For further explanation see page 8.

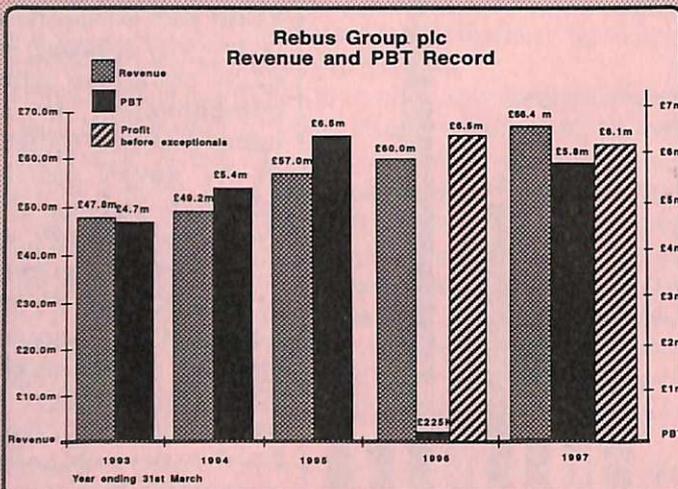
Internet Technology - losses as expected

Are there any Internet companies making a profit? True to form, **Internet Technology** has declared results for the six months to 30th Apr. 97 showing losses up from £1m to £1.2m on revenue up from £360K to £1.1m. Yes losses exceed revenue! ITG now claim to be the UK's third largest Internet Service Provider...not that impressive given our well known views on ISPs.

CEO Laurence Blackall is "looking forward with excitement to the second half of the year which promises sustained growth in both our business and consumer markets". No mention of profits though.

Rebus - hit by demerger costs

Rebus Group was part of CE Heath until its "demerger" in April 1996 when it was launched on the London main market at 88p, giving a valuation of £66m. The group is better known by its subsidiaries; Peterborough Software



(HR systems), **Datasure** (insurance broking and underwriting systems), **Sceptre** (payroll), **Saffron** - 60% owned (housing management systems) and its two latest subsidiaries **Media Broadcast Systems** and **Mobile Phone Directory**.

At the headline level, revenues for the year to 31st March 1997 rose 11% to £66.4m, PBT went up 195% to £5.8m with EPS up 1300%. *But it's not quite that good!* Firstly, if the EPG acquisition revenue of £2.8m is excluded, then continuing business only rose by a lower 6%. EPG was acquired in Oct. 96 for £11.75m plus up to £200K more on profits. Rebus raised £12.75m in a placing at 65p to fund the purchase. In both years, Rebus has also had exceptional costs (mainly to do with the demerger and the Datasure incentive scheme). If these are excluded from both 96 and 97, PBT actually fell 6% to £6.1m.

The strongest performance seems to have come from the Human Resources area - in particular Peterborough Software - which boosted revenues by 10% and operating profit by 26%. Saffron, albeit still quite small, also "enjoyed a very good year". We remain highly sceptical over the new media (no sales yet) and mobile phone directory (held up by Ofte!) operations.

Rebus Group- Revenue by Division

	Revenue £m		Operating Profit	
	1996	1997	1996	1997
Peterborough Software	£ 32.2m	£ 35.0m	£ 4.4m	£ 5.7m
Sceptre Computer Services	£ 2.9m	£ 3.7m	£ 0.6m	£ 0.6m
Rebus Insurance Systems	£ 13.9m	£ 16.3m	£ 0.5m	£ 0.8m
Rebus Computer Services	£ 10.4m	£ 10.5m	£ 1.3m	£ 1.6m
Saffron Computer Services	£ 1.5m	£ 2.1m	£ 0.3m	£ 0.6m
Intra-group/ cost and investment	-£ 0.9m	-£ 1.2m	-£ 1.0m	-£ 3.4m
Total	£ 60.0m	£ 66.4m	£ 6.1m	£ 5.9m

Commenting on these results Chairman Harold Cottam said "It has been a successful year for Rebus... the strong performance of our core businesses has been important in a year in which Rebus incurred a one-off increase in costs of £1.1m as a result of moving to plc status... We now have a platform for profitable future growth".

We remain perplexed as to why Rebus has had such a poor market reception. After reaching a high of 116p in May 96, the shares at the end of June stood at just 65p. That's a 26% discount to the spin out price and a P/E of just 14.

EDS

It really does look as if EDS' growth in the UK market is unstoppable. Not content with a near 50% increase in UK SCSI revenues to £765m in 1996, more new outsourcing contracts seem to be announced daily.

The one that really caught our eye this month was the 8 year/\$500m deal with **Digital** "to assume responsibility for the customer administration function at DEC's Multivendor Customer Services" unit (i.e. maintenance). This account will be managed out of the EDS London office. 800 DEC staff will transfer - 400 of these in Europe.

But where does this leave DEC UK's own outsourcing activity? After all we would be surprised if IBM or ICL outsourced such an activity!

The response from DEC's Chris Stone (an ex-EDS manager) was very interesting. Ironically DEC UK has won outsourcing contracts with GM (EDS' ex-parent) recently as well as new deals with Amex and Kelloggs. We got the impression that DEC would not be interested in this "business process" type of contract and that, anyway, the margins were pretty slim.

Readers know of our concern about the profit margins at these larger contracts. Certainly, EDS' margins have been slipping and will continue to do so as their GM business becomes more competitively priced. Conversely the highest margins are achieved by the likes of Capita, ITnet, Sema etc. which have tended to concentrate on the smaller deals.

EDS buys Citymax

EDS is also close to concluding its purchase of **Citymax Integrated Information Systems**, a subsidiary of **Credit Suisse First Boston**. Citymax will be known to many of our readers. It was formed from the IT department of Buckmaster & Moore in 1985. B&M was subsequently bought by Credit Suisse in 1987 and the remaining Citymax stake was purchased in 1993. Apart from their lead position in the CREST systems market, we were fascinated by their software factory in Cairo. Citymax has revenues in excess of £20m and over 300 staff worldwide. Unfortunately no terms were available.

And Andersen just "buys" outsourcing business

When bids for similar work ranged from £125m (CSC) to £146m (EDS/Sema) then we can but agree with the National Audit Office that the £45m bid from Andersen Consulting represents "strikingly good value" for the taxpayer.

This is the case in the recent NI recording system contract from the Contributions Agency. "Essentially what we did was put a value on all that and took a £100m cut on our bid on the basis that it will provide future business" according to Ian Whatmore of Andersen.

Xavier - maiden results

Xavier Computer Group came onto the AIM market in July 1996 at 10p. It is a reasonably new operation being put together by acquisitions - the most notable being **Bleasdale** and **CSL**.

