System House

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

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"Tis the season of the profit warning"

In this month's issue of *System House* you will read of the profits warnings at **Microgen**, UK NASDAQer **Select Tools, Rolfe & Nolan** and **Skillsgroup**. You will also read of much higher than expected losses at **MDIS** and **Anite**, continued suspension of **Azlan**'s shares and **Vega** losing their *System House* Boring Award.

In the first seven months of 1997, there have been profits warnings from an unprecedented 18 UK quoted SCSI companies as well as two receiverships. UK NASDAQers have fared no better.

On top of this, our SCSI Index has fallen by 11% from its Feb. 97 high.

On the other hand, our own research concludes that;

• revenue growth rates are at a record high and demand for IT personnel is insatiable.

• on top of booming market conditions, the Y2000 and Euro will accelerate demand still further.

• the UK SCSI sector - and the UK economy - is the strongest in Europe.

How can this be?

Is there any common constituent in these profits warnings?

• the *"strong pound"* is mentioned more than any other reason (see **Logica, Cadcentre, Macro 4**) plus *"poor market conditions in Europe"* (see **Skillsgroup**). By the way, both **Misys** and **Sage** quoted exchange difficulties in their latest statements...although they did not lead to a profits warning!

• shortage of staff plus wage/contractor fee pressure (see **Logica, MMT Computing**).

But that covers a mere four out of 18 warnings. *Hardly a trend!*

The other reasons cited are more depressing. They show;

• management incapable of handling both the pace of change and the increased competition in their own chosen markets. (So many examples, but include **Wakebourne, Virtuality, Microgen**).

• new management saddled with onerous property commitments from previous over ambitious expansion (**Anite, MDIS**).

• deficiencies in internal control/accounting procedures (**Azlan, Kalamazoo**) or customer problems (**Radius**).

• top level management changes (See **DCS, Gresham, Cedardata**).

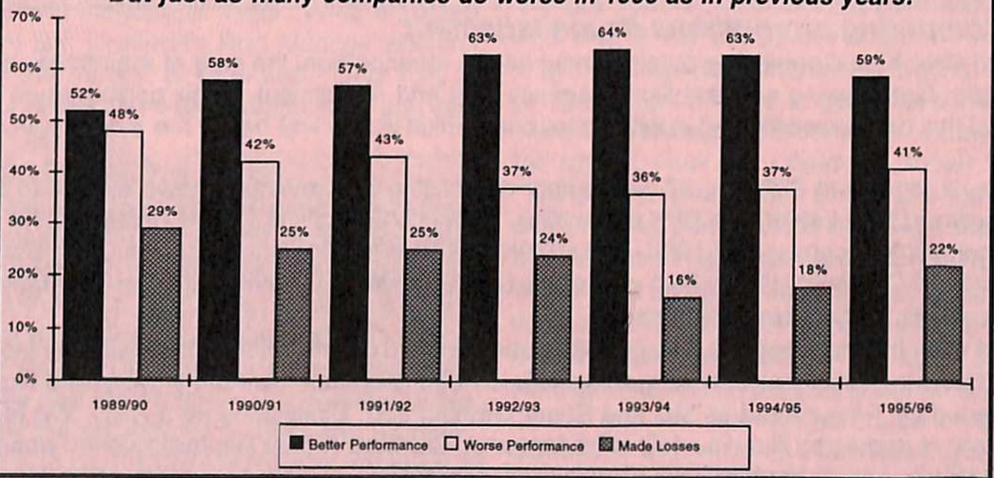
So, what does it all mean?

The chart shows that in 1996, 22% of all of the 2500 companies in our database reported loses and over 40% reported a worse financial performance than in 1995. Interestingly those companies reporting a worse performance are even higher than in 1995. Indeed, they are about the same as those reported in the *"black days"* of 1991-93.

Is it really true that, regardless of the economic/market conditions, managers in our market have the ability to *"clutch defeat from the jaws of victory"*?

