

System House

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

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UK confirmed as strongest SCSi market in Europe

Our European partners - Pierre Audoin Conseil - have just finished compiling all the results for 1996/97 and projections through to 2001 for all the individual countries in Europe as published in the (fifth) edition of our **Software and Computing Services Industry in Europe Report**.

This confirms that not only did the UK have the strongest growth in 1997, but it also has the strongest projected growth in the years through to both 2000 and 2001.

Many of our readers, however, are just as interested in performance in Europe as in the UK. On an even more positive note, SCSi growth has picked up in every European country with average growth throughout Europe of 13.7% in 1996/97 - up from 12% in 1995/96. Even France, which still currently suffers one of the lowest SCSi growth rates in Europe, returned to 10%+ growth in 1997.

The most significant recovery in growth is currently occurring in Italy whereas Germany is set to see its previously high growth rates continue to decline.

It will surely come as no surprise to learn that outsourcing is the leading growth sector throughout Europe - up 19% in 1997 - although this is somewhat lower than the near 30% growth in all things connected with outsourcing achieved in the UK in 1997. At 23b Euro, outsourcing now represents over 25% of the European SCSi

7% throughout Europe, shows the weakness of the SME sector in many European countries coupled with intense competition. Conversely the provision of systems integration to larger companies enjoyed a 15.6% growth.

All our figures exclude systems software and hardware maintenance (particularly where provided by the hardware vendor). Both these markets are in serious decline throughout Europe.

If these two markets are included, the SCSi market in Europe was valued at 109b Euro (around £87b) in 1997 and will grow to 161b Euro (£130b) by 2001.

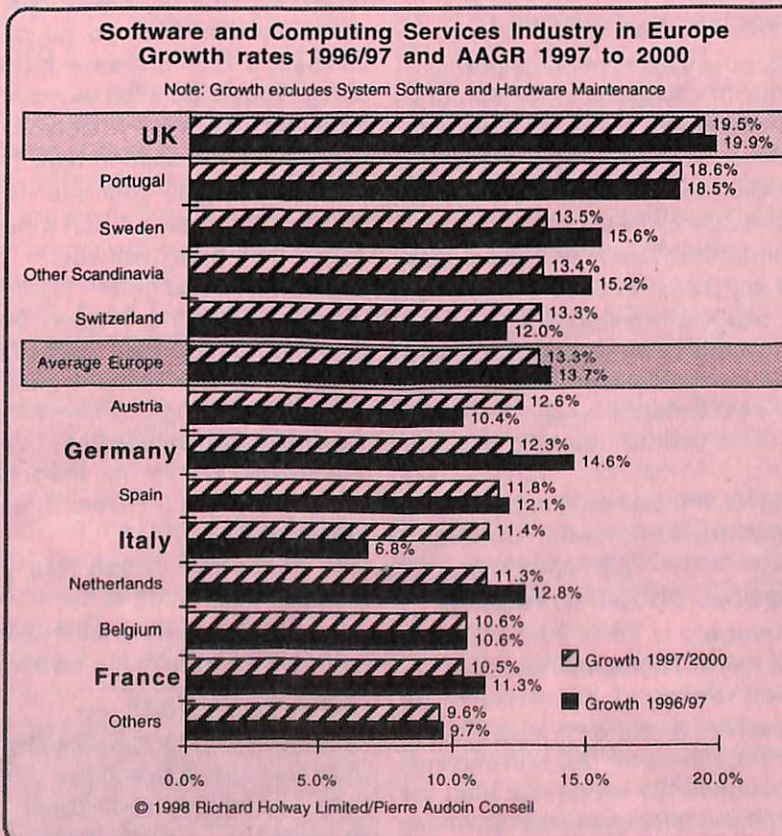
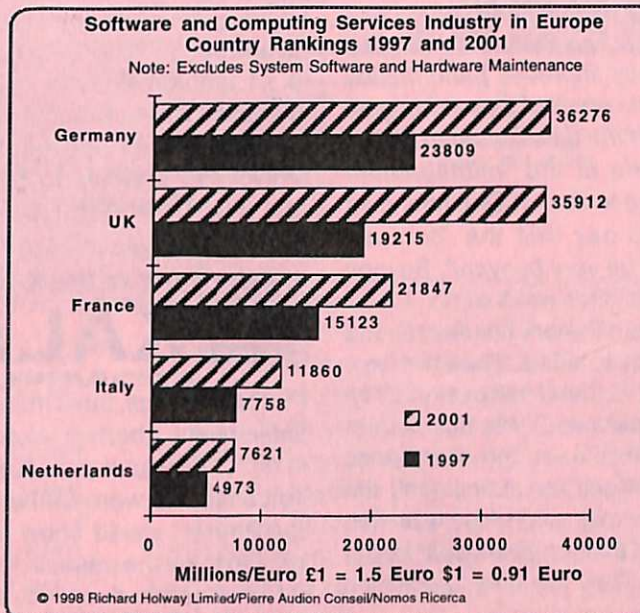
The eagle-eyed will note the exchange rate used is £1=1.25 Euro - the average which applied in 1996. Since then the

£ has strengthened considerably to £1=1.5 Euro, whereas most of the other European currencies have altered very little against the Euro.

If the current exchange rates are used (see diagram), the UK is already a quite significantly larger market than France and, if projected differences in growth rates come about, could well overtake Germany as the largest SCSi market in Europe early in the next millennium.

Note: This is the very briefest summary of our latest 1300pp+ **Software and Computing services in Europe Report**. Fortunately many of you have ordered the latest edition (yet

again). Another year's work by our growing band of partners throughout Europe. Ordering details on p12 or contact us.



Triad - interims ahead of expectations

TRIAD

We had expected good results from Triad Group



but even we - and it seems every other analyst - were a little surprised at just how good they actually were. In the interims for the six months ending 30th Sep. 97, revenue increased 69% to £14.1m with PBT at £2.85m. Both PBT and EPS increased by a massive 134%. *Indeed Triad has almost made its forecast profit for the whole year in the first six months trading!* At one time last year, after a profits warning, we thought Triad was in danger of losing their **System House Boring Award**. No chance of this now (for 98 at least).

Chairman Alistair Fulton commented "During 1997, Triad has undergone a number of radical changes in board and management structure, markets, size of contracts and commercial strategy. The greatly improved performance reported today is the first tangible result of these changes, which I am confident will provide the basis for an excellent long-term future outlook". One of the "management changes" meant saying goodbye to Robert Drummond as Chairman. Fulton went on to say that the "contract placement market continues to be very buoyant". Several large T&M outsourcing contracts have been won.

The market certainly liked these excellent results with the shares rising 52% in the month to 451p. They are now trading at a record high; well above their 1996 peak of 277p after the drop in 1997 and a massive 234% premium to their 135p IPO price in Mar. 96. But, as the share price rose substantially before the official announcement, the Stock Exchange is mounting an investigation. House broker, Beeson Gregory have upgraded their profit forecast for the full year from £4.1m to £6.5m. They are now forecasting £9m for the following year.

Computacenter to float.... but when?

After considerable press speculation about a possible London stock market flotation, **Computacenter** put out a brief press release - "The company has no firm plans to make an announcement concerning the timing of a flotation, if indeed it decides to pursue this option".

Way back in 1990, they pulled their float and regularly since then we have enquired about their plans and received the same reply - "we haven't any plans" etc. etc.

We have received many "requests for comment" this month. If we were in their shoes, we would be pressing for a float as the market might well be not as receptive again. Let's face it, there aren't many £1 billion revenue, profitable UK IT companies around. They should receive a warm reception.

Stop Press - On 1st Feb. 98, the Mail on Sunday carried an article suggesting that SAP would purchase Computacenter. *It would be highly surprising if true.*

Dr. Solomon's - wisdom shows in results

UK NASDAQer **Dr. Solomon's** is #3 in the anti virus software provider market (behind Symantec and Network Associates (ex McAfee)). Progress continues to be exemplary. Q298 results to Nov. 97 show revenue up 71% to £15m (and this is after the 67% rise in Q1) with earnings up six-fold at £2.3m. About half the revenue is from the UK, 20% from the US and the remainder from Germany and the rest of the world.

An IPO in Nov. 96 at \$17, the share price has doubled since; ending Jan. 98 on \$34.63.

System House

Maxima continues to do well

Maxima Information Group in the last few years has been through somewhat of a "metamorphosis". After a series of acquisitions, Maxima now has two operating companies, Minerva and Systems Team, and each produced "a net profit improvement" according to CEO and substantial majority shareholder John Caines. Minerva focuses on the manufacturing marketplace with subsidiaries in Denmark, Sweden and Germany. Systems Team has four business units - Membership and Commercial (their main activity of membership systems), Health & Social, Long Term Care and Social Services. These latter three business units are mainly involved in the UK healthcare marketplace. Other subsidiaries are MX Business Systems (SAP R/3 software) and Simdell (acquired Feb. 97 - housing management systems).

Maxima's results for the year to 31st May 97 report revenue up 22% to £15.5m but PBT up a much lower 4% to £1.3m. Of course the various acquisitions have increased costs; at least in the short term. But revenues in FY98 should approach £20m with some 250 staff employed. Minerva in Sweden, Norway and Germany and also Long Term Care made losses in FY98 but according to Caines, it is now realistic "to plan for profits in the next twelve months".



KALAMAZOO

COMPUTER GROUP

Profits warnings, false management accounts, out of court settlements, abortive takeover talks... we could go on. All in all, 1997 was a year **Kalamazoo** will want to forget.

To be fair, we were forewarned last year that the interim results in H1 would show "substantial losses". This indeed proved to be the case. In the six months ending 30th Sep. 97, on revenue down 4% at £33.8m, the previous PBT of £2.3m was turned into a loss of £514K. The revenue decrease was blamed on delays in developing the company's Elite software for motor dealers - although certain subscribers tell us not to fall for this excuse. R&D here cost £2.6m (all written off) with further similar costs expected in the second half. The operating loss (before interest charges) was even higher at £2.9m but was redeemed somewhat with a net profit of £2.9m from the sale of their print business.

But it's not all bad news - at least there are some signs of recovery. Both the Support Solutions division and The Beeches Management Centre had "strong performances". COIN Financial Systems (acquired Mar. 97) "continued to perform strongly". However even this is tempered by Chairman Bob Jordan commenting that "The investment made in the first six months is beginning to show benefits but the Group's recovery to acceptable profit levels will take time".

The shares immediately slipped to a four-year low - less than half their value some 18 months ago. They ended Jan. on 50p - down another 29% in the month. The worst performing share in the sector in the month.