In the year to 31st Mar. 97, revenue was £8.96m with a PBT of £582K. Comparisons with previous figures are, quite frankly, meaningless. "Business levels and margins in all three divisions are in line with budget". Hardly wildly optimistic. The shares ended June on 10p - unchanged from the original issue price.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc				Division Group plc					
REV	Final - Dec 95 £ 85,480,000	Final - Dec 96 £ 90,819,000	Comparison +38.7%	REV	Final - Oct 95 £ 4,830,000	Final - Oct 96 £ 4,800,000	Comparison +1.4%		
PBT	£ 9,832,000	£ 11,243,000	+14.4%	PBT	-£ 3,893,000	-£ 1,678,000	Loss both		
EPS	10.72p	11.60p	+8.2%	EPS	-9.20p	-3.80p	Loss both		
AFA Systems plc				Druid Group plc					
REV	Final - Dec 95 (5 mos) £ 0	Final - Dec 96 £ 364,000	Comparison n/a	REV	Interim - Dec 95 £ 4,562,000	Final - Jun 96 £ 12,013,000	Interim - Dec 96 £ 9,384,000	Comparison +105.7%	
PBT	-£ 121,000	-£ 913,000	Loss both	PBT	£ 867,000	£ 3,011,000	£ 1,800,000	+107.6%	
EPS	-1.62p	-10.50p	Loss both	EPS	2.03p	6.69p	4.51p	+122.2%	
AIT plc				Eidos plc					
REV	Final - Mar 96 £ 7,495,000	Final - Mar 97 £ 10,675,000	Comparison +42.4%	REV	Final - Mar 96 £ 3,708,000	Final - Mar 97 £ 75,531,000	Comparison not comparable		
PBT	£ 1,122,000	£ 1,546,000	+37.8%	PBT	-£ 1,949,000	£ 2,626,000	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					
REV	Interim - Oct 95 £ 128,957,000	Final - Apr 96 £ 282,838,000	Interim - Oct 96 £ 103,533,000	Comparison -19.7%	REV	Interim - Mar 96 £ 7,894,000	Final - Sep 96 £ 14,267,000	Interim - Mar 97 £ 6,490,000	Comparison -17.8%
PBT	-£ 14,594,000	-£ 19,378,000	-£ 63,454,000	Loss both	PBT	£ 1,505,000	£ 2,519,000	£ 803,000	-46.6%
EPS	-6.30p	-8.40p	-27.40p	Loss both	EPS	3.93p	6.64p	2.01p	-48.9%
Azlan Group plc				F.I. Group plc					
REV	Interim - Sep 95 £ 72,718,000	Final - Mar 96 £ 196,459,000	Interim - Sep 96 £ 126,464,000	Comparison +73.9%	REV	Interim - Oct 95 £ 37,420,000	Final - Apr 96 £ 78,824,000	Interim - Oct 96 £ 46,254,000	Comparison +23.6%
PBT	£ 4,445,000	£ 10,507,000	£ 6,034,000	+35.7%	PBT	£ 2,089,000	£ 3,763,000	£ 2,805,000	+34.3%
EPS	13.60p	30.30p	15.00p	+10.3%	EPS	4.90p	7.70p	6.00p	+22.4%
Cadcentre Group plc				Flomerics Group plc					
REV	Final - Mar 95 £ 11,941,000	Final - Mar 96 £ 14,196,000	Comparison +18.9%	REV	Final - Dec 95 £ 4,147,187	Final - Dec 96 £ 5,332,409	Comparison +28.6%		
PBT	£ 556,000	£ 1,669,000	+200.2%	PBT	£ 415,565	£ 477,885	+15.0%		
EPS	n/a	n/a	n/a	EPS	11.00p	12.30p	+11.8%		
Capita Group plc				Gresham Computing plc					
REV	Final - Dec 95 £ 86,994,000	Final - Dec 96 £ 111,869,000	Comparison +28.6%	REV	Final - Oct 95 £ 7,895,000	Final - Oct 96 £ 9,271,000	Comparison +17.4%		
PBT	£ 9,420,000	£ 12,292,000	+30.5%	PBT	£ 1,281,000	£ 1,682,000	+31.3%		
EPS	11.80p	14.30p	+21.2%	EPS	2.36p	3.15p	+33.5%		
Cedardata plc				Harvey Nash Group plc					
REV	Final - Mar 96 £ 12,071,000	Final - Mar 97 £ 10,363,000	Comparison -14.1%	REV	Final - Dec 95 £ 23,289,000	Final - Dec 96 £ 36,321,000	Comparison +55.9%		
PBT	£ 4,384,000	£ 1,589,000	-63.8%	PBT	£ 1,056,000	£ 797,000	-24.5%		
EPS	9.50p	3.60p	-62.1%	EPS	2.60p	1.80p	-30.8%		
CFS Group plc				Highams Systems Services Group plc					
REV	Final - Dec 95 £ 2,986,520	Final - Dec 96 £ 4,569,000	Comparison +53.0%	REV	Final - Mar 96 £ 13,227,496	Final - Mar 97 £ 16,394,589	Comparison +23.9%		
PBT	£ 384,675	£ 552,000	+43.5%	PBT	£ 899,067	£ 878,707	-2.3%		
EPS	4.77p	6.44p	+35.0%	EPS	7.20p	7.00p	-2.8%		
Chemical Design Holdings plc				INSTEM plc					
REV	Final (PF) - Dec 95 £ 1,811,407	Final - Dec 96 £ 2,546,000	Comparison +40.6%	REV	Final - Dec 95 £ 21,324,000	Final - Dec 96 £ 22,947,000	Comparison +7.6%		
PBT	£ 160,000	£ 515,000	+221.9%	PBT	£ 1,244,000	£ 1,321,000	+6.2%		
EPS	2.64p	6.77p	+156.4%	EPS	18.10p	18.80p	+3.9%		
Clinical Computing plc				Intelligent Environments Group plc					
REV	Final - Dec 95 £ 2,187,131	Final - Dec 96 £ 1,979,690	Comparison -9.5%	REV	Final - Dec 95 £ 4,050,928	Final - Dec 96 £ 3,475,554	Comparison -14.2%		
PBT	-£ 714,879	-£ 2,079,530	Loss both	PBT	£ 202,000	-£ 1,379,256	Profit to loss		
EPS	-4.40p	-12.30p	Loss both	EPS	1.10p	-7.10p	Profit to loss		
CMG plc				JBA Holdings plc					
REV	Final - Dec 95 £ 196,484,000	Final - Dec 96 £ 245,159,000	Comparison +24.8%	REV	Final - Dec 95 £ 123,221,000	Final - Dec 96 £ 161,810,000	Comparison +31.3%		
PBT	£ 18,460,000	£ 27,522,000	+49.1%	PBT	£ 7,242,000	£ 11,259,000	+55.5%		
EPS	18.20p	27.40p	+50.5%	EPS	13.14p	18.26p	+39.0%		
Coda Group plc				Kalamazoo Computer Group plc					
REV	Interim - Apr 96 £ 15,264,000	Final - Oct 96 £ 33,889,000	Interim - Apr 97 £ 19,962,000	Comparison +30.8%	REV	Interim - Sep 95 £ 32,358,000	Final - Mar 96 £ 66,665,000	Interim - Sep 96 £ 35,218,000	Comparison +8.8%
PBT	-£ 3,688,000	-£ 4,899,000	£ 60,000	Loss to profit	PBT	£ 2,012,000	£ 5,882,000	£ 2,340,000	+16.3%
EPS	-13.90p	-18.80p	0.20p	Loss to profit	EPS	3.66p	10.20p	3.72p	+1.6%
Comino plc				Kewill Systems plc					
REV	Final - Mar 96 £ 4,798,000	Final - Mar 97 £ 7,792,000	Comparison not comparable	REV	Final - Mar 96 £ 35,242,000	Final - Mar 97 £ 41,348,000	Comparison +17.3%		
PBT	£ 871,000	£ 1,420,000	not comparable	PBT	£ 6,061,000	£ 7,425,000	+22.5%		
EPS	n/a	9.95p	not comparable	EPS	33.70p	40.50p	+20.2%		
Compel Group plc				Logica plc					
REV	Interim - Dec 95 £ 40,421,000	Final - Jun 96 £ 85,620,000	Interim - Dec 96 £ 39,542,000	Comparison -2.2%	REV	Interim - Dec 95 £ 128,919,000	Final - Jun 96 £ 284,810,000	Interim - Dec 96 £ 147,861,000	Comparison +14.7%
PBT	£ 1,441,000	£ 3,235,000	£ 1,696,000	+17.7%	PBT	£ 9,035,000	£ 24,710,000	£ 10,632,000	+17.7%
EPS	6.06p	13.60p	7.09p	+17.0%	EPS	9.80p	27.10p	11.70p	+19.4%
CRT Group plc				London Bridge Software Holdings plc					
REV	Interim - Oct 95 £ 48,079,000	Final - Apr 96 £ 103,282,000	Interim - Oct 96 £ 55,497,000	Comparison +15.4%	REV	Final - Dec 95 £ 2,736,820	Final - Dec 96 £ 6,306,376	Comparison +130.4%	
PBT	£ 1,748,000	£ 6,515,000	£ 3,367,000	+92.6%	PBT	£ 805,586	£ 2,499,071	+210.2%	
EPS	1.71p	5.70p	2.40p	+40.4%	EPS	2.82p	8.26p	+192.9%	
DCS Group plc				Lorien plc					
REV	Interim - Dec 95 £ 14,335,000	Final - Jun 96 £ 30,482,000	Final (6 mos) - Dec 96 £ 19,095,000	Comparison +33.2%	REV	Final - Nov 95 £ 29,109,000	Final - Nov 96 £ 45,706,000	Comparison +57.0%	
PBT	£ 1,204,000	£ 2,366,000	£ 1,870,000	+55.3%	PBT	£ 971,000	£ 1,481,000	+52.5%	
EPS	4.27p	8.31p	6.21p	+45.4%	EPS	12.10p	11.80p	-2.5%	
DRS Data & Research Services plc				Lynx Holdings plc					
REV	Final - Dec 95 £ 6,468,000	Final - Dec 96 £ 4,822,000	Comparison -25.4%	REV	Interim - Mar 96 £ 38,133,000	Final - Sep 96 £ 87,644,000	Interim - Mar 97 £ 53,915,000	Comparison +41.4%	
PBT	£ 594,000	-£ 1,734,000	Profit to loss	PBT	£ 2,069,000	£ 6,953,000	£ 3,710,000	+79.3%	
EPS	1.33p	-3.43p	Profit to loss	EPS	1.73p	5.36p	2.58p	+49.1%	
Delphi Group plc				M.A.I.D. plc					
REV	Final - Dec 95 £ 175,008,000	Final - Dec 96 £ 210,635,000	Comparison +20.4%	REV	Final - Dec 95 £ 13,642,000	Final - Dec 96 £ 21,443,000	Comparison +57.2%		
PBT	£ 9,015,000	£ 12,302,000	+36.5%	PBT	-£ 4,045,000	£ 7,034,000	Both loss		
EPS	25.42p	33.05p	+30.0%	EPS	-4.42p	-7.82p	Both loss		
Diagonal plc				MMT Computing plc					
REV	Final - 26 Nov 95 £ 19,171,796	Final - 24 Nov 96 £ 28,326,000	Comparison +47.7%	REV	Interim - Feb 96 £ 8,255,000	Final - Aug 96 £ 18,881,201	Interim - Feb 97 £ 10,703,000	Comparison +29.7%	
PBT	£ 1,140,275	£ 2,007,000	+76.0%	PBT	£ 2,372,000	£ 4,531,686	£ 2,424,000	+2.2%	
EPS	3.50p	7.10p	+102.9%	EPS	13.00p	24.60p	13.30p	+2.3%	