Increased number of Losses Makers in 1996

But just as many companies do worse in 1996 as in previous years!



Trauma doctors will confirm that victims often survive the most appalling circumstances only to die once they reach safety. Many in our industry seem to be able to manage recession only to die when the market turns upwards. We know far too many managers who know exactly what to do in a *"cost cutting"* environment but are *"all at sea"* when it comes to managing a raging *"bull"* market.

Does it matter?

*Yes...*over many years our industry has been tarnished with the image of (in general) extremely poor management. Even we would have to agree that the evidence is now overwhelming.

Anyone who cannot make money in today's market conditions is seriously deficit.

The future?

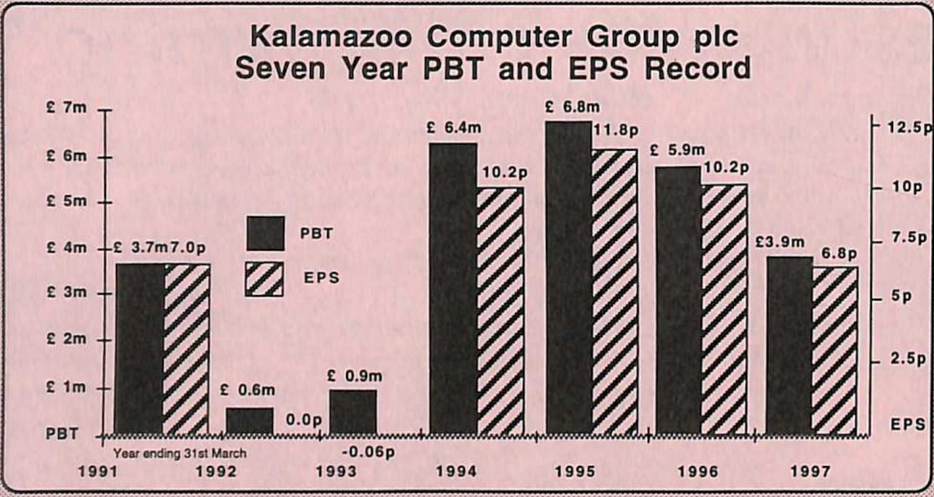
We are ever more convinced that the heyday for stock and sale valuations in our industry are over and gone.

As we said last month *"If you've got to go, **GO NOW**, or else you've got to stay all night"*.

Kalamazoo Computer Group - now a "pure computer solutions business" after disposal

Kalamazoo's results for the year to 31st Mar. 97 were as expected after their profit warning last April resulting from *"falsifying of management accounts"* in the Tetra reseller division. After the expected exceptionals of £2m for the franchising litigation settlement, the company declared PBT of £3.9m, down 34%, on revenue up 17% at £77.8m. EPS fell 33%. However, revenues from continuing operations actually fell 5% to £61.8m with operating profits falling a massive 53% to just £2.4m.

Kalamazoo has been active on the acquisition front over the last year and these contributed revenues of £16m and profits of £2m. In June 95, they purchased the European motor division of Datapoint - **EADS** - for £22m, 25% of Danish **IT2000** for £310K in Feb. 97 and **CFS International** in Mar. 97 for £3.53m. They are now the leading supplier of specialist solutions to the retail motor trade in Europe. This helped their computer business revenue to grow by 22% at £58.7m although profits were only marginally better at £6.2m. The Security Print division (the 100 year old part with which the Kalamazoo name is most associated) had revenues of £19m and profits of £1.9m, and has now been sold for £12m to **Adare Printing.** Chairman Bob Jordan said *"The disposal leaves Kalamazoo as a pure computer solutions business better able to pursue a strategy of focused international growth in computer related niche markets"*. The main affect of the disposal on finances will be to reduce group borrowings which increased after the EADS and CFS acquisitions (£1m of the price for CFS is due next March).