Aran pulls float

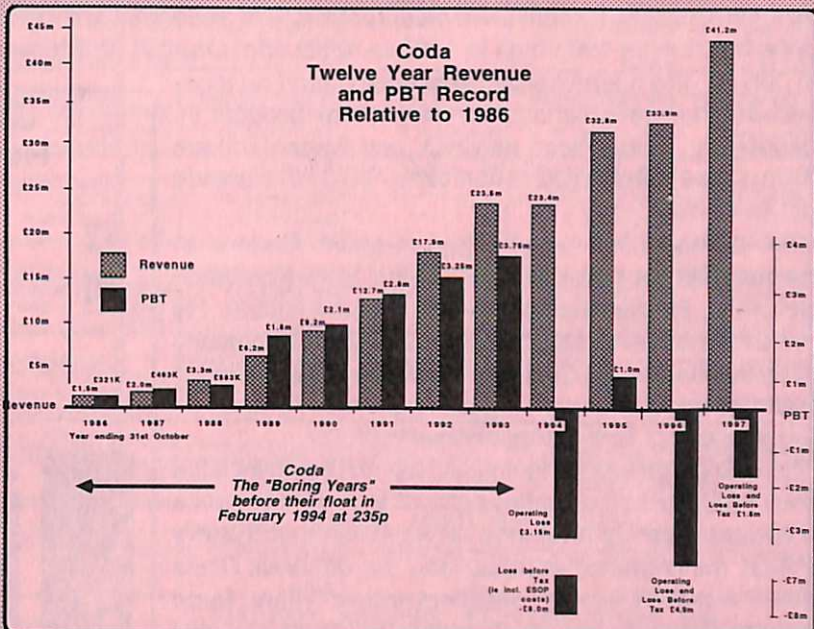
Aran (software tools/MIS software) has pulled its planned AIM float after it raised just £2m of the £5 it sought. Aran had hoped for a valuation of £15m. Pretty steep considering it had revenues of only £2.6m and made a loss of £400K (albeit after a £1.1m development spend) in the year to 31st Mar. 97.

Coda - Tales from a disgraced Boring Award Winner



Of all the companies we have raved about - indeed given a rare **System House Boring Award** - Coda is the most upsetting. Even, at the interim stage, when Coda produced a small profit of just £60K and CEO Robert Brown declared "Coda is back on track to produce consistent profits" we got it wrong again - thinking, hoping, that Coda might become Boring again. But Coda has retained its ability to shock with their full year results showing a loss of £1.8m on revenue up 22% at £41.2m. So perhaps you shouldn't pay a blind bit of attention to any of our comments anymore.

Why were the results so bad? Well they place the bulk of the blame onto "competitive market conditions in the US". But ongoing administrative expenses up 15% in the year didn't help either. They have been developing their US business as part of the overall strategy to move away from servicing the mainframe market and developing software for companies' client server networks. But, given the circumstances, Chairman Colin Gaskell is rather upbeat. "All the hard work of the last few years is beginning to bear fruit. The decision



Coda Group plc - Revenue analysis £m.			
	1996	1997	Increase
By product line			
Client Server	£ 18.20m	£ 27.97m	53.7%
Digital VAX	£ 8.07m	£ 6.38m	-21.0%
IBM AS/400	£ 6.82m	£ 6.10m	-10.5%
HP 3000	£ 0.80m	£ 0.75m	-6.3%
By geographical area			
Europe	£ 21.41m	£ 27.14m	26.8%
The Americas	£ 10.07m	£ 11.37m	12.9%
Asia & Pacific	£ 2.41m	£ 2.69m	11.7%
By activity			
Licences	£ 14.87m	£ 17.98m	20.9%
Maintenance	£ 8.90m	£ 10.58m	18.9%
Professional services	£ 10.13m	£ 12.64m	24.9%

to focus primarily in the Microsoft NT environment taken two and a half years ago has positioned Coda well to capitalise on the ever increasing market success of this platform". We will refrain from making any comment in the circumstances.

The market never likes unexpected bad news and reacted accordingly. The shares immediately fell some 12% but recovered to end the month unchanged on 151p. But don't forget Coda floated in 1994 at 235p. Some brave analysts are forecasting profits of £500K in FY98 - we wish them (and Coda) better luck than we have ever had with the accuracy of our forecasts in the past!

F·I·GROUP PLC

Two more years to go and we will be able to give FI Group a **System House Boring Award** too. Nothing would give us more pleasure. The only problem we have is that FI Group is currently performing so incredibly well that we fear it might not be able to sustain performance at this level. Results for the six months to 31st Oct. 97 were as previewed last month when they acquired Indian IT systems house IIS Infotech for £22m+. PBT did indeed rise by 54% to £4.31m on revenues up a similar 54% at £71.2m and EPS up 60% at 9.9p.

As readers know, the FI group share price has increased significantly too. It was less than two years ago (Mar. 96) that FI undertook their UK IPO at 235p. The shares closed Jan. 98 on 1098p - up a further 18% in Jan. But perhaps its not as incredible as you might think. FI announced that its order book was up 75% at £136m in the period. And that did not include the recent £31.5m/4 year AM contract with the Legal & General. Indeed the Finance sector now accounts for 40% of FI's turnover. FI's IT contractor operations, not surprisingly, "achieved excellent results" and FI Training "goes from strength to strength".

We were particularly interested that FI reported that just 12% of group revenues came from Y2K work - in line with the c10% we have oft reported. Either other analyst have got it wildly wrong or (and?) we are in for a disaster in 2000.

A superb result from a superb company. "The second half has started well and the board confidently expects progress to continue." **We expect nothing less!**

Superb results from Cap Gemini

Unaudited results for **Cap Gemini** - the largest European-owned SCSI company in the world - show a remarkable performance. Revenues increased by 36% to FF20.2 billion. The increase was a still superb 18% at "constant structure and exchange rates". Operating profits were up 56% at FF1.63 billion - an 8.1% profit margin. Net profit increased from FF282m to FF760m. Even if you take off the exceptional FF200m profit from the sale of shares in debis Systemhaus, net profits doubled.

"In 1998 Cap Gemini expects to continue this momentum, anticipating revenues of cFF24 billion and operating margins of close to 9%". Outsourcing and packaged software (now 20% of Cap Gemini's revenues) performed particularly well. COO Geoff Unwin told us that US revenues were also very strong - showing a 47% increase in revenues and much more in profit terms - and French revenues also showed strong recovery.

Cap Gemini now employs 30,000 staff - up (as far as we can see) some 8,000 in the year.

Note - Tony Robinson is stepping down as MD of **Cap Gemini UK**. Alwyn Welch (Head of Sector and Sales) at Cap Gemini replaces him.

After speaking to Tony, we understand that he intends to take a year's sabbatical and will return to Cap Gemini in a new role.

We wish him well.

Another Year of Major Change at Gresham Computing

If someone wanted to produce a soap opera, or write a novel based on a SCSI company, they should look no further than **Gresham**. The last couple of years has kept up the racy pace. 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 amongst 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 July 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.

Now, perhaps, Holway should (yet again) declare an interest. 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...and bought some shares on the strength of Read's appointment.

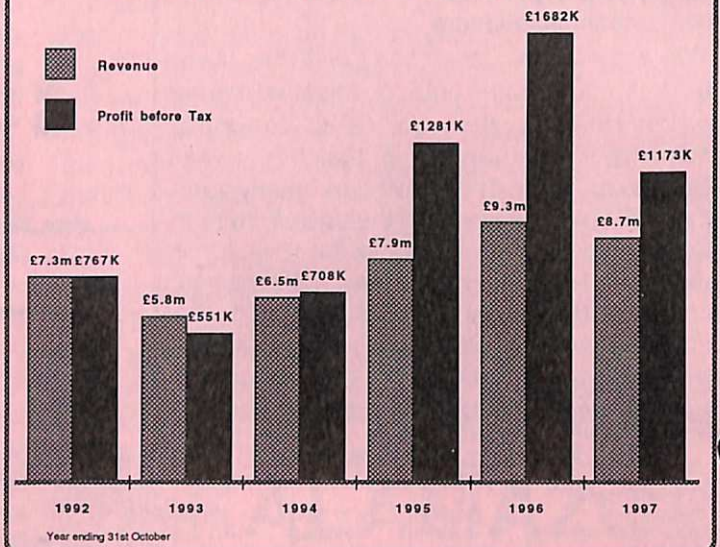
The web gets more intriguing. In Sep. 97, Read initiated the purchase of the Systel product from Performance Software (now Cyrano) for c1x rev. Given that Systel's £400K maintenance revenue was the definitive "cash cow", it looked like an excellent move. Then Read bought CirCa Business Systems (financial services sector) for an initial £475K + 1m Gresham shares and a further 2m based on profit to 1998. In Dec. 97, Gresham took on the Cyrano's Y2K Testing Strategy.

But these changes had little effect on the result for the year to 31st Oct. 97. Revenues reduced by 6% to £8.7m and PBT is down 60% at £667K with EPS down 63%. Although exceptional items amounted to £506K, operating profits would still have reduced to <£1m.

The new team has lost no time in revamping Gresham. The three business lines - contract staff, consultancy and products - seem well targeted in a booming market. The management team, which now includes a new FD, has both experience and an impressive success record. We expect more acquisitions and US expansion. This has not been lost on investors.

Gresham was one of Techinvest's Tips for 1998. This contributed to a 63% rise to 38p this month.

Gresham Computing plc Revenue and PBT Record

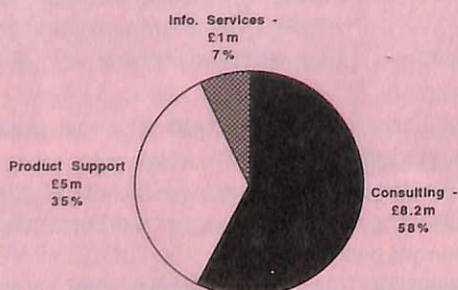


Microsoft UK - Star of Europe

It seems fatuous to review Microsoft's activities - so we won't. But its UK financial performance has oft been obscure. In the now rich background of "Holway estimates" we can say that Microsoft UK really has been a star performer in Europe. Revenues grew by 30% to c£340m in the year to 30th Jun. 97. The UK has already overtaken France and looks likely to become the largest subsidiary in Europe (overtaking Germany) in FY98 - when revenues of £425m are estimated.

Although Microsoft UK's services revenues are still minuscule - they are showing a much faster growth than the dominant products side. It looks as if services revenues

Microsoft UK - Services Revenues

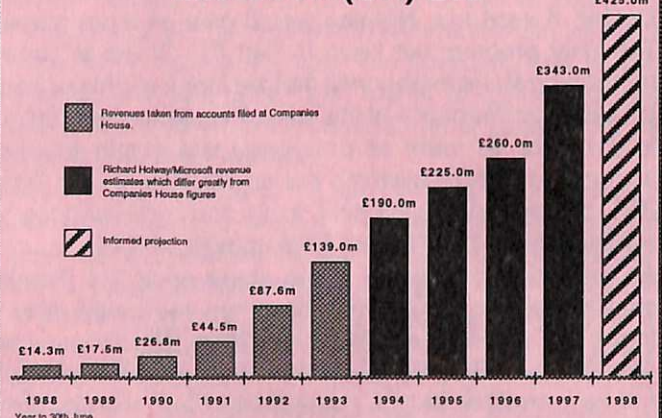


will have grown

from c3% revenues in FY96 to c5% - or around £21m - in FY98. Out of the UK's current c600 headcount (plus another 120 of what Microsoft describes as "resident guest employees" RGEs), some 230 work in services - 90 in consulting and 240 (+150 RGEs) in product support. Services revenues are therefore growing at up to 50% p.a.