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

M-R Group plc				Rebus Group plc					
	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison		Final - Mar 96	Final - Mar 97	Comparison	
REV	£ 18,560,000	£ 38,361,000	£ 18,509,000	-0.3%	REV	£ 60,040,000	£ 65,436,000	+9.0%	
PBT	£ 2,174,000	£ 4,810,000	£ 2,354,000	+8.3%	PBT	£ 1,969,000	£ 5,808,000	+195.0%	
EPS	2.60p	5.70p	2.90p	+11.5%	EPS	0.33p	4.61p	+1297.0%	
McDonnell Information Systems Group plc				Recognition Systems Group plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison
REV	£ 79,145,000	£ 148,805,000	£ 60,540,000	-23.5%	REV	£ 245,000	£ 324,000	£ 326,000	+33.1%
PBT	£ 1,673,000	£ 39,420,000	£ 9,213,000	Loss both	PBT	£ 292,000	£ 1,266,000	£ 1,128,000	Loss both
EPS	-2.30p	-37.02p	-9.39p	Loss both	EPS	-1.40p	-5.50p	-4.20p	Loss both
Macro 4 plc				Riva Group plc					
	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison		Final - Dec 95	Final - Dec 96	Comparison	
REV	£ 12,635,000	£ 25,317,000	£ 11,747,000	-7.0%	REV	£ 73,022,000	£ 84,438,000	+15.8%	
PBT	£ 5,956,000	£ 12,147,000	£ 5,135,000	-13.8%	PBT	£ 182,000	£ 518,000	+184.6%	
EPS	17.90p	37.50p	16.50p	-7.8%	EPS	0.10p	0.90p	+800.0%	
Micro Focus plc				Rolfe & Nolan plc					
	Final - Jan 96	Final - Jan 97	Final - Jan 97	Comparison		Final - Feb 96	Final - Feb 97	Comparison	
REV	£ 77,258,000	£ 73,089,000	£ 73,089,000	-5.4%	REV	£ 17,128,000	£ 20,299,000	+18.5%	
PBT	£ 6,542,000	£ 5,809,000	£ 5,809,000	Loss both	PBT	£ 2,517,000	£ 2,768,000	+9.6%	
EPS	-43.60p	-48.00p	-48.00p	Loss both	EPS	12.33p	14.50p	+17.6%	
Microgen Holdings plc				Romtec plc					
	Final - Oct 95	Final - Oct 96	Final - Oct 96	Comparison		Final - Jan 96	Final - Jan 97	Comparison	
REV	£ 69,029,000	£ 73,391,000	£ 73,391,000	+6.3%	REV	£ 3,731,187	£ 4,734,877	+26.9%	
PBT	£ 8,383,000	£ 8,783,000	£ 8,783,000	+4.8%	PBT	£ 257,430	£ 326,125	+26.7%	
EPS	14.80p	15.10p	15.10p	+2.0%	EPS	3.60p	4.30p	+19.4%	
Microvitec plc				Royalblue Technologies plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Final - Dec 95	Final - Dec 96	Comparison	
REV	£ 55,050,000	£ 65,176,000	£ 65,176,000	+18.4%	REV	£ 7,229,000	£ 11,679,000	+61.6%	
PBT	£ 3,411,000	£ 461,000	£ 461,000	-86.5%	PBT	£ 1,104,000	£ 2,016,000	+82.6%	
EPS	3.14p	0.21p	0.21p	-93.3%	EPS	2.60p	4.60p	+76.9%	
Misys plc				Sage Group plc					
	Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparison		Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison
REV	£ 129,528,000	£ 279,867,000	£ 142,809,000	+10.3%	REV	£ 71,836,000	£ 138,236,000	£ 73,554,000	+2.4%
PBT	£ 19,216,000	£ 50,437,000	£ 23,665,000	+23.2%	PBT	£ 16,116,000	£ 30,053,000	£ 19,286,000	+19.7%
EPS	16.90p	44.00p	20.30p	+20.1%	EPS	9.92p	18.50p	12.03p	+21.3%
Mondas plc				Sanderson Electronics plc					
	Final - Apr 95	Final - Apr 96	Final - Apr 96	Comparison		Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison
REV	£ 133,300	£ 134,176	£ 134,176	+0.7%	REV	£ 90,583,000	£ 81,385,000	£ 83,408,000	+9.2%
PBT	£ 232,066	£ 167,966	£ 167,966	Loss both	PBT	£ 3,317,000	£ 6,201,000	£ 3,604,000	+5.6%
EPS	n/a	n/a	n/a	n/a	EPS	5.80p	10.10p	5.90p	+11.3%
Moorepay Group plc				SBS Group Holdings plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Final - Aug 95	Final - Aug 96	Comparison	
REV	£ 4,532,538	£ 5,118,415	£ 5,118,415	+10.3%	REV	£ 13,293,162	£ 15,187,558	+14.3%	
PBT	£ 1,142,110	£ 1,327,894	£ 1,327,894	+16.3%	PBT	£ 341,562	£ 125,661	-63.2%	
EPS	10.22p	11.56p	11.56p	+13.1%	EPS	n/a	n/a	n/a	
MSB International plc				Sema Group plc					
	Final - Jan 96	Final - Jan 97	Final - Jan 97	Comparison		Final - Dec 95	Final - Dec 96	Comparison	
REV	£ 38,555,000	£ 68,755,000	£ 68,755,000	+80.9%	REV	£ 877,726,000	£ 928,965,000	+58.8%	
PBT	£ 3,420,000	£ 5,431,000	£ 5,431,000	+58.8%	PBT	£ 36,927,000	£ 50,019,000	+35.5%	
EPS	12.00p	17.60p	17.60p	+46.7%	EPS	24.25p	30.94p	+27.6%	
OmniMedia plc				Sherwood International plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Final - Dec 95	Final - Dec 96	Comparison	
REV	£ 275,275	£ 1,003,861	£ 1,003,861	+264.7%	REV	£ 28,248,000	£ 24,628,000	-12.8%	
PBT	£ 1,684,980	£ 2,314,967	£ 2,314,967	Loss both	PBT	£ 6,850,000	£ 2,065,000	-69.9%	
EPS	-9.97p	-10.10p	-10.10p	Loss both	EPS	66.20p	18.80p	-71.6%	
On Demand Information plc				Skillsgroup plc					
	Interim - Jan 96	Final - Jul 96	Interim - Jan 97	Comparison		Final - Nov 95	Final - Nov 96	Comparison	
REV	£ 5,877,000	£ 11,429,000	£ 5,801,000	-1.3%	REV	£ 341,990,000	£ 344,337,000	+0.7%	
PBT	£ 1,284,000	£ 2,900,000	£ 2,291,000	Loss both	PBT	£ 12,574,000	£ 14,277,000	+13.5%	
EPS	-2.50p	-5.60p	-4.20p	Loss both	EPS	11.00p	12.70p	+15.5%	
Oxford Molecular plc				Spargo Consulting plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Final - Dec 95	Final - Dec 96	Comparison	
REV	£ 6,173,000	£ 9,786,000	£ 9,786,000	+58.3%	REV	£ 7,379,000	£ 7,853,000	+6.4%	
PBT	£ 3,693,000	£ 1,849,000	£ 1,849,000	Loss both	PBT	£ 902,000	£ 1,204,000	+33.5%	
EPS	-7.20p	-3.30p	-3.30p	Loss both	EPS	4.43p	6.17p	+39.3%	
Parity plc				Staffware plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Final - Dec 95	Final - Dec 96	Comparison	
REV	£ 127,711,000	£ 162,091,000	£ 162,091,000	+26.9%	REV	£ 4,267,360	£ 10,009,325	+134.6%	
PBT	£ 6,540,000	£ 10,060,000	£ 10,060,000	+53.8%	PBT	£ 535,213	£ 873,879	+63.3%	
EPS	10.34p	15.81p	15.81p	+52.9%	EPS	3.90p	5.60p	+43.6%	
Pegasus Group plc				Superscape VR plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Interim - Jan 96	Final - Jul 96	Interim - Jan 97	Comparison
REV	£ 6,426,000	£ 7,914,000	£ 7,914,000	+23.2%	REV	£ 1,589,000	£ 3,888,000	£ 1,901,000	+19.8%
PBT	£ 893,000	£ 1,160,000	£ 1,160,000	+29.9%	PBT	£ 897,000	£ 2,873,000	£ 3,128,000	Loss both
EPS	10.30p	15.40p	15.40p	+49.5%	EPS	-13.10p	-37.90p	-37.40p	Loss both
Persona plc				Systems Integrated Research plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparison
REV	£ 53,375,000	£ 148,875,000	£ 148,875,000	+175.2%	REV	n/a	£ 1,248,000	£ 507,000	n/a
PBT	£ 2,832,000	£ 6,009,000	£ 6,009,000	+112.2%	PBT	n/a	£ 642,000	£ 1,194,000	n/a
EPS	14.41p	17.20p	17.20p	+19.4%	EPS	n/a	-5.80p	-9.10p	n/a
PhoneLink plc				Total Systems plc					
	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison		Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison
REV	£ 2,103,000	£ 4,356,000	£ 2,155,000	+2.5%	REV	£ 1,273,331	£ 2,892,802	£ 1,477,822	+16.1%
PBT	£ 2,712,000	£ 6,711,000	£ 3,152,000	Loss both	PBT	£ 54,488	£ 222,329	£ 185,587	Loss to profit
EPS	-7.30p	-17.30p	-6.70p	Loss both	EPS	-0.44p	1.60p	1.33p	Loss to profit
Proteus International plc				Trace Computers plc					
	Final - Mar 96	Final - Mar 97	Final - Mar 97	Comparison		Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparison
REV	£ 1,063,000	£ 573,000	£ 573,000	-46.1%	REV	£ 10,269,000	£ 20,534,553	£ 9,787,000	-5.2%
PBT	£ 5,395,000	£ 3,824,000	£ 3,824,000	Loss both	PBT	£ 50,000	£ 5,135,296	£ 145,000	Loss to profit
EPS	-14.53p	-7.31p	-7.31p	Loss both	EPS	-0.35p	-35.88p	1.03p	Loss to profit
Quality Software Products Holdings plc				Triad Group plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Final - Mar 96	Final - Mar 97	Comparison	
REV	£ 21,385,842	£ 25,360,189	£ 25,360,189	+18.6%	REV	£ 11,580,000	£ 18,827,000	+61.2%	
PBT	£ 502,697	£ 28,480	£ 28,480	-94.3%	PBT	£ 2,131,000	£ 2,658,000	+24.6%	
EPS	5.20p	0.20p	0.20p	-96.2%	EPS	7.09p	7.25p	+2.3%	
RM plc				Vega Group plc					
	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparison		Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison
REV	£ 45,162,000	£ 99,032,000	£ 48,965,000	+8.4%	REV	£ 7,280,000	£ 16,032,000	£ 8,828,000	+21.8%
PBT	£ 1,322,000	£ 6,806,000	£ 1,683,000	+27.3%	PBT	£ 1,271,000	£ 3,452,000	£ 1,405,000	+10.5%
EPS	5.00p	25.80p	6.30p	+26.0%	EPS	5.90p	16.16p	6.35p	+7.6%
Radius plc				Xavier Computer Group plc					
	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison		Period - Mar 96	Final - Mar 97	Comparison	
REV	£ 26,052,000	£ 27,267,000	£ 27,267,000	+4.7%	REV	£ 457,000	£ 8,861,457	not comparable	
PBT	£ 1,809,000	£ 1,591,000	£ 1,591,000	-12.1%	PBT	£ 86,000	£ 582,000	Loss to profit	
EPS	4.37p	4.05p	4.05p	-7.3%	EPS	-0.13p	0.82p	Loss to profit	
Rage Software plc				Zergo Holdings plc					
	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparison		Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparison
REV	£ 4,139,000	£ 9,504,000	£ 3,975,000	-4.0%	REV	£ 4,005,000	£ 8,483,877	£ 4,671,000	+16.6%
PBT	£ 1,226,000	£ 3,224,000	£ 1,752,000	Loss both	PBT	£ 479,000	£ 214,699	£ 237,000	Loss to profit
EPS	-0.44p	-1.34p	-0.65p	Loss both	EPS	-5.47p	n/a	1.81p	Loss to profit
Real Time Control plc				WS Atkins					
	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparison	WS Atkins says it "intends to develop considerably in the private sector facilities management market" and says it already does work for 70 of the FTSE100 companies.				
REV	£ 5,325,000	£ 11,903,000	£ 6,314,000	+18.6%					
PBT	£ 742,000	£ 2,207,000	£ 1,156,000	+55.8%					
EPS	7.10p	20.80p	11.00p	+54.9%					