We had hoped that the worst was over at Kalamazoo but the development of the Elite product will *"have an adverse impact on H1 earnings"*. As readers know Lynx had been in discussion to acquire Kalamazoo, but *"slow progress"* led to them to pull out. *"There are others interested"*. That now seems the best outcome for the group.

The shares ended July down 6% on 73p; that's 44% off their 1997 high.

Gresham Computing strengthens its management

Old established **Gresham Computing** obtains about half its revenue from the sale of mainframe software products with the rest from fast growing services like IT agency staff and recruitment. Their performance has hardly been spectacular and this has been reflected in their share price which is now well below the giddy peak of 186p achieved in 1993.

Results for the six months to 30th Apr. 97 were rather depressing with revenues down slightly to £4.5m, PBT after exceptionals down 31% at £487K with EPS down 33%. Exceptional costs of £354K related to the settlement of an outstanding photocopier contract for £108K, and £278K was paid to departing directors Chris Swinbank and Chris Howe-Davis. At least Gresham still has £4m cash in the bank. Henderson Crosthwaite, the company's brokers, cut its full year PBT forecast from £2.1m to c£1.3m.

The main news were the management changes. Shareholders had clearly got impatient with the lack of performance and now Chairman Hamish Donaldson is handing over to Peter Bickerton. Swinbank (MD) and Howe-Davis (Sales) are being replaced by Trevor Read as MD and Roger Graham from Close joins as a NED. We have to declare an interest in this as we appointed Read as MD of Performance Software (where Richard Holway was Chairman). Read did a great job resulting in its "merger" with French Cyrano in 1996.

We have great confidence in the new board and expect exciting things moving Gresham into a new phase. But the market reacted adversely to the news and the shares tumbled to end July on 30p, down 37% in the month. Clearly the potential we see has failed to get through to the market ....yet.

Spargo - continues steady growth

Spargo Consulting - which majors on Application Management - has announced its interims for the six months to 30th June 97. Revenue rose 5% to £4.2m, PBT increased 4% with EPS up 5%. Chairman Bob Morton described this as *"excellent progress"*. We think it's pretty depressing given the boom market conditions. *"Trading is at a record level and we continue to gain new clients. We look forward to reporting a very satisfactory result for the full year"*. Indeed billable staff have increased 24% (and they are still recruiting more) and rates are rising. But if this is how they perform in the good times, goodness knows what will happen when the downturn arrives!

Sema - restructuring to open up US market

Sema has unveiled a wide ranging restructuring plan which will enable the company to in the US.

A theoretic reduction in Paribas' holding means that Sema is no longer deemed to be a banking subsidiary. CEO Also Sema has also agreed to acquire France Télecom's 24.5% stake in **Sema Group Outsourcing** and the 60% interest in **TS FM Holding** which it does not already own. Consideration is FFr420m (£42m) in new shares which includes a FFr116m deferred payment for its initial stake in TS FM. Another French giveaway bargain.

Of course, the market loved the news with Sema up 13% in the month at £13.98p.

The Boring...and not so Boring

As attendees at the CSSA Holway evening on 16th July know, we presented Clay Brendish of **Admiral** with a Ten Year "Long Service" Boring Award. Fourteen years of no reversals and EPS up an AAGR of 23% p.a....On top of that a share price up 1200% since their launch in 1987. ***The original is still the best. Congratulations and richly deserved.***

Admiral's results for the six months to 30th June 97 confirmed the Boring record. Rev. increased 26% to £54.1m (although the Ares SA acquisition contributed £5.6m, organic growth was largely the same), PBT was up 39% at £7.2m and EPS advanced by 35%.

Clay Brendish said *"all our operating units returned excellent results"*. Indeed criticism seems difficult. Even facing Brendish with the problem of staff shortages and therefore increased costs he said *"Admiral is not immune to these pressures...but our relationship with our clients is such that these issues are openly discussed and pragmatic solutions found"*.