But compared to Oracle's, this is minute. And it really seems that Microsoft has no intention of changing itself into a "direct" services provider either. Partnership genuinely seems to be the name of the game. It's pretty well partnered in supporting the largest corporates. Microsoft UK is now particularly keen to secure support partners in the SME area.

Microsoft (UK) Ltd



Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc					Division Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Oct 96	Final - Oct 97	Comparison	
PBT	£ 43,009,000	£ 90,819,000	£ 54,118,000	+25.8%	PBT	£ 4,900,000	£ 6,678,000	+36.3%	
EPS	£ 5,180,000	£ 11,243,000	£ 7,200,000	+39.0%	PBT	£ 1,678,000	£ 1,783,000	Loss both	
	5.50p	11.60p	7.40p	+34.5%	EPS	-3.80p	-4.10p	Loss both	
AFA Systems plc					Druid Group plc				
REV	Final - Dec 95 (5 mos)		Final - Dec 96	Comparison	REV	Final - Jun 96	Final - Jun 97	Comparison	
PBT	£ 0		£ 384,000	n/a	PBT	£ 12,013,000	£ 22,086,000	+83.7%	
EPS	-£ 121,000		-£ 913,000	Loss both	EPS	£ 3,011,000	£ 5,004,000	+66.2%	
	-1.62p		-10.50p	Loss both		7.41p	13.94p	+88.1%	
AIT Group plc					Eidos plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 5,063,000	£ 10,875,000	£ 6,184,000	+22.1%	PBT	£ 20,492,000	£ 75,531,000	£ 21,817,000	+6.5%
EPS	£ 697,000	£ 1,546,000	£ 958,000	+37.4%	EPS	£ 12,497,000	£ 7,626,000	£ 18,331,000	Loss both
	2.42p	5.68p	3.33p	+37.6%		-100.70p	44.40p	-70.80p	Loss both
Anite Group plc					Electronic Data Processing plc				
REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison	REV	Final - Sep 96	Final - Sep 96	Comparison	
PBT	£ 103,533,000	£ 193,399,000	£ 78,948,000	-23.7%	PBT	£ 14,267,000	£ 12,565,000	-11.9%	
EPS	-£ 63,454,000	-£ 50,377,000	-£ 526,000	Loss both	EPS	£ 2,519,000	£ 1,741,000	-30.9%	
	-27.40p	-21.20p	0.00p	n/a		6.64p	4.50p	-32.2%	
Aran plc					F.I. Group plc				
REV	Note: Aran pulled their float this month.		Final - Mar 97	Comparison	REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison
PBT			£ 2,600,000	#DIV/0!	PBT	£ 46,254,000	£ 98,800,000	£ 71,231,000	+54.0%
EPS			-£ 400,000	Profit to loss	EPS	£ 2,805,000	£ 6,575,000	£ 4,310,000	+53.7%
			n/a	Profit to loss		6.00p	14.20p	9.40p	+56.7%
Azlan Group plc					Flomerics Group plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 128,464,000	£ 292,900,000	£ 140,990,000	+11.5%	PBT	£ 2,146,559	£ 5,332,409	£ 2,335,584	+8.8%
EPS	£ 6,034,000	-£ 14,100,000	-£ 7,897,000	Profit to loss	EPS	-£ 154,643	£ 477,885	-£ 416,188	Loss both
	15.00p	-44.30p	-23.10p	Profit to loss		n/a	12.30p	n/a	n/a
Cadcentre Group plc					Gresham Computing plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Final - Oct 96	Final - Oct 97	Comparison	
PBT	£ 7,795,000	£ 17,339,000	£ 8,249,000	+5.8%	PBT	£ 9,271,000	£ 8,889,000	-8.3%	
EPS	£ 204,000	£ 1,777,000	£ 841,000	+312.3%	EPS	£ 1,682,000	£ 667,000	-60.3%	
	-0.05p	7.13p	3.32p	Loss to profit		3.15p	1.17p	-62.9%	
Capita Group plc					Harvey Nash Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jul 96	Final - Dec 96	Interim - Jul 97	Comparison
PBT	£ 50,067,000	£ 111,869,000	£ 79,067,000	+57.9%	PBT	£ 16,403,000	£ 36,321,000	£ 23,767,000	+44.9%
EPS	£ 4,588,000	£ 12,292,000	£ 7,062,000	+53.9%	EPS	£ 1,788,000	£ 797,000	£ 2,111,000	+18.1%
	1.83p	4.77p	2.49p	+36.1%		4.43p	1.80p	5.26p	+18.7%
Cedardata plc					Highams Systems Services Group plc				
REV	Final - Mar 96	Final - Mar 97	Final - Mar 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 12,071,000	£ 10,363,000	£ 10,363,000	-14.1%	PBT	£ 7,359,000	£ 16,394,589	£ 11,318,000	+53.8%
EPS	£ 4,384,000	£ 1,589,000	£ 1,589,000	-63.8%	EPS	£ 388,000	£ 878,707	£ 647,000	+66.8%
	9.50p	3.60p	3.60p	-62.1%		3.30p	7.20p	4.90p	+48.5%
CFS Group plc					ilion group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 1,751,000	£ 4,589,000	£ 3,702,000	+111.4%	PBT	£ 65,164,000	£ 146,875,000	£ 88,389,000	+35.6%
EPS	£ 26,000	£ 552,000	£ 252,000	+869.2%	EPS	£ 2,707,000	£ 6,009,000	£ 4,030,000	+48.9%
	1.60p	6.40p	2.50p	+56.3%		7.80p	17.20p	11.00p	+41.0%
Chemical Design Holdings plc					Intelligent Environments Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 634,000	£ 1,886,000	£ 1,079,000	+70.2%	PBT	£ 2,028,000	£ 3,475,554	£ 2,074,000	+2.3%
EPS	-£ 161,000	-£ 165,000	-£ 79,000	Loss both	EPS	£ 35,000	-£ 1,379,256	-£ 2,046,000	Profit to loss
	-2.58p	-2.93p	-1.21p	Loss both		0.20p	-7.10p	-9.20p	Profit to loss
Clinical Computing plc					IS Solutions plc				
REV	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison	REV	Final - Dec 95	Final - Dec 96	Final - Dec 96	Comparison
PBT	£ 2,187,131	£ 1,979,690	£ 1,979,690	-9.5%	PBT	£ 7,627,038	£ 7,671,000	£ 7,671,000	+0.6%
EPS	-£ 714,879	-£ 2,079,530	-£ 2,079,530	Loss both	EPS	£ 38,084	£ 219,000	£ 219,000	+475.0%
	-4.40p	-12.30p	-12.30p	Loss both		n/a	n/a	n/a	n/a
CMG plc					JBA Holdings plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 116,816,000	£ 245,159,000	£ 140,704,000	+20.7%	PBT	£ 66,039,000	£ 161,810,000	£ 88,102,000	+33.4%
EPS	£ 11,340,000	£ 27,522,000	£ 15,117,000	+33.3%	EPS	-£ 2,421,000	£ 11,259,000	-£ 1,297,000	Loss both
	11.40p	27.40p	14.90p	+30.7%		-4.03p	18.26p	-2.56p	Loss both
Coda Group plc					Kalamazoo Computer Group plc				
REV	Final - Oct 96	Final - Oct 97	Final - Oct 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 33,889,000	£ 41,204,000	£ 41,204,000	+21.6%	PBT	£ 35,218,000	£ 77,778,000	£ 33,801,000	-4.0%
EPS	-£ 4,899,000	-£ 1,784,000	-£ 1,784,000	Loss both	EPS	£ 2,340,000	£ 3,882,000	-£ 514,000	Profit to loss
	-18.80p	-7.40p	-7.40p	Loss both		3.72p	6.85p	-1.04p	Profit to loss
Comino plc					Kewill Systems plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 3,258,000	£ 7,792,000	£ 5,087,000	+56.1%	PBT	£ 19,830,000	£ 41,348,000	£ 19,334,000	-2.5%
EPS	£ 594,000	£ 1,420,000	£ 830,000	+39.7%	EPS	£ 3,243,000	£ 7,425,000	£ 3,580,000	+10.4%
	4.25p	9.95p	4.89p	+15.1%		17.50p	40.50p	18.80p	+7.4%
Compel Group plc					Logica plc				
REV	Final - Jun 96	Final - Jun 97	Final - Jun 97	Comparison	REV	Final - Jun 96	Final - Jun 97	Final - Jun 97	Comparison
PBT	£ 85,620,000	£ 111,792,000	£ 111,792,000	+30.8%	PBT	£ 284,810,000	£ 338,485,000	£ 338,485,000	+18.8%
EPS	£ 3,235,000	£ 5,057,000	£ 5,057,000	+56.3%	EPS	£ 24,710,000	£ 28,148,000	£ 28,148,000	+13.9%
	12.50p	16.20p	16.20p	+29.6%		27.10p	31.00p	31.00p	+14.4%
CRT Group plc					London Bridge Software Holdings plc				
REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 55,497,000	£ 134,334,000	£ 119,326,000	+115.0%	PBT	£ 2,013,000	£ 6,306,376	£ 4,095,000	+103.4%
EPS	£ 3,367,000	£ 12,056,000	£ 6,574,000	+95.2%	EPS	£ 501,000	£ 2,499,071	£ 953,000	+90.2%
	2.40p	6.86p	3.07p	+27.9%		1.67p	8.26p	2.66p	+59.3%
DCS Group plc					Lorien plc				
REV	Interim - Jun 96	Final(6 mos)-Dec 96	Interim - Jun 97	Comparison	REV	Final - Nov 96	Final - Nov 97	Final - Nov 97	Comparison
PBT	£ 18,147,000	£ 19,095,000	£ 23,742,000	+47.0%	PBT	£ 45,708,000	£ 116,930,000	£ 116,930,000	+155.8%
EPS	£ 1,162,000	£ 1,870,000	£ 2,036,000	+75.2%	EPS	£ 1,481,000	£ 1,585,000	£ 1,585,000	+7.0%
	4.07p	6.21p	6.48p	+59.2%		11.80p	4.50p	4.50p	-61.9%
DRS Data & Research Services plc					Lynx Holdings plc				
REV	Interim - Jul 96	Final - Dec 96	Interim - Jul 97	Comparison	REV	Final - Sep 96	Final - Sep 97	Final - Sep 97	Comparison
PBT	£ 2,918,000	£ 4,822,000	£ 4,288,000	+48.3%	PBT	£ 87,644,000	£ 120,752,000	£ 120,752,000	+37.8%
EPS	-£ 363,000	-£ 1,734,000	£ 43,000	Loss to profit	EPS	£ 6,953,000	£ 9,805,000	£ 9,805,000	+41.0%
	-0.72p	-3.43p	0.10p	Loss to profit		5.36p	6.83p	6.83p	+27.4%
Delcam plc					MMT Computing plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Aug 96	Final - Aug 97	Final - Aug 97	Comparison
PBT	£ 6,331,811	£ 13,579,348	£ 7,085,514	+11.6%	PBT	£ 16,861,201	£ 24,639,075	£ 24,639,075	+46.1%
EPS	£ 297,227	£ 1,036,812	£ 372,410	+25.3%	EPS	£ 4,531,686	£ 5,554,611	£ 5,554,611	+22.6%
	3.40p	11.10p	4.40p	+29.4%		24.60p	29.80p	29.80p	+21.1%
Delphi Group plc					M-R Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Jun 96	Final - Jun 97	Final - Jun 97	Comparison
PBT	£ 100,174,000	£ 210,835,000	£ 133,413,000	+33.2%	PBT	£ 38,361,000	£ 39,430,000	£ 39,430,000	+2.8%
EPS	£ 5,700,000	£ 12,302,000	£ 7,000,000	+22.8%	EPS	£ 4,810,000	£ 5,604,000	£ 5,604,000	+16.5%
	15.10p	33.05p	16.60p	+9.9%		5.70p	7.30p	7.30p	+28.1%
Diagonal plc					MDIS Group plc				
REV	Interim - Jun 96	Final - Nov 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 12,828,000	£ 28,328,000	£ 17,847,000	+41.4%	PBT	£ 60,540,000	£ 116,995,000	£ 54,377,000	-10.2%
EPS	£ 781,000	£ 2,007,000	£ 1,072,000	+37.3%	EPS	£ 9,213,000	£ 49,545,000	£ 3,910,000	Loss to profit
	2.70p	7.10p	3.80p	+40.7%		-9.39p	-48.94p	-3.82p	Loss to profit