UK M&A

Hutchinson Smith "one of the UK's top IT resourcing companies" and #6 in our rankings of IT agencies, has acquired **Redfern Consultancy** for an undisclosed sum. Redfern's activities include providing consultancy to police forces throughout the UK. The latest filed financial accounts for Redfern as at 31st Dec. 95 show revenue of £1.7m and a PBT of £193K.

Eidos has increased its £8.7m investment in **Opticom** of Norway to c15%. **Oracle** has bought **BP's** ISP oil production software. **Calidore Group** has announced that it intends to buy an unnamed software company "that operates in the UK, Australia and New Zealand".

Diagonal has acquired **Sequelologic** for what appears to be a rather low £2.15m. Sequelologic provides specialised services in support of Oracle products and made £242K PBT on revenue of £8.6m in 1996.

US **Manugistics** has acquired **Synchronized Manufacturing** for an undisclosed sum. SM are consultants on constraint-based planning. **Admiral** has acquired healthcare consultancy **Thor Strix** for £20K.

Rolfe & Nolan has acquired **Hudson Consulting Ltd** for £261K. **Lorien** has acquired **The Professional Development Network (PDN)** (consultancy, development and training) for up to £2m (£1m now - £1m in 18 months). PDN made rev. of £1.5m and PBT of £122K to 31st Dec. 97. "Profits after adjustment for shareholder remuneration, were about £410K".

Delphi's Interskill operation has acquired **Software AG's** Computer Based training activities. "Revenues from Interskill CBT are expected to exceed £3m in 1997".

Microgen has acquired the **Transactional Business Services Division** of **Kenrick & Jefferson** for £6.15m - £3.9m cash now, £500K lease obligation + £1.75m deferred for 12 months. TBS, which provides printing outsourcing services, had revenues of £6.1m and "made a small loss" in 1996.

MDIS - shares suspended after warning

On 1st July, as we went to press, **McDonnell IS (MDIS)** shares were suspended. Earlier in June MDIS issued its fifth profits warning since it floated three years ago in Mar. 94 at 260p. Not surprisingly, the share price crashed to 24p at the end of June. That's a 91% discount on the new issue price and down another 32% in the month.

MDIS warns of "very substantial losses" for the year to 31st Dec. 96 because of being "saddled with delivering on old software development contracts". As brokers had expected losses of c£12m, it will now obviously be a lot more! Close Brothers has been appointed as new financial advisers and charged with putting together a refinancing plan "as a matter of urgency" and this will be announced "within the next few weeks".

But CEO John Klein had earlier told us that he still expected the 1997 results to show a breakeven situation as "full provision should be made in the 1996 accounts" and "no more disposals".

At the same time as the profits warning, MDIS announced a JV (64% MDIS) with **Fujitsu** (36%) over its **CHESS** business in the US. Fujitsu will contribute \$25m (\$10m deferred) with the option to increase its stake in 1999 to 51%. CHESS had rev. of £16.9m and OP of £3.2m in 96.

Comment. MDIS has wreaked havoc on the reputation of the whole UK SCSI sector. The best solution is still that MDIS gets taken over...the sooner the better in our view.

Financial Objects - launches its "Porsche"

In the Sept. 96 issue of *System House*, we wrote an article on **Financial Objects plc**, a new company set up by Roger Foster (of ACT fame) and Jess Dorrell (former ACT marketing director). At the time, we said that Foster was more than capable of giving **Misys** a run for their money in the banking and financial services software market - especially after the acquisition by FO of **Ibis** for c£4m.

We do not normally comment on product launches but were struck by Foster's statement (as reported in *Computergram*, 6th June) that his vision of his latest venture with FO was "more of a Porsche than a General Motors". The company has now released applications costing c£40K each. We await with great interest the first set of financial statements for Financial Objects for the period ending 31st. Dec. 97.

Microsoft and the UK

After ten years bemoaning US companies stealing all the best UK talent and taking over our best companies only to relocate development operations back to the States, we were absolutely delighted to learn that **Microsoft** is to set up a research facility in Cambridge - their first outside the US. Gates is poised to make a "personal" contribution and the investment is estimated at £50m over a five year period. About 40 research staff are expected within three years. Microsoft also plans to invest a further £10m in small hi-tech. start ups.