Although we wouldn't want to take anything away from Admiral, one of our other Boring Award winners - **Capita** - did even better in the same period. Revenues were up 84% at £79.1m, PBT was up 54% at £7.2m (that's a PBT margin of 9% - *eat your heart out all you other outsourcers!*). EPS was up 36%.

Capita has won contracts worth £40m in the period. But perhaps the most interesting news was that Capita *"has no contracts expiring in 1987 and has already extended the majority of those expiring in 1998"*. What a superb position to be in! But Chairman Rod Aldridge wouldn't like you to think the market is saturated. *"Only 10% of local authority functions have been outsourced and very few central Govt. activities"*.

Division - slowly getting better

Virtual reality software was one of the great white hopes of the UK software industry. We led the world. Five years later, we have **Virtuality** in receivership and **Superscape** hanging on by its fingertips. **Division,** a new issue at 40p way back in May 93, specialise in the "serious" side of VR like lighting systems and drug design, rather than entertainment. We had hoped they would fare better but interim results for the six months to 30th Apr. 97 show revenue down 21% to £2.4m. Losses reduced from £2.3m to £956K but it was expected that Division would make a profit in FY97. It's still possible of course but Chairman Ian Barron is now only saying that *"the company anticipates continued progress in the next six months"*.

After the sale of its performance graphic systems PixelFlow to HP for $5.6m plus a 3% royalty on future sales, Division now focusing on software and services and moving away from hardware - the hardware content of their revenue has fallen 70% to £625K with services revenue up 79% to £1.76m.

But let's try to be positive. Division has cash in the bank of some £3.8m, higher services revenues and the possibility that their various CAD partnerships might start to bear fruit. Who knows they might even move into the black in FY98.

Division shares peaked at 138p in 1995 but ended July 97 on 51p - at least that's a small rise on the month.

But in the same month we have excommunicated another Boring Award winner - **Vega**. They are added to **Coda** in our ***Hall of the Infamous.***

Vega provides consultancy and development services in particular to the European space market and equipment emulation for both military and civil aircraft. They have also recently moved into industrial process automation.

They have lost their award because in the year to 30th Apr. 97, although revenue increased 12% to £18m, PBT ***fell*** 5.5% to £3.3m with EPS ***down*** 15%. Indeed if acquisition revenue of £2m is excluded, revenue is very slightly down as well.

We are not only most disappointed with these results - let's face it any UK people-based development house which is incapable of increasing organic revenue growth in the last year needs a healthy kick somewhere - but we were more annoyed with the press release accompanying the results. How can Chairman Robert Drummond say *"The past year has been one of change and **progress**. Our financial performance has been **satisfactory**"*. We are not alone in considering these results unsatisfactory - the shares dropped 14p on the day of the announcement so shareholders cannot be that pleased.

Could it be that the Aug. 96 acquisition of Dutch **Kortekerwal** and its subsidiary **Selmers Automation** for £4.6m and the Apr. 97 purchase of **CBL** for £4.3m combined with internal restructuring has caused the management to take their eye of the ball? Of course, they were without an MD for much of the time after Kelvin Harrison *"unexpectedly resigned"* in Apr. 96. It took Drummond, who himself *"unexpectedly resigned"* from the Chairmanship of Triad last year, a year to appoint Roger Gilbert from EDS as Group MD last April.

FD Steven Sanderson is optimistic that the next 12/18 months should see increased profits. But we heard similar comments from Drummond at the interim stage.

The share price ended July down 27% on 205p.