Dialog Corporation plc					Macro 4 plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - Jun 96	Final - Jun 97	Final - Jun 97	Comparison
PBT	£ 9,584,000	£ 21,443,000	£ 14,037,000	+46.5%	PBT	£ 25,317,000	£ 23,448,000	£ 23,448,000	-7.4%
EPS	-£ 3,284,000	-£ 7,034,000	£ 2,013,000	Loss to profit	EPS	£ 12,147,000	£ 10,300,000	£ 10,300,000	-15.2%
	-3.68p	-7.82p	0.88p	Loss to profit		37.50p	33.80p	33.80p	-9.9%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Micro Focus plc					Rolfe & Nolan plc				
REV	Interim - Jul 96	Final - Jan 97	Interim - Jul 97	Comparison	REV	Interim - Aug 96	Final - Feb 97	Interim - Aug 97	Comparison
PBT	£ 34,140,000	£ 73,089,000	£ 41,349,000	+21.1%	PBT	£ 8,630,000	£ 20,299,000	£ 9,692,000	+12.3%
EPS	-£ 9,463,000	-£ 5,809,000	£ 5,171,000	Loss to profit	EPS	£ 1,107,000	£ 2,758,000	-£ 569,000	Profit to loss
	-62.20p	-48.00p	22.70p	Loss to profit		5.57p	14.50p	-2.93p	Profit to loss
Microgen Holdings plc					Romtec plc				
REV	Final - Oct 96	Final - Oct 97	Comparison		REV	Interim - Jul 96	Final - Jan 97	Interim - Jul 97	Comparison
PBT	£ 73,391,000	£ 66,398,000	-9.5%		PBT	£ 1,990,000	£ 4,734,677	£ 2,491,000	+25.2%
EPS	£ 8,783,000	£ 5,324,000	-39.4%		EPS	£ 128,000	£ 326,125	£ 130,000	+1.6%
	15.10p	8.80p	-41.7%			1.70p	4.30p	1.90p	+11.8%
Microvitec plc					Royalblue Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 33,840,000	£ 65,176,000	£ 20,892,000	-38.3%	PBT	£ 5,383,000	£ 11,679,000	£ 8,892,000	+65.2%
EPS	£ 1,610,000	£ 461,000	-£ 424,000	Profit to loss	EPS	£ 1,006,000	£ 2,016,000	£ 221,000	-78.0%
	1.40p	0.21p	0.10p	-92.9%		2.39p	4.66p	-0.35p	Profit to loss
Misys plc					Sage Group plc				
REV	Interim - Nov 96	Final - May 97	Interim - Nov 97	Comparison	REV	Final - Sep 96	Final - Sep 97	Comparison	
PBT	£ 142,809,000	£ 325,470,000	£ 177,644,000	+24.4%	PBT	£ 135,236,000	£ 152,089,000	+11.6%	
EPS	£ 23,665,000	£ 62,533,000	£ 32,122,000	+35.7%	EPS	£ 30,053,000	£ 37,635,000	+25.2%	
	19.90p	52.80p	27.00p	+35.7%		18.50p	23.43p	+26.6%	
Mondas plc					Sanderson Group plc				
REV	Final - Apr 96	Final - Apr 97	Comparison		REV	Final - Sep 96	Final - Sep 97	Comparison	
PBT	n/a	£ 56,609	n/a		PBT	£ 61,385,000	£ 67,143,000	+9.4%	
EPS	n/a	-£ 421,192	n/a		EPS	£ 6,201,000	£ 2,778,000	-55.2%	
	n/a	-10.50p	n/a			10.10p	4.70p	-53.5%	
Moorepay Group plc					SBS Group plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	PF Final - Aug 96	PF Final - Aug 97	Comparison	
PBT	£ 2,717,246	£ 5,118,415	£ 2,731,603	+0.5%	PBT	£ 15,187,000	£ 18,981,000	+25.0%	
EPS	£ 851,417	£ 1,327,894	£ 886,148	+4.1%	EPS	£ 70,000	£ 728,000	+940.0%	
	5.37p	11.56p	5.69p	+6.0%		4.15p	8.60p	+107.2%	
MSB International plc					Science Systems (Holdings) plc				
REV	Interim - Jul 96	Final - Jan 97	Interim - Jul 97	Comparison	REV	Final - Dec 95	Final - Dec 96	Comparison	
PBT	£ 29,981,000	£ 69,755,000	£ 54,893,000	+83.2%	PBT	£ 12,355,133	£ 14,300,000	+15.7%	
EPS	£ 2,166,000	£ 5,431,000	£ 3,714,000	+71.5%	EPS	£ 1,443,739	£ 1,200,000	-16.9%	
	7.00p	17.60p	12.10p	+72.9%		n/a	n/a	n/a	
NSB Retail Systems plc					Sema Group plc				
REV	Final - Dec 95	Final - Dec 96	Comparison		REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 1,490,000	£ 2,161,000	+45.0%		PBT	£ 426,919,000	£ 926,965,000	£ 559,539,000	+31.1%
EPS	£ 422,000	£ 296,000	-29.9%		EPS	£ 19,754,000	£ 50,019,000	£ 26,214,000	+32.7%
	n/a	n/a	n/a			12.91p	30.94p	16.03p	+24.2%
On Demand Information plc					Sherwood International plc				
REV	Interim - Jan 96	Final - Jul 96	Interim - Jan 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 5,677,000	£ 11,429,000	£ 5,601,000	-1.3%	PBT	£ 11,801,000	£ 24,628,000	£ 13,069,000	+10.7%
EPS	-£ 1,284,000	-£ 2,900,000	-£ 2,291,000	Loss both	EPS	£ 705,000	£ 2,065,000	£ 1,025,000	+45.4%
	-2.50p	-5.60p	-4.20p	Loss both		5.60p	19.20p	7.90p	+41.1%
Oxford Molecular plc					Skillsgroup plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - May 96	Final - Nov 96	Interim - May 97	Comparison
PBT	£ 4,350,000	£ 9,789,000	£ 6,168,000	+41.8%	PBT	£ 179,200,000	£ 344,337,000	£ 181,600,000	+1.3%
EPS	-£ 950,000	-£ 1,849,000	-£ 677,000	Loss both	EPS	£ 6,500,000	£ 14,277,000	£ 6,500,000	+0.0%
	-1.70p	-3.30p	-1.10p	Loss both		5.80p	12.70p	5.80p	+0.0%
Parity plc					Spargo Consulting plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 76,363,000	£ 162,091,000	£ 90,625,000	+18.7%	PBT	£ 4,040,000	£ 7,853,000	£ 4,228,000	+4.7%
EPS	£ 4,303,000	£ 10,060,000	£ 5,678,000	+32.0%	EPS	£ 602,000	£ 1,204,000	£ 625,000	+3.8%
	6.75p	15.81p	8.90p	+31.9%		3.10p	6.17p	3.25p	+4.8%
Pegasus Group plc					Staffware plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison
PBT	£ 3,729,000	£ 7,914,000	£ 5,567,000	+49.3%	PBT	£ 4,044,081	£ 10,009,325	£ 7,701,192	+90.4%
EPS	£ 511,000	£ 1,160,000	£ 810,000	+58.5%	EPS	£ 159,812	£ 873,879	£ 549,023	+243.5%
	6.50p	15.40p	12.80p	+96.9%		0.40p	5.60p	3.30p	+725.0%
PhoneLink plc					Superscape VR plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Final - Jul 96	Final - Jul 97	Comparison	
PBT	£ 2,155,000	£ 4,315,000	£ 1,850,000	-14.2%	PBT	£ 3,888,000	£ 3,106,000	-20.1%	
EPS	-£ 3,152,000	-£ 6,173,000	-£ 1,742,000	Loss both	EPS	-£ 2,873,000	-£ 5,961,000	Loss both	
	-6.70p	-12.90p	-3.60p	Loss both		-37.90p	-69.60p	Loss both	
Proteus International plc					Systems Integrated Research plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Nov 96	Final - May 97	Interim - Nov 97	Comparison
PBT	£ 413,000	£ 573,000	£ 21,000	-94.9%	PBT	£ 507,000	£ 1,450,000	£ 516,000	+1.8%
EPS	-£ 1,820,000	-£ 3,824,000	-£ 1,931,000	Loss both	EPS	-£ 1,194,000	-£ 1,938,000	-£ 296,000	Loss both
	-3.67p	-7.31p	-3.49p	Loss both		-9.10p	-13.30p	-2.40p	Loss both
Quality Software Products Holdings plc					Tetra plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - May 96	Final - May 97	Comparison	
PBT	£ 11,797,000	£ 25,360,189	£ 13,431,000	+13.9%	PBT	£ 19,088,000	£ 22,358,000	+17.1%	
EPS	-£ 1,117,000	£ 28,480	£ 180,000	Loss to profit	EPS	-£ 1,168,000	£ 2,096,000	Loss to profit	
	-8.60p	0.20p	1.40p	Loss to profit		-4.04p	6.10p	Loss to profit	
RM plc					Total Systems plc				
REV	Final - Sep 96	Final - Sep 97	Comparison		REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 99,032,000	£ 110,170,000	+11.2%		PBT	£ 1,477,822	£ 3,279,609	£ 2,017,128	+38.5%
EPS	£ 6,806,000	£ 8,018,000	+17.8%		EPS	£ 185,587	£ 412,545	£ 476,206	+156.6%
	25.10p	30.80p	+22.7%			1.33p	2.76p	3.19p	+139.8%
Radius plc					Trace Computers plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Final - May 96	Final - May 97	Comparison	
PBT	£ 13,934,000	£ 27,267,000	£ 13,288,000	-4.6%	PBT	£ 20,534,553	£ 17,270,621	-15.9%	
EPS	£ 1,006,000	£ 1,591,000	£ 805,000	-20.0%	EPS	-£ 5,135,296	£ 634,601	Loss to profit	
	2.40p	4.05p	1.93p	-19.6%		-35.88p	3.35p	Loss to profit	
Rage Software plc					Triad Group plc				
REV	Final - Jun 96	Final - Jun 97	Comparison		REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 9,504,000	£ 8,758,000	-8.0%		PBT	£ 8,350,000	£ 18,827,000	£ 14,139,000	+69.3%
EPS	-£ 3,224,000	-£ 15,430,000	Loss both		EPS	£ 1,219,000	£ 2,656,000	£ 2,851,000	+133.9%
	-1.34p	-6.30p	Loss both			3.22p	7.25p	7.53p	+133.9%
Real Time Control plc					Vega Group plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison
PBT	£ 6,314,000	£ 12,565,000	£ 7,181,000	+13.7%	PBT	£ 8,828,000	£ 17,977,000	£ 10,399,000	+17.8%
EPS	£ 1,156,000	£ 2,547,000	£ 1,477,000	+27.8%	EPS	£ 1,405,000	£ 3,261,000	£ 805,000	-42.7%
	11.00p	25.50p	14.50p	+31.8%		6.35p	13.79p	3.49p	-45.0%
Rebus Group plc					Workplace Technologies plc				
REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison	REV	Final - Dec 95	Interim - Jun 97	Final - Dec 96	Comparison
PBT	£ 30,255,000	£ 66,436,000	£ 40,876,000	+34.4%	PBT	£ 38,848,000	£ 30,752,000	£ 52,086,000	+34.1%
EPS	£ 2,313,000	£ 5,808,000	£ 2,941,000	+27.2%	EPS	-£ 488,000	£ 986,000	£ 1,972,000	loss to profit
	1.72p	4.61p	1.96p	+14.0%		-3.43p	1.17p	-0.36p	loss both
Recognition Systems Group plc					Xavier Computer Group plc				
REV	Final - Sep 96	Final - Sep 97	Comparison		REV	Interim - Sep 96	Final - Mar 97	Interim - Sep 97	Comparison
PBT	£ 324,000	£ 773,000	+138.6%		PBT	£ 3,740,000	£ 8,961,457	£ 7,805,000	+108.7%
EPS	-£ 1,266,000	-£ 2,255,000	Loss both		EPS	£ 260,000	£ 582,000	£ 501,000	+92.7%
	-5.50p	-8.30p	Loss both			0.33p	0.62p	0.38p	+15.2%
Riva Group plc					Zergo Holdings plc				
REV	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparison	REV	Interim - Oct 96	Final - Apr 97	Interim - Oct 97	Comparison
PBT	£ 32,348,000	£ 64,438,000	£ 32,661,000	+11.0%	PBT	£ 4,870,000	£ 10,398,871	£ 5,371,000	+15.0%
EPS	-£ 905,000	£ 518,000	£ 190,000	Loss to profit	EPS	£ 185,000	£ 725,736	£ 78,000	-57.8%
	-3.00p	0.90p	0.30p	Loss to profit		0.50p	3.40p	-0.30p	Profit to loss