We have nothing against the support centres which most US companies establish in the UK. But an MS development centre will act as a magnet for other. A "cluster" will develop, just like you see in Seattle or, before that, in Palo Alto. This will dispense with the last remaining relocation reason - "Well we have to be where the other developers are". The other developers will now flock to Cambridge too. The "knock-on" effect will be substantial. To be fair, Microsoft has always highly valued its UK scientists and programmers. A UK base will allow the company to work with Europeans without falling foul of US immigration rules.

Microsoft shouldn't have any problems attracting personnel - quite the reverse. But this could highlight the present skills shortage and continue to drive up staff rates.

... and 300+ new jobs in Belfast

Having been to Belfast on several occasions in an effort to help them attract more inward investment, we were equally delighted to learn that **Information Management Resources** of Florida is planning a new development centre in Belfast. This is its first centre outside the US, apart from India.

The centre will provide an estimated 311 jobs over the next three years and will provide a much needed boost to NI as a software development centre for both local and international firms.

GE Capital buys three

GE Capital IT Solutions, the world's largest PC dealer, has purchased UK dealer **Systems International** (1996 sales c£43m) for an undisclosed sum. They also bought Austrian dealer **Management Data**. As far as the UK is concerned, GE with a potential run rate of c£120m, will be in 7th or 8th place in the dealer rankings - but well behind the #1 Computacenter. GE intends to expand further in 3/6 months time in Europe (it is already #1 in Germany) with the purchase of Austrian **Computer Services**. (Source - PC Europa).

Half term Report Card

Top Ten Share Increases in 1997		
1	Micro Focus	87%
2	Trace	74%
3	JBA Holdings	65%
4	London Bridge	62%
5	Moorepay	58%
6	CMG	56%
7	Capita	45%
8	Sherwood	43%
9	Coda	34%
10	Clinical Computing	32%

wiped out - compared with a 12% increase in the FTSE 100 in the same period. But it gets worse...our SCSI Index is now some 12% off its all time high in Feb. 97.

Now for any disgruntled readers...we have "foretold" this for the last 18 months. We have off-repeated that SCSI valuations reached their peak in 1996.

It is interesting to note that the best share price performer was **Micro Focus** - which had gained the distinction of being the worst performer not

Readers of a nervous disposition should stop reading now.

Our SCSI Index fell by another 3% in June. That means that all the gains of 1997 have been

too long ago. If you exclude them and the other recovery stocks, the best "real" performances were from

Moorepay, JBA and new comer **London Bridge**.

At the other end of the scale two receiverships (**Virtuality** and **Wakebourne**) hardly helped the

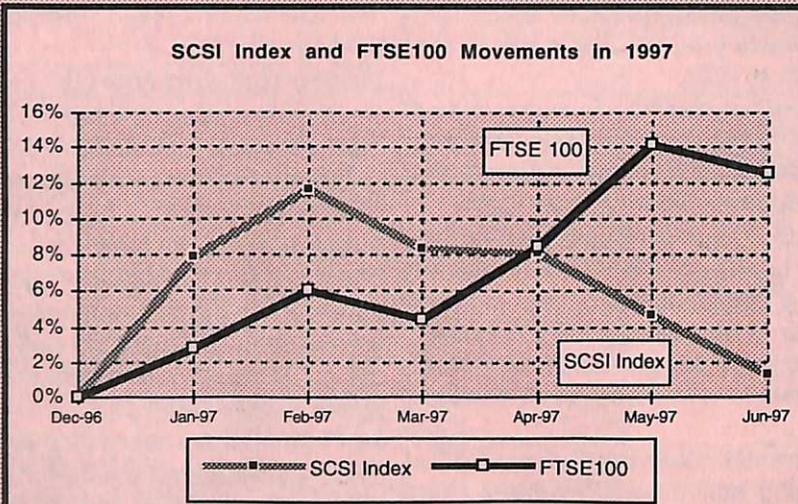
SCSI Index. But stocks like **SiR** and **Superscape** prove that companies do not actually have to go broke for investors to lose their

Top Ten Share Decreases in 1997		
1	Virtuality	-100%
2	Wakebourne	-100%
3	Superscape	-81%
4	Cedardata	-72%
5	OmniMedia	-68%
6	On Demand	-67%
7	Rage	-65%
8	Systems Integrated	-51%
9	Microvitec	-46%
10	Sanderson Electronics	-38%

The future?

"Sell in May and go away?" Strangely the refrain "If you've got to go, **Go Now...** or else you'll have to stay all night." from the 1960s *beat combo* Manfred Mann started to play in our head.

And we all know what happens to those who "stay all night"...



HIGHAMS SYSTEMS SERVICES GROUP

Highams was a new float on AIM at 72p in Dec. 96. They specialise in the provision of consultants and development resources to the financial services sector.

Results for the year to 31st Mar. 97 were pretty much in line with expectations at the time of the float. Although revenues were up 24% at £16.4m, PBT (largely as anticipated at the time of the float) was static at £879K as was EPS.

It was actually a rather upbeat statement. The number of contractors out with clients was up 39% and "the market for all our services is strong and this is predicted to continue for the next three years at least" said John Higham (quoting Holway forecasts).

Coda... "Back on track?"

Let's face it our reporting of **Coda** over the years has been pretty misleading. Everytime we write "Coda back in profit", they issue another profits warning. So please bear this in mind when you read the following...

Coda has announced a return to profit (albeit just £60K) in the six months to 30th Apr. 97. This compares with a loss of £3.7m last time. Revenues were up 31% at £20m with open client/server-related revenues up 79% to £12.8m. Indeed overall licence revenues - always a good pointer to a products company's future performance - were up a massive 53%. But Coda still makes 56% of its revenues from support and services.

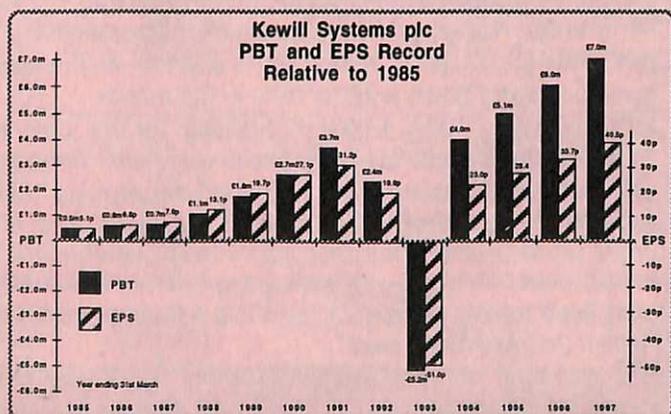
US revenues were up 46% (at £6m) although the UK (up 32% at £8.2m) was no slowcoach either.

CEO Robert Brown told us "Coda is back on track to produce consistent profits". Anyway, Coda shares were up 9% at 145p this month on the news.

Kewill seems to be doing well...again

Kewill Systems has announced revenues up 18% at £41.3m (although £4m of this was from the acquisitions of Process Computing and Meadowhouse). PBT, however, was up 22.5% at £7.4m - a rather tasty 18% margin - and EPS was up 20%.

The blip on the chart below was caused by the acquisition of Weigang in Germany. Indeed, the German CAD operation is *still* causing trading problems for Kewill. This was not helped by the strength of Sterling either.



Elsewhere, Manufacturing Systems (the bedrock of Kewill) seems to have done particularly well in the US and the newly formed Warehouse Management Systems "enjoyed record trading results".

As readers know, Andy Roberts (ex-Data Sciences) joined as a NED in April. We had expected him to take over from Chairman Kevin Overstall, but we now have our doubts.

Kewill shares have been one of the better performers. They ended June 96 on 451p but had increased by 43% to end June 97 on 646p.

Another bad month for SCSI stocks (see half term review on p8) Although **Phonelink** (up 53%) and **On Demand** (up 25%) did well, they were both recovering from previous falls. Indeed **On Demand** is still 66% lower than at the start of the year. However, newcomer **Royalblue** rose 22% in its first month and is now on a P/E of 52! **Micro Focus** also put on 19% and is the year's best performing share.

Omnimedia fell 50% (p11) and attained the distinction of becoming the first SCSI stock valued at <£1m. **Superscape** sank by another 38% and **MDIS** had already fallen by 32% before their shares were suspended.