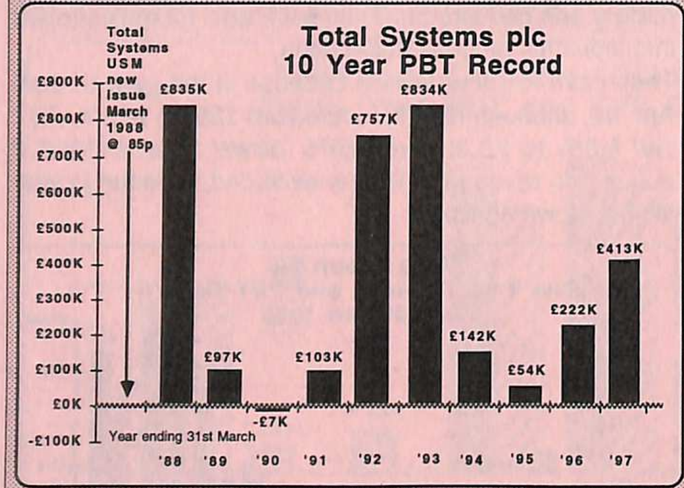
*There is nothing worse than an excommunicated **Boring Award** winner.*

Parity - orders well up

Chairman Philip Swinstead said that **Parity**'s order book is currently up 30% ahead of this time last year. *"Our success in building partnerships with customers continues to fuel growth"*.

Total Systems - could have been better

We rather laid into poor little old **Total Systems** at our CSSA seminar on 16th July. We are almost getting to the point where the jibe to the bullies *"pick on someone your own size"* has some substance! It's just that Terry Bourne's comments in his Chairman's statements always crack us up. If he ever needs a job, he can have one here as an entertaining commentator on our industry sure to cause controversy.



Factually the results for the year to 31st Mar. 97 show revenue has increased 13% to £3.28m, PBT was up 86% and EPS up 73%. *Sounds good doesn't it?* It's just that profits are still roughly half that achieved in 1988; the year of original flotation.

Mind you these would have been *"significantly better had the year not started with a client company going into provisional liquidation and ended with a client in administrative receivership"*. What bad luck...That's the trouble with having customers - they appear to be the bane of Bourne's life as in the past they have been accused of all kinds of things for their inability to want to buy Total's wonderful systems.

Bourne went on to say that Total's aim *"is to achieve sustainable organic growth"*. We certainly hope so..as over the last 10 years, revenue has only grown by an average 4% p.a., and PBT is actually down an average of 2% p.a. Ahhh...but what of the share price? Well, when we started to write this review it was just 30p. A mere shadow of the original new issue price of 85p way back in 1988. But Total's shares ended July up a massive 121% on 68p.

The reason was that canny investor Mike Tilbrook of MMT Computing has increased his stake to 5.62%. That led the Mail to report *"Bombed out computer services group Total Systems"* (please note, this time not our words) has risen on the news of the MMT stake. *"Rumours suggest MMT is stakebuilding prior to a bid"*.

Unlikely! Tilbrook has an excellent record of making profits from such exercises. None of them has ever led to a full bid. Indeed, he has a better record than most on when to sell.

It will all end in tears. But we can't wait for Bourne's comments on the inevitable share price crash.

Moorepay static

Payroll processing bureau **Moorepay** has announced results for six months to 30th June 97...all of which are unchanged from last time. Rev. = £2.73m, PBT = £281K and EPS = 5.69p. Moorepay is still on the lookout for new payroll loads to acquire. The shares fell 13% this month.

Cadcentre - first results since flotation

Cadcentre Group came to the main market in Nov. 96 at 200p. Maiden results for the year ended 31st Mar. 97 show revenues up 22% at £17.3m, PBT up 7% at £1.78m and EPS down 10%. Some 80% of Cadcentre's revenue comes from overseas and the strength of sterling adversely affected profits by approx. £600K.

According to Chairman Richard King the company *"had its best year ever in winning new customers"* - particularly US sales up 40% up and German sales up 60%. King went on to say that *"the board is confident of achieving a successful outcome for FY98 and expects a significant uplift in both profits and earnings"*.

Cadcentre ended July on 245p, a rise of 11% in the month. Albert E Sharp, the company's brokers, are now forecasting profits of £3.2m for FY98 and £4m for FY99.