UK M&A

CRT has acquired the **Pitman Scotland** (training franchise in Scotland) "for an undisclosed cash consideration". CRT already holds the UK brand. Pitman Scotland had 1997 revenues of £900K and £150K profit. We understand from CRT CEO Karl Chapman that they are some 86 other franchises. *Watch this space for further announcements.*

Romtec has entered into a joint venture alliance (Romtec-GfK) with **GfK Marketing Services** with Romtec taking a 51% stake.

PC dealer, **Crown Computer Products'** parent has appointed the receivers. In a connected move, **Bascrown** and the **Big PC** company also went into administration. **KBC Advanced Technologies plc** has acquired **Honeywell's** SIM-series simulation modelling business for £3.6m. The operation had revenues of £1.5m and PBT "on a stand alone basis of about £400K".

CMG has acquired Belgian IT services company, **CSS** (Computer Specialists Services) for BFr70m (c£1.2m). CSS had revenues of £2.7m and is expected to make "a positive contribution to CMG's earnings in 1998". Seems a good fit for CMG who are very strong in The Netherlands but have no direct outlet in Belgium. They will now merge their Belgian activities with CSS to form a new company.

UK NASDAQer **ECsoft Group** has made its fourth acquisition since Jul. 97 when they acquired **Level-7** this month. In a share for share transaction, Level-7 was valued at £4.6m. In 1997, Level-7 made £603K PBT on revenues of £3.2m and had 43 staff.

AIM-listed **CRC** has acquired **Crest Peripherals Services** (hardware repair services) for £1.8m.

Scottish call centre operator **McQueen** has been acquired by US **Sykes Enterprises** for £3.54m in shares.

Sage has sold its **Dataform** print management business in an MBO valued at £7.2m. 3i. provided £3.8m funding with a similar amount of loans provided by the Bank of Scotland. The operation has revenues of c£16m.

Superscape has agreed a £500K contract to build a 3D modelling game for Lego. The company have also raised £474K in a placing at 110p.

Admiral has sold its **MIND** products business to **Prime Response Ltd** for £1.7m plus "the possibility of £600K deferred". MIND accounted for <2% of Admirals "reported results". Admiral will now concentrate on IT services. Exactly what we expect from a **System House Boring Award** Winner!

Select Appointments has made yet another acquisition. This time its subsidiary **Parkhouse Personnel** has acquired **Keltner Recruitment** (contract staff for call centres). No consideration was disclosed.

US **Interlink Computer Sciences** has acquired **Networks Engineering** and all its technology rights for c£2.6m. The two companies have been working together for about a year on the development of OpenMAX line of systems management products. **Schroder Ventures** has taken a majority stake in **Ascom Timeplex** - an old established player in the WAN networking arena with revenues of \$200m.

Xavier Computer Group has pulled its proposed acquisition of **Rothwell Group** as "certain conditions had not occurred".

Delphi has increased its indirect stake in Decan with the purchase of shares costing £1.3m in **FI** (who hold 29%).

The Daily Mail has acquired US **Risk Management Solutions** for £40m.

AEA Technology has acquired "fatigue and lifetime prediction software company" **nCode** for £6.9m over 3 years. nCode had revenues of £3.2m and profits of £600K in the year to 31st Dec. 97.

Capita and SHL in "common sense" deals

Capita Group has acquired the Stamford Street mainframe and midrange bureau business of **SHL Systemhouse**. The purchase also includes the PCL business acquired by SHL in 1995. We would "guess" that c£12m revenues are involved in the 20+ contracts and c85 staff transferred. No consideration was disclosed but we understand it to be pretty modest. It also appears that the disaster recovery operations acquired as part of the deal has been sold on to **Safetynet**.

To us these deals seem common sense for all parties involved. SHL can now concentrate on its distributive computing/desktop business. The bureau business is exactly right for Capita. It adds IT expertise, well respected resources and takes then into new financial services markets.

Capita also announced the purchase of **Grosvenor Career Services** for £6.5m. Grosvenor (provides people etc. for managing pensions and payrolls) had revenues of £5.9m and OP of £552K in the year to 31st. Mar. 97.

SHL Systemhouse

We understand that SHL's UK revenues were around £150m in 1997 - up from about £120m in 1996. However, about 40% of this relates to hardware resale. But that still puts their SCSI revenues at c£90m. Revenues in the rest of Europe are pretty minor. Expect SHL to have revenue of \$1.8 billion worldwide in 1997 - mainly from Canada and US.

SKILLSGROUP Now totally an IT services operation

Last month **Skillsgroup** sold their Swedish PC business, Nordic Datadistribution. This month they announced the sale of their **P&P** desktop computer operations to **GE Capital Investments** for £11.5m. In addition GE will assume debt of c£15m. P&P UK made operating profits of £3.1m on revenue of £135m in the year to 30th Nov. 96.

This latest disposal supports Skillsgroup moves out of volume distribution into becoming a pure SCSI company. The sale, together with the further announcement that "QA and Acuma showed continued progress in the current FY and will produce operating profits of not less than £10.8m" (up 15%), helped boost the share price which ended the month up 25% at 228p.

Goodbye LBMS

Learmonth and Burchett Management Systems wasn't really a UK company anymore but we have to report that it has now been acquired by US **Platinum Technology** for \$70m in shares. Seems a pretty good price for a company which lost \$16.3m in the last year.

SCC rescues Preview

Specialist Computer Holdings is buying **Preview Data Systems Group** (Bridata Group) for an undisclosed sum. Preview had revenues for the 18 months ending 30th Sep. 96 of £15.3m but lost £500K. In the year to 30th Sep. 97, revenue was £15m but no PBT has been given. Indeed, it looks as if troubles had mounted as creditors have accepted 33p in the £ as part of the SCH rescue package. It seems a sensible buy for SCH as Preview were one of the few specialist PC/desktop support/outsourcing companies still available.

Sage acquires in the US

Sage's CEO Peter Walker as near as told everyone last month that he was about to make a sizeable acquisition in the US. Financial accounting software leader in UK, France and Germany, the US performance of DacEasy had been lacklustre. Indeed revenues reduced by 8% to just £19m in the year to 30th Sept. 97.

Now Sage has acquired **State of the Art Inc. (SOTA)**, pretty much a smaller mirror image of Sage, for \$263m. SOTA had revenues of £39.1m and PBT of £5.9m in the year to 31st Dec. 97.

Now all Sage has to do is work the recurring revenue/support contract trick which it knows so well. Not difficult as <20% of SOTA users have support contracts.

This standard Sage *"Stick to the knitting"* pattern is tried, tested and absolutely right and Sage successfully raised £74.7m in a placing at 960p.

Vega Group - outlook remains satisfactory

Largely as expected, **Vega** reported revenue up 18% to £10.4m but PBT fell 43% to £805K with EPS down 45% in the six months to 31st Oct. 97. But these results largely related to the period before Robert Gilbert took over as Chief Executive and Andy Roberts (ex Data Sciences) took over from Drummond as Chairman. Roberts said *"the outlook for the full year looks satisfactory"*. Certainly Vega have been awarded some major new contracts since the new team took over and, at the half year stage, the company had a contracted order backlog of £18.75m with a further £8m pending.

Vega shares rose 19% in the month to end on 270p.

The continuing Radius nightmare

Our views on **Radius** are well known. Their overall performance has been little short of appalling in the last six years since Mike Roberts was appointed Chairman. Roberts invented the word *"confident"* when referring to future prospects and even used it when issuing a profit warning! We could go on but our last appeal (Dec. *System House*) was for *"someone to put Radius shareholders out of their misery"*. Perhaps our wish now been granted?

An announcement was made that *"Radius director Edward Sharp called for an EGM to oust the company's chairman (Roberts) and CEO (Kelly)"*. But the board (apart from Sharp that is) believes that these resolutions *"are not in the best interests of the company and have irrevocably undertaken to vote against these resolutions"*. Roberts is no doubt *confident* of success.