30-Jun-97		SCSI Index			2686.81
		FTSE 100			4604.60
		BDO AIM			1421.20
		FTSE SmallCap			2225.24
SCSI Index = 1000 on 15th April 1989					
Changes in Indices		SCSI Index	FTSE 100	BDO AIM Index	FTSE Small Cap
Month (30/5/97 - 30/6/97)		-3.21%	-1.45%	-1.72%	-3.20%
From 15th Apr 89		+168.68%	+124.22%		
From 1st Jan 90		+192.01%	+94.94%		
From 1st Jan 91		+279.56%	+113.14%		
From 1st Jan 92		+157.15%	+84.69%		
From 1st Jan 93		+68.60%	+61.76%		+60.39%
From 1st Jan 94		+60.93%	+34.70%		+19.08%
From 1st Jan 95		+79.22%	+50.21%		+27.42%
From 1st Jan 96		+18.96%	+24.81%	10.85%	+14.61%
From 1st Jan 97		+0.35%	+11.80%	4.83%	+1.93%

System House SCSI Share Prices and Capitalisation

	Share Price 30/6/97 (€p)	Capitalisation 30/6/97(€m)	Historic P/E	PSR Ratio Cap./Rev.	CSI Index 30/6/97	Share price % move since 30/5/97	Share price % move in 1997	Capitalisation move (€m) since 30/5/97	Capitalisation move (€m) in 1997
Admiral	£3.99	£252.20m	35.0	2.78	14421.26	-11.04%	9.32%	-£31.30m	£22.30m
AFA Systems	£1.23	£12.20m	Loss	33.89	1020.83	4.26%	-12.19%	£0.40m	-£1.70m
AIT	£1.51	£30.50m	28.3	n/a	1003.33	0.33%	0.33%	£0.10m	£0.10m
Anite	£0.35	£81.80m	Loss	0.31	201.75	-26.60%	-5.48%	-£29.60m	-£4.70m
Azlan	£5.55	£197.00m	17.7	1.00	2413.04	-7.88%	-2.20%	-£16.90m	-£3.90m
Cadcentre	£2.20	£36.50m	27.7	2.57	1100.00	-4.35%	-13.89%	-£1.70m	-£6.00m
Capita	£2.36	£440.10m	49.9	3.93	21216.22	-11.63%	45.37%	-£51.30m	£156.00m
Cedardata	£0.70	£22.20m	19.4	2.14	666.67	-22.65%	-72.00%	-£6.50m	-£57.00m
CFS	£1.03	£7.58m	15.4	1.66	1138.89	0.00%	22.75%	£0.00m	£1.40m
Chemical Design	£1.80	£11.70m	25.5	4.59	1636.36	-7.69%	24.14%	-£1.00m	£2.26m
Clinical Computing	£0.40	£9.91m	Loss	5.01	318.55	11.27%	31.67%	£1.00m	£2.38m
CMG	£13.13	£841.30m	48.0	3.43	4525.86	6.71%	56.25%	£52.90m	£302.90m
Coda	£1.45	£40.20m	Loss	1.19	614.89	9.06%	34.42%	£3.40m	£10.30m
Compel	£2.16	£56.00m	14.8	0.65	1724.00	-8.49%	22.10%	-£5.20m	£29.10m
Comino	£1.45	£15.90m	14.5	2.04	1111.54	1.40%	11.15%	£0.20m	£1.55m
CRT Group	£2.40	£339.10m	30.1	3.28	2661.11	-1.64%	-4.20%	-£3.70m	-£2.10m
DCS Group	£2.23	£45.30m	18.4	1.49	3708.33	-28.80%	-17.59%	-£17.50m	-£6.50m
Delphi Group	£7.50	£216.00m	22.7	1.03	3086.42	-6.54%	2.39%	-£15.10m	£5.00m
Diagonal	£3.35	£62.00m	43.6	2.19	1218.18	-13.88%	21.82%	-£10.00m	£11.10m
Division Group	£0.51	£22.20m	Loss	4.53	1262.50	18.82%	-8.18%	£3.50m	-£1.90m
DRS Data & Research	£0.29	£9.92m	Loss	2.06	263.64	-6.45%	-18.37%	-£0.68m	£1.54m
Druid	£3.95	£90.50m	35.2	7.54	1436.36	-5.95%	16.18%	-£5.70m	£12.70m
EDP	£0.69	£17.90m	14.4	1.25	2097.37	6.20%	-0.72%	£1.00m	-£0.20m
Eidos	£7.35	£124.20m	16.8	1.64	7350.00	-11.71%	1.73%	-£16.50m	£28.10m
FI Group	£5.22	£155.00m	42.3	1.97	2221.28	-4.22%	-8.18%	-£6.90m	-£13.80m
Flomerics	£1.40	£3.64m	11.4	0.68	1076.92	-6.67%	-34.88%	-£0.26m	-£1.87m
Gresham Computing	£0.47	£15.20m	14.8	1.64	500.00	-21.19%	-11.43%	-£4.10m	-£2.00m
Harvey Nash	£1.88	£52.30m	115.3	1.44	1071.43	-7.41%	7.14%	-£4.20m	£3.50m
Highams Systems	£1.25	£11.10m	18.3	0.68	1736.11	-3.85%	-8.42%	-£0.50m	-£1.00m
INSTEM	£1.58	£7.43m	8.5	0.32	1580.00	-9.71%	8.97%	-£0.62m	£0.76m
Intelligent Environments	£0.80	£17.90m	Loss	5.14	851.06	10.34%	23.08%	£1.70m	£3.40m
JBA Holdings	£8.75	£305.40m	46.5	1.89	5468.75	-7.89%	65.09%	-£26.20m	£124.70m
Kalamazoo	£0.78	£22.60m	8.0	0.34	2214.29	9.93%	-27.91%	£2.00m	-£8.40m
Kewill	£6.46	£82.00m	16.0	1.98	2553.36	1.73%	23.40%	£1.40m	£15.50m
Logica	£6.93	£442.50m	24.2	1.55	1897.26	-19.62%	-24.61%	-£108.00m	-£140.70m
London Bridge	£3.24	£76.00m	39.1	12.06	1617.50	-1.97%	61.75%	-£1.50m	£29.00m
Lorien	£3.24	£55.30m	27.5	1.21	3235.00	-10.76%	-3.72%	-£6.70m	£17.00m
Lynx Holdings	£0.95	£97.90m	15.7	1.12	2375.00	-14.80%	9.83%	-£17.10m	£13.20m
M-R Group	£0.99	£55.00m	17.4	1.43	390.87	12.57%	15.88%	£6.20m	£7.60m
Macro 4	£3.60	£70.90m	9.9	2.80	1451.61	-10.00%	-26.53%	-£7.90m	-£25.60m
MAID	£1.60	£148.70m	Loss	6.94	1450.00	-16.49%	-20.84%	-£29.30m	-£36.10m
McDonnell IS (MDIS)	£0.24	£24.60m	Loss	0.17	90.38	-31.88%	-28.79%	-£11.60m	-£10.00m
Micro Focus	£18.13	£279.10m	Loss	3.82	8756.04	18.85%	86.86%	£45.80m	£132.60m
Microgen	£1.63	£64.30m	10.8	0.88	694.44	-5.80%	8.33%	-£4.00m	£5.10m
Microvitec	£0.16	£12.20m	16.9	0.19	378.05	-21.52%	-45.61%	-£3.30m	-£10.20m
Misys	£13.63	£1,179.00m	28.8	4.21	3389.30	-0.91%	22.03%	-£10.00m	£228.90m
MMT Computing	£4.90	£58.30m	19.7	3.46	2916.67	-4.48%	-14.19%	-£2.70m	-£9.10m
Mondas	£0.70	£4.24m	Loss	32.62	926.67	11.20%	-16.77%	£0.43m	-£0.79m
Moorepay	£3.15	£33.40m	38.7	6.52	5315.94	-8.03%	57.50%	-£2.90m	£12.10m
MSB International	£3.88	£78.70m	20.9	1.13	2039.47	-9.36%	4.59%	-£8.10m	£3.40m
Omnimedia	£0.03	£0.74m	Loss	0.74	40.00	-50.00%	-68.42%	-£0.74m	-£1.60m
On Demand	£0.15	£8.27m	Loss	0.72	192.31	25.00%	-66.67%	£1.66m	-£16.53m
Oxford Molecular	£2.84	£201.40m	Loss	20.57	3550.00	-22.72%	-20.22%	-£55.10m	-£15.40m
Parady	£4.98	£212.90m	31.5	1.31	27638.79	-10.84%	12.43%	-£25.90m	£24.80m
Pegasus	£2.90	£20.30m	16.7	2.57	790.19	-10.77%	-22.46%	-£2.50m	-£3.30m
Persona	£3.68	£91.10m	21.4	0.62	2296.88	-9.59%	18.93%	-£9.70m	£14.50m
Phonelink	£0.58	£27.80m	Loss	6.38	370.97	53.33%	-5.74%	£9.70m	-£1.40m
Proteus	£0.47	£25.80m	Loss	45.03	553.57	2.20%	24.00%	£0.70m	£5.20m
Quality Software	£2.25	£29.20m	n/a	1.15	592.11	-6.25%	10.29%	-£2.00m	£2.70m
Radius	£0.46	£12.70m	11.2	0.47	329.71	-17.27%	-27.78%	-£2.70m	-£4.90m
Rage	£0.04	£9.75m	Loss	1.03	153.85	-27.27%	-65.22%	-£3.65m	-£18.15m
Real Time Control	£2.50	£17.50m	10.1	1.47	5102.04	10.13%	7.53%	£1.60m	£1.20m
Rebus	£0.65	£60.10m	14.1	0.90	738.64	-1.52%	-10.34%	-£0.90m	£7.30m
Recognition Systems	£0.45	£12.20m	Loss	38.13	642.86	-1.10%	-23.08%	-£0.10m	-£3.60m
Riva	£0.28	£8.65m	32.4	0.13	199.00	14.29%	19.15%	£1.08m	£1.55m
RM	£8.08	£143.70m	29.8	1.45	4614.29	0.94%	30.24%	£1.30m	£33.30m
Rolle & Nolan	£3.68	£46.30m	25.4	2.28	4375.00	-5.16%	1.38%	-£2.50m	£0.60m
Romtec	£0.85	£4.39m	17.4	0.93	1352.00	13.42%	4.97%	£0.52m	£0.20m
Royalblue Technologies	£2.08	£68.50m	52.7	5.87	1220.59	22.06%	22.06%	£21.80m	£21.80m
Sage Group	£6.60	£712.90m	32.0	5.23	25365.38	0.69%	24.43%	£8.80m	£144.20m
Sanderson Electronics	£0.93	£42.60m	8.7	0.69	1582.98	-22.18%	-38.00%	-£12.10m	-£25.10m
SBS Group	£1.13	£7.99m	12.7	0.53	1125.00	12.50%	12.50%	£0.94m	£0.94m
Sema Group	£12.33	£1,373.00m	39.8	1.48	3875.79	-2.38%	13.59%	-£33.00m	£166.00m
Sherwood	£2.79	£24.00m	14.5	0.97	2320.83	6.10%	42.82%	£1.40m	£7.20m
Skillsgroup	£1.97	£159.60m	15.3	0.46	881.17	-12.28%	26.77%	-£22.30m	£34.50m
Spargo Consulting	£1.10	£13.80m	17.8	1.76	1157.89	-13.04%	-24.40%	-£2.00m	-£4.40m
Staffware	£2.59	£30.00m	46.2	3.00	1148.89	2.38%	-0.39%	£0.70m	£0.00m
Superscape	£0.75	£6.60m	Loss	1.70	378.79	-37.50%	-81.13%	-£4.00m	-£26.80m
Systems Integrated	£0.09	£1.14m	Loss	0.91	73.91	-5.56%	-51.43%	-£0.07m	-£1.21m
Total	£0.31	£3.05m	9.0	1.06	575.47	1.67%	5.17%	£0.05m	£0.15m
Trace	£0.61	£8.60m	29.4	0.42	488.00	-6.15%	74.29%	-£0.56m	£3.67m
Triad	£2.04	£51.30m	28.1	2.72	1507.41	-2.40%	-2.86%	-£1.20m	-£1.40m
Vega Group	£2.80	£43.10m	16.9	2.69	2295.08	-4.27%	4.67%	-£1.90m	£2.00m
Xavier	£0.10	£5.36m	Loss	0.60	1025.00	2.50%	-6.82%	£0.13m	-£0.39m
Zergo	£2.90	£26.70m	72.8	3.15	2974.36	-1.69%	0.00%	-£0.10m	£0.00m