Microgen - interims and a profits warning

Microgen's interim results for the six months ended 30th Apr. 97 showed revenues down 11% at £34m, PBT fell 14% to £4.2m with EPS also down 14%. But unfortunately Microgen became yet another quoted SCSI company to issue a profits warning.

"Foreign currency translations, rationalisation costs, the continuing decline in COM service revenues, increased R&D and exceptional expenses concerned with the acquisition of TBS will all impact on the second half of the year. The likely outcome is that... our full year results will be significantly below earlier expectations and those of last year" (Microgen made a PBT of £8.8m in 1996) according to Chairman Douglas Lee.

Perhaps not surprisingly, the market, wrote the shares down 33p on the day and they remained fairly static to end July on 117p - down 28% in the month.

Cap Gemini and debis finally part

As previewed in last month's *System House*, Daimler-Benz through its **debis Systemhaus** operation, has sold its 24.4% stake in **Cap Gemini** for DM1.4 billion to **CGIP**. CGIP is increasing its overall total stake in Cap Gemini from 20% to 30%.

Cap Gemini also announced its results for H197. Revenue increased 40% to FFr9.3 billion but a proportion of this increase is due to FFr1.6 billion additional revenue as a result of the integration of **Gemini Consulting** and **Bossard** (only 1 month's income in H196). Net profits performance was superb - increasing from FFr84m to FFr220m. Estimated revenue for the full year is FFr19 billion and net income *"could increase by 80% over last year's figure of FFr282m"*. Cap Gemini's share price has more than doubled in the last 12 months.

Morgans takes on Azlan

Barrie Morgans (ex IBM UK CEO), who only joined **Azlan** as a NED last April, has been appointed Azlan's new CEO. Morgans will now be responsible for overall strategy with existing CEO Chris Martin being demoted to group director responsible for field operations. Martin told us *"We did a great job growing the business, but didn't do a good job controlling it"*. We do have sympathy with those affected by market conditions, currency fluctuations etc. but it's a crying shame when totally avoidable control issues spoil a company's record and a lot of its credibility.

"Azlan is making good progress in resolving the accounting issues... we will make a further announcement asap". Azlan's shares were suspended on 13th June pending these accounting issues being resolved.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 43,009,000	£ 90,819,000	£ 54,118,000	+25.8%
PBT	£ 5,180,000	£ 11,243,000	£ 7,200,000	+39.0%
EPS	5.50p	11.60p	7.40p	+34.5%

AFA Systems plc

	Final - Dec 95 (5 mos)		Final - Dec 96	Comparision
REV	£ 0		£ 364,000	n/a
PBT	-£ 121,000		-£ 913,000	Loss both
EPS	-1.62p		-10.50p	Loss both

AIT Group plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 7,495,000		£ 10,675,000	+42.4%
PBT	£ 1,122,000		£ 1,546,000	+37.8%
EPS	4.19p		5.68p	+35.6%

Anite Group plc

	Final - Apr 96		Final - Apr 97	Comparision
REV	£ 262,860,000		£ 193,399,000	-26.4%
PBT	-£ 19,226,000		-£ 50,377,000	Loss both
EPS	-8.30p		-21.20p	Loss both

Azlan Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 72,716,000	£ 196,459,000	£ 126,464,000	+73.9%
PBT	£ 4,445,000	£ 10,507,000	£ 6,034,000	+35.7%
EPS	13.60p	30.30p	15.00p	+10.3%

Cadcentre Group plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 14,196,000		£ 17,339,000	+22.1%
PBT	£ 1,669,000		£ 1,777,000	+6.5%
EPS	7.96p		7.13p	-10.4%

Capita Group plc

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 50,067,000	£ 111,869,000	£ 79,067,000	+57.9%
PBT	£ 4,588,000	£ 12,292,000	£ 7,062,000	+53.9%
EPS	1.83p	4.77p	2.49p	+36.1%