Sharp wants to reappoint Keith Bennett and Michael Slinn as directors and run Radius as a series of autonomous subsidiaries. Although Sharp does not rule out being acquired he thinks it is *"unlikely that ambitions could be matched by an acquirer"*. Bluntly, we think that someone completely new sorting out this mess would certainly be in the best interests of the shareholders...and probably the staff and customers too.

Eidos (and Lara Croft) have a good year

Eidos shares rose sharply after stating that they expect FY98 profits to be *"substantially in excess of current market expectation"*. Indeed it now looks as if profits will be doubled to over £15m. Their shares ended the month up 27% at 850p.

Lara Croft is the well endowed lady who stars in Eidos' best selling Tomb Raider games - came second in the IT Personality of the Year chart. She was beaten by Taskforce 2000's Robin Guenier.

FTSE IT Index

The **FTSE IT Index** was launched on 2nd Jan. 98 and has had a truly remarkable reception; rising a staggering 18% to 1179.98 by end Jan.

As we said last month, the Top Five shares represent 64% of the weighting of the IT Index. These shares have performed particularly well as institutional investors made sure that they had sufficient stock in their portfolios.

Indeed since FTSE International announced the establishment of the IT Index on 2nd Dec. 97, the average "Top Five" stock has increased by 34% as follows:

Or put another way, its added over £2 billion to the market cap. of these five.

Several readers have asked us why Capita is not in the IT Index. Paul Pindar told us that it was probably fair as <50% of their rev. was really IT related.

FTSE International IT Index	
Top Five	Increase 1st Dec 97 - 31st Jan 98
Sema	32%
Misys	39%
CMG	37%
Sage	30%
Logica	32%
Total Top Five	34%

Indeed, he didn't object to being excluded, pointing out that Capita's shares had increased by 17% since 1st Dec. 97 anyway! He also made the point that we have made several times. With such a heavy weighting, **if Misys or Sema sneeze the IT Index will catch pneumonia.**

IT Index and IT subsector

We must clarify the confusion surrounding the **FTSE IT Index**. Firstly only 26 companies are included in the IT Index. However there are a further 36 main market quoted companies and about 20 AIM companies which have been placed in the **IT sub sector**. So Misys is both in the IT Index and the subsector but companies like Radius and Sanderson, although quoted on the main market, are classed as Fledgling companies. They are part of the IT sub sector but not included in the IT Index.

Although we clearly welcome the IT Index, its weighting and small number of constituents limits its value. We intend to continue our own SCSi index (p9) as, perhaps, more representative of the whole sector.

Policy Master - first results since MBO

Policy Master is an insurance software house with offices in the UK as well as in Nairobi, Hong Kong and Barbados. They offer products for Underwriting, Broking and Broking Direct.

In Jan. 97, an MBO was undertaken and they have just released their first year's figures as an independent company. In the year ending 31st Dec. 97, revenue rose 22% to £8.75m with profits showing *"a year on year"* increase from £337K to £776K.

CEO S Verrall said *"there is every indication that 1998 will be another strong year for us"*. Let's just hope that a mention in *System House* does not eventually lead to an unwanted predator.

On-Demand suspends shares

We described **On-Demand Information** *"single source multimedia information systems"* as the *"ultimate froth stock"* when they floated in Nov. 93 at 100p and reached an amazing 223p soon afterwards.

In Aug. 97 On-Demand appointed Regent Associates to find a buyer. On 2nd Feb. 98, their shares were suspended at just 7p. Negotiations are continuing to sell some of the divisions but the R&A cannot be signed until they are concluded. Signing the *"going concern"* declaration would have been a trifle difficult.

SCSI Index up record 13.6%

The launch of the FTSE IT Index (see p8) was one of the main reasons for the record 13.6% rise in Jan. 98 in our unweighted SCSI Index which tracks c90 companies. Interesting that the FTSE IT Index was up an even higher 18% - showing that it's the largest companies which have done best. However, the share price rises this month were led by **Proteus** (up 90%); as a their BSE test gained approval from the Irish Govt. But a further four companies recorded 50%+ rises - **Gresham** (up 63% - see p4), **Rage** (up 59%), **Triad** (up 52% - see p2) and **Quality** (QSP) - up 51% on frenzied broker expectations of better than expected results.

31-Jan-98	SCSI Index	FTSE IT Index	FTSE 100	BDO AIM	FTSE SmallCap
	3446.42	1179.98	5458.50	1338.80	2372.68
SCSI Index + 1000 on 15th April 1989					
Changes in Indices	SCSI Index	FTSE 100	FTSE IT Index	BDO AIM Index	FTSE Small Cap
Month (31/12/97 - 31/1/98)	+13.55%	+6.29%	18.00%	+0.36%	+2.57%
From 15th Apr 89	+244.64%	+165.80%			
From 1st Jan 90	+274.57%	+131.10%			
From 1st Jan 91	+386.87%	+152.66%			
From 1st Jan 92	+229.85%	+118.94%			
From 1st Jan 93	+116.27%	+91.76%			+71.02%
From 1st Jan 94	+106.42%	+59.68%			+26.97%
From 1st Jan 95	+129.89%	+78.06%			+35.86%
From 1st Jan 96	+52.60%	+47.95%		4.42%	+22.21%
From 1st Jan 97	+28.72%	+32.54%	18.00%	-1.25%	+8.68%
From 1st Jan 98	+13.55%	+6.29%		0.36%	+2.57%