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.

Cedardata disappoints as expected

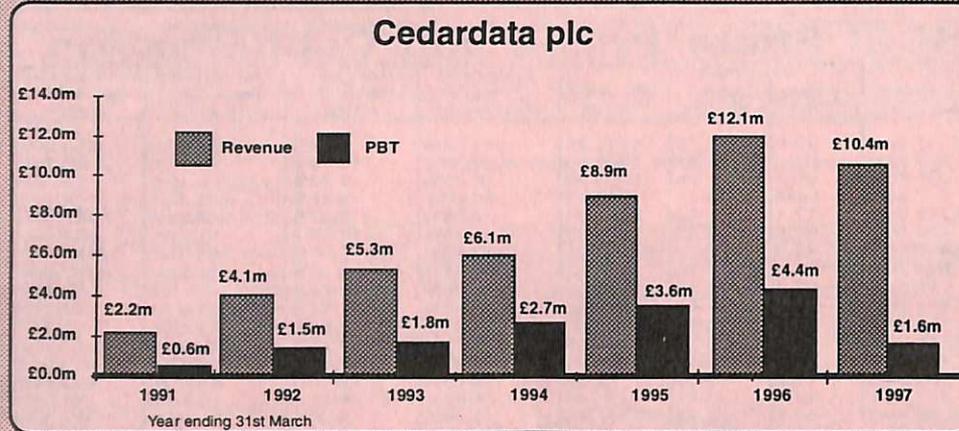
Cedardata was formed back in 1983 as a payroll processing bureau but has since developed an Oracle based commercial and financial accounting suite called *cfacs*. They were a new issue on the main market at 105p in Mar. 94 and, only as recently as June 96, brokers Greig Middleton had shifted 4m shares at 180p when they were forecasting a FY97 PBT of £5.4m.

Indeed their performance record meant they were in great danger of being in receipt of our **Boring Award!** No chance of that now however. In Feb. 97 they issued a profits warning and the share price experienced one of the biggest falls on record - down from a high of 262p to well under 100p.

Results for the year to 31st Mar. 97 showed revenue from continuing operations down 20%. But, after taking into account the Teleconnect revenue of £738K (acquired Nov. 96 in a what we saw as one of the most highly priced deals

on record; £4m with up to a further £6m deferred - see *System House* Dec. 96), total revenue fell 14% to £10.4m. PBT slumped 64% to £1.6m with EPS down 62%. What's more, the deferred consideration on the Teleconnect acquisition has resulted in provisions of £2.53m which has more than halved net assets to just £3.3m.

The company has blamed contract delays in the public sector. Cedardata now makes only £3m from "high margin



licences" (down 41%) with the rest from recurring services. Leon Fattal, Cedardata's MD, said "... the high level of active prospects at the half year were not converted into business during the period and delayed a timely adjustment in the cost base of Cedardata Software. I am, however, pleased to report that our costs have now been significantly reduced and our maintenance revenues continue to increase". Another company saved by its services revenues!

Cedardata is "confident of the prospects for Teleconnect in its high growth markets". We will see.

Cedardata fell a further 23% this month - that's a massive 72% fall this year so far and a 35p discount to the March 94 105p new issue price.

CEDARDATA	1997	1996	Growth
Software products and service			
• Licences	£2,955K	£5,025K	-41%
• Consultancy & training	£2,800K	£2,682K	4%
• Maintenance	£3,374K	£2,303K	47%
Bureau Services	£206K	£223K	-8%
Other	£1,028K	£1,838K	-44%
TOTAL	£10,363K	£12,071K	-14%

debis severs links with Cap Gemini

The news this month that Daimler-Benz (via its **debis Systemhaus** operation) is to end its relationship with **Cap Gemini** and, obviously therefore not exercise its option to buy a controlling stake, is pretty significant. debis (1996 rev. = DM2284m) and Cap Gemini (1996 rev. = FF12.8b) had combined rev. of \$4.4b and ranked as the world's only European-owned Top Ten IT services company.

debis will sell its 24.4% stake in Cap-Gemini. CGIP, which already has a 20% holding, has "first refusal" but will have to make a full bid if their shareholding exceeds 33%. Cap Gemini will, in turn, sell its 19.6% stake in debis.

The consequences of this are quite significant. By agreement Cap Gemini was limited in its expansion plans in Germany and the US. It now needs to plug these new gaps by some significant acquisitions. In turn, debis "intends to increase revenues from overseas IT to 33% of total IT revenues by 2000, compared with the current level of 12%". Source - Financial Times 27th June 97.

Indeed it was this competition which seems to have caused the relationship to break. debis purchased GSI in 1996 "which we (Cap Gemini) vigorously opposed and in 1997 is a candidate to buy Dutch Roccade - which we oppose just as rigorously." - Source - Serge Kampf in Le Monde 27th June 1997.

So will Cap-Gemini go-acquiring? Or will they become a target themselves. As they say, we live in interesting times.

Another Phoenix at Wakebourne

Wakebourne appointed the receivers on 23rd May (see last month's *System House*) but (surprise, surprise) a new company, **Enterprise Network Group** led by Frank Emerson (ex CEO) and Mark Luscombe has undertaken an MBO of "the principal core business". Yet another case of the phoenix rising from the ashes.

No price is given but they have the backing of "substantial private investment funding" (mainly Business Systems Consultants who are owned by an "original founder of the Wakebourne business in 1984"). Our views on the "Phoenix Scenario" are well known. We think it should be made legally impossible for any ex-director to become a director of, or hold shares in, any part of his previous company sold by the receivers until creditors have been paid in full. Surely this is a good time for the new government to bring in legislation to change this highly dubious practice..so benefiting creditors and making company directors go that "extra mile" in trying to save their business.