Cedardata plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 12,071,000		£ 10,363,000	-14.1%
PBT	£ 4,384,000		£ 1,589,000	-63.8%
EPS	9.50p		3.60p	-62.1%

CFS Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 2,986,520		£ 4,569,000	+53.0%
PBT	£ 384,675		£ 552,000	+43.5%
EPS	4.77p		6.44p	+35.0%

Chemical Design Holdings plc

	Final(PF) - Dec 95		Final - Dec 96	Comparision
REV	£ 1,811,407		£ 2,546,000	+40.6%
PBT	£ 160,000		£ 515,000	+221.9%
EPS	2.64p		6.77p	+156.4%

Clinical Computing plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 2,187,131		£ 1,979,690	-9.5%
PBT	-£ 714,879		-£ 2,079,530	Loss both
EPS	-4.40p		-12.30p	Loss both

CMG plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 196,484,000		£ 245,159,000	+24.8%
PBT	£ 18,460,000		£ 27,522,000	+49.1%
EPS	18.20p		27.40p	+50.5%

Coda Group plc

	Interim - Apr 96	Final - Oct 96	Interim- Apr 97	Comparision
REV	£ 15,264,000	£ 33,889,000	£ 19,962,000	+30.8%
PBT	-£ 3,688,000	-£ 4,899,000	£ 60,000	Loss to profit
EPS	-13.90p	-18.80p	0.20p	Loss to profit

Comino plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 4,796,000		£ 7,792,000	not comparable
PBT	£ 871,000		£ 1,420,000	not comparable
EPS	n/a		9.95p	not comparable

Compel Group plc

	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparision
REV	£ 40,421,000	£ 85,620,000	£ 39,542,000	-2.2%
PBT	£ 1,441,000	£ 3,235,000	£ 1,696,000	+17.7%
EPS	6.06p	13.60p	7.09p	+17.0%

CRT Group plc

	Final - Apr 96		Final - Apr 97	Comparision
REV	£ 103,282,000		£ 134,334,000	+30.1%
PBT	£ 6,515,000		£ 12,056,000	+85.0%
EPS	5.70p		6.86p	+20.4%

DCS Group plc

	Interim - Dec 95	Final - Jun 96	Final(6 mos)-Dec 96	Comparision
REV	£ 14,335,000	£ 30,482,000	£ 19,095,000	+33.2%
PBT	£ 1,204,000	£ 2,366,000	£ 1,870,000	+55.3%
EPS	4.27p	8.31p	6.21p	+45.4%

DRS Data & Research Services plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 6,468,000		£ 4,822,000	-25.4%
PBT	£ 594,000		-£ 1,734,000	Profit to loss
EPS	1.33p		-3.43p	Profit to loss

Delphi Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 175,006,000		£ 210,635,000	+20.4%
PBT	£ 9,015,000		£ 12,302,000	+36.5%
EPS	25.42p		33.05p	+30.0%

Diagonal plc

	Final - 26 Nov 95		Final - 24 Nov 96	Comparision
REV	£ 19,171,796		£ 28,326,000	+47.7%
PBT	£ 1,140,275		£ 2,007,000	+76.0%
EPS	3.50p		7.10p	+102.9%

Division Group plc

	Interim - Apr 96	Final - Oct 96	Interim - Apr 96	Comparision
REV	£ 3,034,000	£ 4,900,000	£ 2,387,000	-21.3%
PBT	-£ 2,283,000	-£ 1,678,000	-£ 956,000	Loss both
EPS	-5.20p	-3.80p	-2.20p	Loss both

Druid Group plc

	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparision
REV	£ 4,562,000	£ 12,013,000	£ 9,384,000	+105.7%
PBT	£ 867,000	£ 3,011,000	£ 1,800,000	+107.6%
EPS	2.03p	6.69p	4.51p	+122.2%