System House SCSI Share Prices and Capitalisation

	FTSE IT Index?	Share Price 31/1/98 (£p)	Capitalisation 31/1/98 (£m)	Historic P/E	PSR Ratio Cap./Rev.	SCSI Index 31/1/98	Share price % move since 31/12/97	Share price % move in 1998	Capitalisation move (£m) since 31/12/97	Capitalisation move (£m) in 1998
Admiral	Yes	£7.58	£480.30m	57.0	5.29	27378.71	5.43%	5.43%	£26.15m	£26.15m
AFA Systems		£1.08	£12.90m	Loss	35.83	895.83	0.00%	0.00%	£0.00m	£0.00m
AIT Group		£2.06	£41.80m	33.0	3.92	1373.33	20.82%	20.82%	£7.22m	£7.22m
Anite Group	Yes	£0.57	£135.80m	Loss	0.70	333.33	21.28%	21.28%	£24.15m	£24.15m
Azlan Group	Yes	£0.48	£51.20m	Loss	0.17	208.70	-13.61%	-13.61%	£-7.94m	£-7.94m
Cadcentre Group		£3.15	£52.30m	31.3	3.02	1575.00	-3.08%	-3.08%	£-1.63m	£-1.63m
Capita Group		£3.83	£736.70m	70.6	6.59	34459.46	3.66%	3.66%	£30.02m	£30.02m
Cedadata	Yes	£1.51	£47.90m	53.0	4.62	1438.10	43.81%	43.81%	£14.61m	£14.61m
CFS Group		£0.91	£6.70m	12.9	1.47	1005.56	-13.40%	-13.40%	£-1.03m	£-1.03m
Chemical Design Holdings		£0.95	£6.27m	Loss	2.46	863.64	-5.00%	-5.00%	£-0.33m	£-0.33m
Clinical Computing		£0.41	£10.30m	Loss	5.20	330.65	-3.53%	-3.53%	£-0.37m	£-0.37m
CMG	Yes	£18.30	£1,173.00m	59.4	4.78	6310.34	20.00%	20.00%	£195.51m	£195.51m
Coda Group		£1.51	£41.80m	Loss	1.01	640.43	0.33%	0.33%	£-0.01m	£-0.01m
Compel Group		£3.53	£99.80m	21.5	0.89	2820.00	15.57%	15.57%	£12.57m	£12.57m
Comino		£1.33	£17.10m	11.2	2.20	1019.23	8.16%	8.16%	£2.30m	£2.30m
CRT Group		£3.41	£487.60m	47.4	3.63	3783.33	-4.08%	-4.08%	£-20.78m	£-20.78m
DCS Group		£3.62	£79.50m	28.5	2.61	6025.00	12.09%	12.09%	£8.54m	£8.54m
Delcam		£1.65	£9.74m	13.6	0.72	634.62	0.00%	0.00%	£0.04m	£0.04m
Delphi Group	Yes	£7.85	£227.70m	21.6	1.08	3230.45	17.16%	17.16%	£33.40m	£33.40m
Diagonal		£8.38	£168.30m	118.0	5.94	3045.45	19.22%	19.22%	£38.30m	£38.30m
Dialog Corporation		£1.78	£266.60m	Loss	12.43	1613.64	18.33%	18.33%	£41.77m	£41.77m
Division Group		£0.38	£16.70m	Loss	2.50	937.50	-2.60%	-2.60%	£-0.20m	£-0.20m
DRS Data & Research		£0.20	£6.84m	Loss	1.42	181.82	-9.09%	-9.09%	£-0.69m	£-0.69m
Druid Group		£7.63	£174.60m	54.9	7.91	2772.73	15.09%	15.09%	£22.88m	£22.88m
Electronic Data Processing		£0.53	£13.80m	11.3	1.10	1607.47	-3.67%	-3.67%	£-0.44m	£-0.44m
Eidos	Yes	£8.50	£143.60m	38.6	1.90	8500.00	26.87%	26.87%	£30.36m	£30.36m
FI Group	Yes	£10.98	£353.40m	60.9	3.58	4670.21	17.69%	17.69%	£53.10m	£53.10m
Flomerics Group		£1.20	£3.12m	58.8	0.59	923.08	0.00%	0.00%	£0.00m	£0.00m
Gresham Computing		£0.38	£12.30m	32.1	1.42	403.23	63.04%	63.04%	£4.78m	£4.78m
Harvey Nash Group		£3.88	£108.10m	215.6	2.98	2214.29	14.99%	14.99%	£14.15m	£14.15m
Highams Systems Services		£2.02	£18.00m	22.9	1.10	2805.56	30.32%	30.32%	£4.18m	£4.18m
Illion Group	Yes	£1.53	£38.30m	7.5	0.26	953.13	19.61%	19.61%	£6.28m	£6.28m
Intelligent Environments		£0.25	£5.76m	Loss	1.66	260.64	0.00%	0.00%	£0.00m	£0.00m
I S Solutions		£1.85	£8.86m	62.4	1.16	1376.87	26.80%	26.80%	£1.88m	£1.88m
JBA Holdings	Yes	£11.83	£432.80m	58.6	2.67	7390.63	14.97%	14.97%	£56.35m	£56.35m
Kalamazoo Computer		£0.50	£21.20m	7.3	0.27	1414.29	-28.78%	-28.78%	£-8.60m	£-8.60m
Kewill Systems	Yes	£6.49	£83.70m	15.6	2.02	2565.22	13.86%	13.86%	£10.15m	£10.15m
Logica	Yes	£13.20	£967.60m	42.4	2.86	3616.44	14.04%	14.04%	£121.50m	£121.50m
London Bridge Software		£5.28	£153.00m	52.9	24.29	2637.50	3.74%	3.74%	£5.51m	£5.51m
Lorien		£6.20	£119.70m	137.8	1.02	6200.00	22.77%	22.77%	£33.32m	£33.32m
Lynx Holdings	Yes	£1.39	£143.40m	20.4	1.19	3475.00	15.35%	15.35%	£19.13m	£19.13m
M-R Group		£1.10	£61.40m	15.0	1.56	436.51	-2.22%	-2.22%	£-1.36m	£-1.36m
Macro 4	Yes	£3.30	£65.00m	9.8	2.77	1330.65	-2.94%	-2.94%	£-2.00m	£-2.00m
MDIS Group		£0.43	£89.20m	Loss	0.76	163.46	-9.57%	-9.57%	£-9.31m	£-9.31m
Micro Focus	Yes	£27.38	£432.50m	54.7	5.92	13224.64	14.42%	14.42%	£61.62m	£61.62m
Microgen Holdings	Yes	£0.79	£31.10m	8.9	0.47	335.47	12.14%	12.14%	£3.38m	£3.38m
Microvitec		£0.16	£12.40m	75.0	0.19	384.15	-10.00%	-10.00%	£-1.36m	£-1.36m
Misys	Yes	£23.28	£2,599.00m	38.8	7.99	5789.80	27.19%	27.19%	£555.80m	£555.80m
MMT Computing	Yes	£8.93	£106.20m	30.0	4.31	5312.50	6.31%	6.31%	£6.34m	£6.34m
Mondas		£0.78	£4.73m	Loss	82.98	1033.33	11.51%	11.51%	£0.49m	£0.49m
Moorepay Group		£3.10	£33.50m	26.8	6.54	5231.56	9.73%	9.73%	£2.95m	£2.95m
MSB International	Yes	£6.95	£141.80m	30.6	2.03	3657.89	11.20%	11.20%	£14.36m	£14.36m
NSB Retail Systems		£1.89	£18.30m	73.2	8.47	1639.13	-1.57%	-1.57%	£-0.27m	£-0.27m
On Demand Information		£0.07	£3.59m	Loss	0.31	83.33	-13.33%	-13.33%	£-0.55m	£-0.55m
Oxford Molecular		£2.43	£175.30m	Loss	17.91	3031.25	1.04%	1.04%	£1.83m	£1.83m
Parity	Yes	£7.90	£389.50m	44.0	2.40	43888.73	24.21%	24.21%	£76.00m	£76.00m
Pegasus Group		£2.40	£16.80m	10.1	2.12	653.95	-7.69%	-7.69%	£-1.37m	£-1.37m
PhoneLink		£0.43	£20.50m	Loss	4.76	274.19	-22.02%	-22.02%	£-5.76m	£-5.76m
Proteus International		£0.84	£46.30m	Loss	80.80	994.05	89.77%	89.77%	£21.84m	£21.84m
Quality Software Products		£3.33	£45.20m	32.5	1.78	875.00	51.14%	51.14%	£15.24m	£15.24m
Radius		£0.34	£9.38m	9.3	0.34	242.75	-4.29%	-4.29%	£-0.42m	£-0.42m
Rage Software		£0.07	£16.50m	Loss	2.44	259.62	58.82%	58.82%	£6.10m	£6.10m
Real Time Control		£3.38	£23.60m	11.6	1.88	6887.76	5.14%	5.14%	£1.17m	£1.17m
Rebus Group	Yes	£0.87	£80.50m	19.1	1.21	988.64	10.13%	10.13%	£7.40m	£7.40m
Recognition Systems		£0.23	£8.46m	Loss	10.99	328.57	6.98%	6.98%	£0.55m	£0.55m
Riva Group		£0.39	£12.10m	9.3	0.19	277.18	-7.14%	-7.14%	£-0.87m	£-0.87m
RM	Yes	£9.75	£177.40m	31.1	1.61	5571.43	22.26%	22.26%	£35.45m	£35.45m
Rolfe & Nolan		£3.43	£45.60m	57.4	2.25	4077.38	0.00%	0.00%	£0.05m	£0.05m
Romtec		£1.05	£5.43m	22.4	1.15	1672.00	0.00%	0.00%	£0.00m	£0.00m
Royalblue Group		£3.38	£92.80m	62.8	7.95	1985.29	-1.46%	-1.46%	£-20.34m	£-20.34m
Sage Group	Yes	£9.88	£1,067.00m	42.0	7.02	37980.77	18.98%	18.98%	£169.75m	£169.75m
Sanderson Group	Yes	£0.83	£37.90m	7.8	0.56	1404.26	11.49%	11.49%	£3.91m	£3.91m
SBS Group		£2.23	£15.80m	29.3	0.83	2225.00	27.14%	27.14%	£3.43m	£3.43m
Science Systems		£1.98	£33.60m	29.1	2.35	1531.01	19.34%	19.34%	£5.50m	£5.50m
Sema Group	Yes	£17.45	£2,006.00m	51.7	2.16	5487.42	17.71%	17.71%	£301.27m	£301.27m
Sherwood International		£5.63	£48.40m	26.2	1.97	4687.50	6.13%	6.13%	£2.81m	£2.81m
Skillsgroup	Yes	£2.28	£185.40m	17.9	0.54	1022.42	24.93%	24.93%	£37.08m	£37.08m
Spargo Consulting		£1.58	£19.70m	24.9	2.51	1657.89	4.65%	4.65%	£0.87m	£0.87m
Staffware		£3.96	£47.90m	51.9	4.79	1760.00	12.02%	12.02%	£5.12m	£5.12m
Superscape VR		£1.24	£10.90m	Loss	3.50	626.26	15.35%	15.35%	£1.43m	£1.43m
Systems Integrated		£0.08	£1.07m	Loss	0.86	69.57	-11.11%	-11.11%	£-0.14m	£-0.14m
Tetra		£2.35	£59.20m	39.3	2.65	1468.75	33.52%	33.52%	£15.00m	£15.00m
Total Systems		£0.90	£9.27m	19.4	2.83	1698.11	20.81%	20.81%	£1.75m	£1.75m
Trace Computers		£0.77	£11.00m	28.6	0.64	612.00	16.79%	16.79%	£1.57m	£1.57m
Triad Group		£4.51	£113.80m	39.1	6.04	3342.22	51.66%	51.66%	£38.79m	£38.79m
Vega Group		£2.70	£41.60m	24.5	2.31	2213.11	18.68%	18.68%	£6.52m	£6.52m
Workplace Technologies		£2.58	£74.70m	32.8	1.43	1471.43	32.39%	32.39%	£18.51m	£18.51m
Xavier Computer Group		£0.07	£4.20m	6.2	0.47	700.00	-9.97%	-9.97%	£-0.47m	£-0.47m
Zergo Holdings		£2.18	£20.00m	64.0	1.92	2230.77	0.00%	0.00%	£-0.03m	£-0.03m

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.

Services Giants

Compaq and Digital - It would be hard to have missed the record breaking \$8.7b acquisition of **DEC** by **Compaq** this month - a move that will ultimately have an effect on practically all our subscribers. It creates an IT company with \$37.5b revenues - second only to IBM.

The deal will also create a company with \$5.8 billion of IT services revenues - if you include hardware maintenance. With a combined services staff of 22,000, that puts them #3 in the world rankings behind IBM and EDS and a particularly strong player in the important desktop services arena.

IBM has continued its strong performance from its IT services activities in Q4; although hardware revenues fell. For the year as a whole, IBM increased total revenues by just 3% to \$78.5b. Hardware sales were static at \$36.2b, both maintenance and rentals sales were down by 3% and 4% respectively with services being the star performer showing an 22% rise to \$19.3b. Software sales were down 2% to \$12.8b. Net earnings for the year rose to \$6.1b with record EPS. However EPS has been helped by IBM's somewhat controversial practice of share buy back, which has totalled some \$7b in the year.

AIM disaster SiR

Systems Integrated (SiR), which develop educational software, was a new AIM float in Mar 96 at 115p. This month they closed on just 8p! FD Chris Cooper has now resigned after the announcement of losses of £278K (at least an improvement on the £1.8m loss last time) on static revenues of just £516K in the six months to 30th Nov. 97. The outlook doesn't look all that good either as there has been "a slowdown in activity" as schools assess the new National Grid for Learning initiative.

Seems like a pretty lame excuse to us. Perhaps they should ask **RM** for some advice.

Misys tops expectations

Misys exceeded expectations by about 8% - announcing revenues up 24% at £177.6m, PBT up 36% at £32.1m and EPS up 36% at 27.0p in the six months to 30th Nov. 97. And it could have been even better had not the strength of sterling knocked £3.2m off profits.

94% of the revenues in the period came from financial services. Banking (Midas-Kapiti) grew by 42% to £104m and profits of £26.8m. Of course, part of this was due to the acquisitions of **Frustum** and **Summit** in Dec. 96. The "original" insurance operations grew by a more modest 15% to £23.0m with profits largely unchanged at £5.7m. With revenues of £58.8m, Information Systems (the misc. businesses largely acquired in the 1980s/early 90s) hardly grew at all and operating profits fell 10% to £3.9m. Indeed on 2nd Feb. 98 it was announced that half of this operation had been sold for £10m cash. *More next month.*

The biggest news of the period - indeed the biggest acquisition ever for a UK SCSI company - was the £566m acquisition of **US Medic**. Medic has "traded well and in line with expectations" but counted for just one day in the trading period. At present the US counts for just 13% of revenues but Medic will clearly boost this considerably. Misys is considering launching its Internet-based insurance services in the US too. Indeed a US IPO (NYSE, rather than NASDAQ) is being considered.

The mix of business has altered with new name licences now accounting for 35% (was 30%) of revenues. Recurring and services business still accounts for 58% of the total however. Let's be honest it is a superb achievement. Misys shares have doubled in the last year and were up a further 27% at 2328p in Jan. 98. Indeed, with an amazing market capitalisation of £2.6b, Misys is likely to become the first SCSI company to enter the FTSE100 Index. Worth remembering that Misys had a market cap. of just £8.75m when they floated in 1987. The future, with Y2K and the Euro to "look forward to", looks just as bright.

Microgen - still declining after all these years

It must be depressing to have to report profits year after year in the 1990s lower than those you made year after year in the 1980s. But that's exactly the situation at **Microgen**.

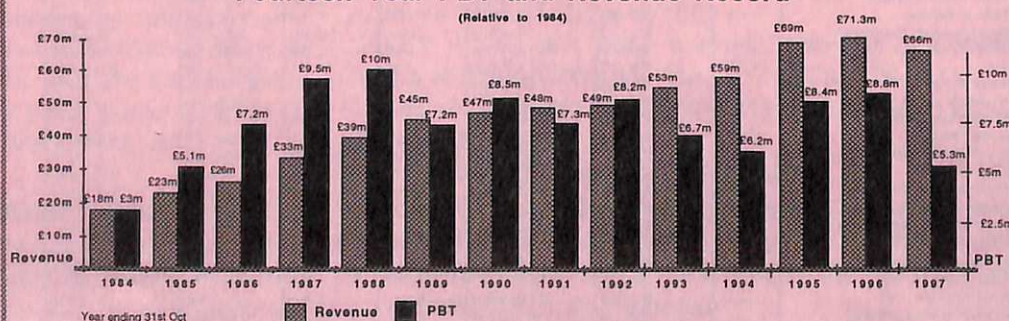
In the year to 31st Oct. 97 revenues reduced by 9.5% to £66.4m, PBT slumped by 40% to £5.3m and EPS was down 42%. As you can see in the chart, these were substantially lower than reported ten years ago. Microgen had at least warned us last December that "the continuing decline in the COM business and a lower than expected contribution from Current Knowledge (CK) business" were the problem. CK and Printpost have since been sold for c£1m.