Sherwood - alliance with Deloitte & Touche

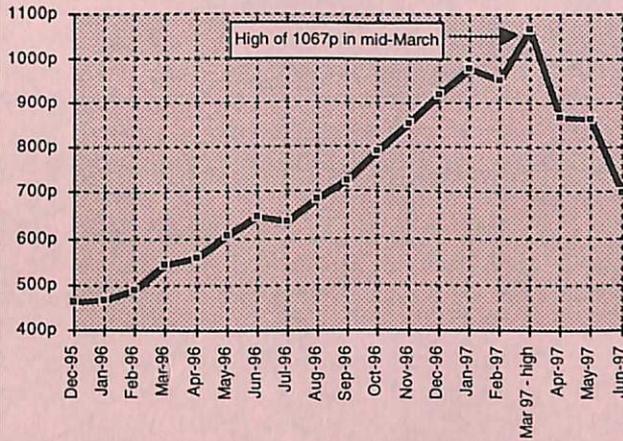
Sherwood has announced a strategic AMARTA alliance with **Deloitte & Touche** in the US. The US with its 2700 life companies, is potentially the largest single market for Sherwood's products, including AMARTA (life and pensions solution).



Shares hit hard by "mild" profit warning

Logica's shares have dived this month as a result of a really rather mild profits warning. We are now all led to expect PBT of c£28m for the year to 30th June 97 rather than £29.8m. I.e. down about 6%. As shown in the chart this means that Logica has fallen from a high of 1067p earlier this year to just 693p - writing over £230m off their market value in the process.

Logica Share price in 1996/1997



GEO Martin Read blamed the strength of sterling, particularly since the Axime acquisition means that c50% of revenues come from outside the UK, and difficulties in recruiting extra staff. Logica's headcount in the UK is below plan resulting in slowness in converting order intake into revenue. That's even more galling as the order bank is up 20%. Logica says it hopes to recruit 350 graduates this year...but everyone is chasing the same candidates and salaries are rocketing. Logica also admits that staff turnover has increased from 11% to 17% in the period. Read told us that he was not particularly concerned about passing staff cost increases onto customers - unlike MMT's Mike Tilbrook who cited this in his profits warning. But there was some good news from Logica, with the announcement of an AM contract worth in excess of £14m over 7 years to support the Polaris insurance system.

Comment - MMT and Logica have shown that demand outstripping supply is not always good news. We do think, however, that the Logica price "crash" was a bit overdone although others contend that Logica was grossly overvalued at 1067p. Either way, the forecast downward "correction" in the sector is now upon us. (See page 8)

Comino - exceeds expectations

Comino, a specialised software applications group in the areas of social housing, fashion and clothing, pension fund management and local authorities, was floated on AIM at 130p in April 1997 valuing them at £14.35m. (see last month's *System House*)

Comino has announced revenues of £7.8m and PBT of £1.4m to 31st Mar. 97. No valid comparisons can really be made.

Chairman Mike Brooke said that the company "is now turning its attention to acquisitions" no doubt using the cash held of nearly £1.9m at the year end together with the further £1.5m net from the flotation.

Comino shares ended June on 145p - that's a rise of 12% since the launch.

July 1997

Azlan shares suspended

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".

FD Adrian Lamb has resigned from the board but will continue to work with the new FD, Peter Bertram, "to assist in the resolution of the accounting issues".

Azlan put in a new computer system which seems to have caused a multitude of problems which, for some unknown reason, only came to light during the end of year audit. For example they didn't reclaim market kickback funds in the allotted time. It also looks as if the system used the wrong exchange rate in its French operations. What makes matters even worse is that no one can give an estimate of the size of the hole.

We have been a long term backer of Azlan. We particularly liked their Akam purchase in Nov. 96 which caused such displeasure amongst City folk.

But this latest event is appalling. Azlan even issued an announcement as recently as April saying that PBT to 31st Mar. 97 would be "in line with expectations" and the shares rose to over 600p (close to the ill fated 630p rights issue price).

On top of that, Azlan's board are trusted veterans in running computer companies. They even have Cap Gemini's Tony Robinson as an NED and Barrie Morgans (ex IBM UK MD) joined as an NED only last month. If you can't trust a board like this to oversee a new system, who can you trust?

"There are a lot of people who will never invest in Azlan again" the Investor's Chronicle reported one City analyst. Bluntly, as one of their greatest fans, we would now need a lot of persuading too.

It's only a game?

OmniMedia - To say that we have always been concerned about OmniMedia (interactive multimedia software and content) is an understatement. You may remember that they were a spin-out from Callhaven (which went broke).

OmniMedia joined AIM in mid-1995 at 64p. In mid-1996 they had a 55p rights issue. A few months later they issued a mega profits warning. We then expected a £1m loss...the shares crashed to 12p.

This month OmniMedia announced a loss for 1996 of a startling £2.3m (1995 loss = £1.68m). Revenues quadrupled....to just £1m. This month the shares fell to just 3p valuing Omnimedia at just £740K.

Footnote - What would you think that "comprehensive restructuring exercise" really meant? Now we know. "OmniMedia's staff headcount has been reduced to only four employees other than the directors".

Is it any wonder that AIM has such a bad name?

Rage - But computer games is a very high risk business. Rage bought Software Creations for £9.75m in 1994. This month it sold it back to its management for just £800K.

Gremlins - Expanding **Gremlin Interactive** will go for a full listing in July. A valuation of between £45/55m is expected with a placing of 25% of its shares. Last year Gremlin made profits of £2.81m on rev. of £11.3m.

Comment - Maybe we should stop including computer games companies. It was just that it was one market where the UK led the world. But it is now so volatile - no-one seems to make profits two years in a row.

People news and comments from AGMs

What do they say... "to lose one CEO is unfortunate, to lose two is...". In April 96 we reported that Ray Spence had left **DCS Group** after "irreconcilable differences within the board". Now the "blunt" Bob Williams has resigned as CEO "to take time to pursue other interests". Williams got the job as he was a major shareholder in CSI acquired in 1995 which at that time was performing well. Robert Arrowsmith has been appointed COO and Robin Lodge exec. Chairman.

The market did not like the news with an immediate fall of 30p in the share price. And they continued to fall to end June on 223p, a drop of 29% in the month.

Congratulations to **Peter Rigby**, of **Specialist Computer Holdings** fame, who has won the Natwest/Sunday Times Business Enterprise Award for 1997.

Also congratulations to **Russ Nathan (Romtec)** for his CBE for his work in the local TECS and to **Geoff Squire** of ICL/Oracle/Openvision/**Veritas** for his OBE in the Queen's Birthday Honours.

Micro Focus' CEO, **Marcelo Gumucio** has evidently made a profit of almost £900K after cashing in options on 74,500 shares at between 605p and 653p and selling at £18.45p. According to the latest R&A we have, he still has c660K options left after being granted 725K in FY96.

Top Ten UK SCSI performers

Computer Sciences has increased its UK revenues by 35% from c£323m in the year to 31st Mar. 96 to £437m in 1997. If that isn't enough, the forecast for FY98 is another 37% increase to £600m.

One of the other UK Top Ten SCSI suppliers - **Oracle** - has announced rev. up 35% at \$5.7b but EMEA revenues were up a more modest 20%. We will bring you the UK rev. as soon as we learn them!

CRT Group - a tale of two halves and yet another acquisition

In the annual trading statement from **CRT** (IT training, contract staff and recruitment and multimedia publishing) the company has stressed the heavy second half weighting in both revenue and profit. They now expect total group turnover of c£130m (up some 26%); buoyed by the acquisitions of **Link-Up**, **INLINE KPG** and **Harley West** since Nov. 96 at a total cost of c£45m. Of the total revenue, recruitment accounts for 74%, training 25% (but the largest profit contributor) and multimedia 1% (loss making).

Profitability is "in line with expectations".

CRT has also announced the acquisition of IT consultancy **Software Design Associates** for £17m. CEO Karl Chapman said "the company has been looking for a long time for a project management consultancy to fill out its own portfolio". SDA had revenues of £9m and PBT of £1.2m in 1996.

Brokers Williams de Broe are now forecasting a PBT of c£12m in FY97 and an estimated £230m revenue and PBT of c£20m in FY98. If these prove anywhere near accurate, then these will be truly excellent results.

Since **Education Technology** made its £109m investment for 50.1% of the shares in Aug. 96, at 160p, the price has rocketed to stand at 240p at the end of June. That gives ET a tasty 50% gain to date. And CRT still has £60m cash left to pursue more acquisitions.

5.30 pm Wednesday 16th
July 1997
Make note to
attend
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CSSA
Presentation and Dinner
at London Barbican

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