Now Chairman Douglas Lee has added a £1.6m charge from the acquisition of Transactional Business Services and an exceptional charge of £1m for the new Axxess on-line data storage and retrieval product. The strength of sterling - Microgen makes over 50% of its revenues outside the UK, from Germany in particular - hit revenues by £6.7m and profits by £800K.

Comment - Microgen demonstrates how difficult it is to move from a cash cow business like COM (which declined by another 13% this year) into the new electronic world. Microgen was making a 30% profit margin back in the 1980s. Although we are sure that on-line data storage and retrieval is the future, will an external bureau like Microgen be the provider? Doing it in-house will surely be the norm.

Anyway, the market clearly doesn't think so as, with the current expectation of PBT of £6.75m in FY98, Microgen is on a prospective P/E of just 7. Even the directors don't seem to have much confidence in the future as they are now planning to buy back 10% of Microgen's shares. Given that net cash of £2.8m has been turned into net borrowings of £1.4m now, that seems a very dubious decision.

Microgen - Back to Square One
Fourteen Year PBT and Revenue Record



ICL - usual "end of season" sale?

It seems that every year ICL undertakes an end of season sale of its business units. Then when the financial results are announced, it's only probing from nosy analysts like yours truly that determines that the only reason a profit has been declared is as a result of the profits made on said disposals.

We will have to wait to see if that's true this year but disposals announced so far include:

- **TeamWARE** "equity" transferred to **Fujitsu**.

- Their **Financial Business** division to **Radius** for £1m.

- part of ICL's maintenance operations - **The Repair Centre** - sold in £9m 3i. backed MBO. About 110 people (70 of whom were contractors) will transfer. The operation, which will now trade as **Triage Services**, had rev. of £9m and was what some might refer to as a 4th party/in-house hardware repairer.

According to the FT of 26th Jan., ICL has put back its possible flotation date until 2000. To be fair, that was the date we were told last year anyway. But we just cannot agree with Keith Todd's stated reason for the *postponement*. I.e. "market conditions were not suitable". Such a statement is unbelievable at this time. Although Todd has said that ICL was back in the black in 1997, it remains to be seen if this is due to profitable trading or profitable disposals. It seems unlikely that he will be able to achieve his 5% long-term profit margin objective in 97. *But when might we expect it?* We have also been briefed recently on some very long overdue reorganisational changes at ICL. We have promised not to reveal them immediately until an official release is handed out. All we will say at this early stage, is that we feel that they *still* don't go far enough.

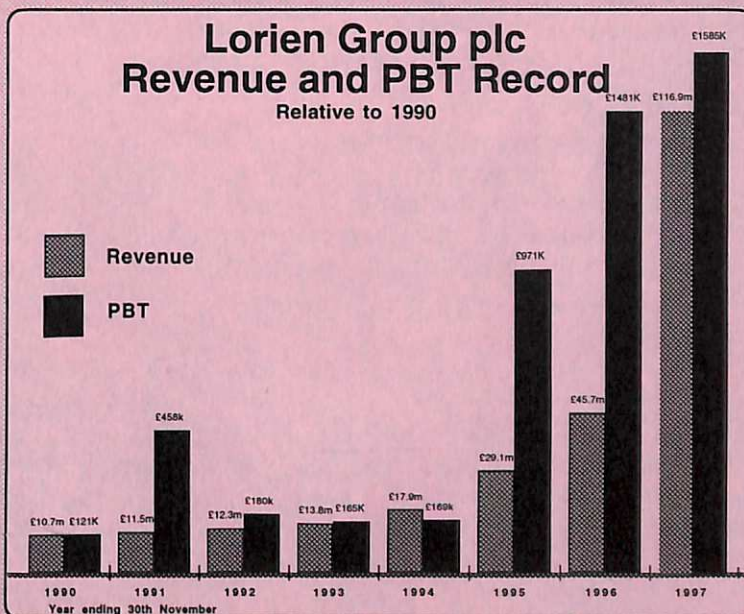
Lorien - results encouraging but only at a high Cost(er)

First let's just give you the bare facts for **Lorien**'s results for the year ending 30th Nov. 97. Revenue than doubled from £45.7m to £116.9m (due mainly to a string of acquisitions), PBT went up 7% to £1.6m with EPS down a massive 62%. They were a new AIM listing in Aug. 95 at 100p.

Now let's give you some recent history. In Nov. 96, we received a phone call from a certain Malcolm Coster who told us that he had just been appointed as the new CEO of the then AIM quoted IT staff agency Lorien. We were somewhat surprised to be asked by Coster "could you tell me something about the industry". We spent an hour or so on the phone and then came to the conclusion (as our Dec. 96 review in *System House* headlined) that "Coster has a lot to learn". At the time of his appointment eyebrows were raised as his package included an incentive deal worth £5m if he managed to boost EPS by 20% over a three year period. Coster in fact lasted just eight months at Lorien.

Now let's examine the accounts in a little more detail. The profit was hit by over £3m of exceptional admin. expenses. Included in these exceptionals was £283K for the one-off costs for moving from AIM to the main market, £950K reorganisation, redundancy etc. and £1.9m being "the fair value of shares issued by the Employee Benefit Trust". These shares were the 385,000 shares issued to Coster as part of the package. Although he "only" got a payment of one year's salary - £125K, the total payment to Coster was therefore over £2m. Not at all bad for eight months work if your name is Coster - but pretty appalling for shareholders.

But we must say that Lorien's underlying results are very encouraging - although no more than one would expect from the booming IT staff agency marketplace. Chairman and CEO Michael Heeley said "we are entering the new financial year with our forward order book at record levels and the evidence suggests the demand for our services continues to be strong across the group". Lorien's shares ended Jan. on 62p, a rise of 23% in the month.



Division "deserves to succeed"

If the UK ever had a software Great Hope it was for world domination in virtual reality. We probably achieved it. But unfortunately there wasn't a world market to dominate. **Division** was one of a clutch of VR IPOs in May 93 at 40p and went on to hit a high of 140p in 1995.

They have never made a profit (of course). In the year to 31st Oct. 97 Division reported revenues up 36% at £6.68m. On the surface the loss before tax increased by £100K to £1.78m. Division sold "the hardware product" bits of the business to HP in 1996 and PixelFusion in 1997. So operating losses reduced from £4.6m to £1.7m. So now Division is entirely "a provider of software, consultancy, training and maintenance". Division is involved in the "serious" CAD/CAM/CAE end of the VR market which enable engineering companies to "visualise" their products.

Sentiment has no place in business but...Division really deserves to succeed. The next year really will prove the point.

Dialog

Dialog (formerly MAID) undertook the 2nd largest UK SCSI acquisition of the last year when it acquired US **Knight Ridder** for c£286m. Dialog, which now has revenues >£200m, has said that it will spend c£36m on technical developments to effect the merger of the two operations.

Dialog shares have been somewhat of a roller coaster - up 18% this month at 178p. Higher than the UK float price in Mar. 94 at 110p; but lower than the NASDAQ IPO in Sep. 95 at (equivalent) 242p.

People

Lorien has appointed Richard Fiddis as group MD and a plc board member. Fiddis joined Lorien last July as group Marketing Director from IBM. As part of the management reshuffle, Andrew Aitken becomes MD of Lorien Consulting Solutions and William Johnson heads Lorien Professional Development Solutions. See also p11.

Anthony Muller, Senior VP and Chief Financial Officer at **Micro Focus Group** has resigned and moved to another "rapidly growing public company". Six months ago CEO Marcelo Gumucio also made a surprise exit. Mind you Muller's departure seems possibly to be linked to the vexed stock options position at Micro Focus and the UK limit of 10% maximum over 10 years (unlike the higher US limit). Evidently Muller has abandoned options worth c\$1m. "A replacement will be announced shortly" and in the meantime secretary Loren Hillberg will assume Muller's role.

But Micro Focus' CEO, Martin Waters is "confident that it will meet its revenue and profit plans for the remainder of the fiscal year".

Geoffrey Finlay has been appointed CEO of **Kewill Systems** from 2nd Feb. 98. Finlay has served in various posts at MSA, Pansophic, Coopers & Lybrand, and lastly JDA Software Inc. where he was MD, International Ops. Ian Hardacre has joined ICL as MD **ICL Applications**.

Career IT exceeds expectations

CRT has received 12,000 requests for applications since it launched its **Career IT** initiative in Nov. 96. CRT says it is on target to have take on 120+ by Apr. 98.

CRT has appointed Gareth Denley, previously a mainboard director of IBM UK responsible for SME activities, as MD of CRT's IT services activity.

Erratum

Sorry but we made a couple of errors in the Jan. edition of *System House*.

Page 2 - The diagram showed the share price performance of products companies the wrong way around. Growth since 1st Jan. 96 was 20% but only 4% since 1st Jan. 97

Page 9 - Misys market cap. was £2.05b on 31st Dec. 97.

Company comments

SBS Group Chairman John Davies in a statement at their AGM said "I believe that we have now achieved, through organic growth of our business, an excellent platform for future growth and improvements in our profitability".

German software vendor **SAP** expects a 60% growth for 1997. This should mean the year's revenue will be c\$3.4m. At **MMT Computing's** AGM, Chairman Mike Tillbrook said billings for the "mainstream" of the company was at record levels in Sep., Oct. and November. "With staff numbers at an all time high, we enter the new calendar year with prospects looking better than ever before".

Anite have been making a series of presentations to large investors this month. Spokesperson Carol Salt gave this as the reason why Anite shares have risen sharply. It looks as though a potential purchaser could be in the wings and one national paper went as far as to say that a 75p share price was possible. We, of course, could not possibly comment on this - after all we are not a share tip newsletter- but who knows.... Anite shares ended the month up 21% on 57p.

DRS lays off staff

Troubled **DRS Data & Research** are laying off 14 people - a 15% staff reduction. At the boardroom level, Director Alan Gill and non-exec. Gene Courtney have also gone. **DRS** has also announced the acquisition of imaging and data capture business together with certain assets of **SEEL Ltd** for an undisclosed amount.

Miller joins Richard Holway

We are delighted to announce (although many of you have been aware of this for some months) that Anthony Miller is to join **Richard Holway Ltd** (RHL) wef 1st Feb. 98. Anthony was previously head of **IDC's** UK research programme and has particular expertise in the IT services arena.

Although Anthony will be involved in all aspects of current RHL work, new reports and services are planned as well being more able to respond to "bespoke" research assignments.

So that's a 50% increase in staff numbers - there are three of us now!

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