Eidos plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 3,706,000		£ 75,531,000	not comparable
PBT	-£ 1,949,000		£ 7,626,000	loss to profit
EPS	-44.60p		44.40p	loss to profit

Electronic Data Processing plc

	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparision
REV	£ 7,894,000	£ 14,267,000	£ 6,490,000	-17.8%
PBT	£ 1,505,000	£ 2,519,000	£ 803,000	-46.6%
EPS	3.93p	6.64p	2.01p	-48.9%

F.I. Group plc

	Final - Apr 96		Final - Apr 97	Comparision
REV	£ 78,824,000		£ 98,800,000	+25.3%
PBT	£ 3,763,000		£ 6,575,000	+74.7%
EPS	7.70p		14.20p	+84.4%

Flomerics Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 4,147,187		£ 5,332,409	+28.6%
PBT	£ 415,565		£ 477,885	+15.0%
EPS	11.00p		12.30p	+11.8%

Gresham Computing plc

	Interim - Apr 96	Final - Oct 96	Interim - Apr 97	Comparision
REV	£ 4,579,000	£ 9,271,000	£ 4,503,000	-1.7%
PBT	£ 708,000	£ 1,682,000	£ 487,000	-31.2%
EPS	1.32p	3.15p	0.88p	-33.3%

Harvey Nash Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 23,299,000		£ 36,321,000	+55.9%
PBT	£ 1,056,000		£ 797,000	-24.5%
EPS	2.60p		1.80p	-30.8%

Highams Systems Services Group plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 13,227,496		£ 16,394,589	+23.9%
PBT	£ 899,067		£ 878,707	-2.3%
EPS	7.20p		7.00p	-2.8%

INSTEM plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 21,324,000		£ 22,947,000	+7.6%
PBT	£ 1,244,000		£ 1,321,000	+6.2%
EPS	18.10p		18.80p	+3.9%

Intelligent Environments Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 4,050,926		£ 3,475,554	-14.2%
PBT	£ 202,000		-£ 1,379,256	Profit to loss
EPS	1.10p		-7.10p	Profit to loss

JBA Holdings plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 123,221,000		£ 161,810,000	+31.3%
PBT	£ 7,242,000		£ 11,259,000	+55.5%
EPS	13.14p		18.26p	+39.0%

Kalamazoo Computer Group plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 66,665,000		£ 77,776,000	+16.7%
PBT	£ 5,882,000		£ 3,882,000	-34.0%
EPS	10.20p		6.80p	-33.3%

Kewill Systems plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 35,242,000		£ 41,348,000	+17.3%
PBT	£ 6,061,000		£ 7,425,000	+22.5%
EPS	33.70p		40.50p	+20.2%

Logica plc

	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparision
REV	£ 128,919,000	£ 284,810,000	£ 147,861,000	+14.7%
PBT	£ 9,035,000	£ 24,710,000	£ 10,632,000	+17.7%
EPS	9.80p	27.10p	11.70p	+19.4%

London Bridge Software Holdings plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 2,736,820		£ 6,308,376	+130.4%
PBT	£ 805,586		£ 2,499,071	+210.2%
EPS	2.82p		8.26p	+192.9%

Lorien plc

	Interim - May 96	Final - Nov 96	Interim - May 97	Comparision
REV	£ 17,997,000	£ 45,706,000	£ 52,864,000	+193.7%
PBT	£ 600,000	£ 1,481,000	£ 889,000	+48.2%
EPS	7.10p	11.80p	1.15p	-83.8%

Lynx Holdings plc

	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparision
REV	£ 38,133,000	£ 87,644,000	£ 53,915,000	+41.4%
PBT	£ 2,069,000	£ 6,953,000	£ 3,710,000	+79.3%
EPS	1.73p	5.36p	2.58p	+49.1%

M.A.I.D plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 13,642,000		£ 21,443,000	+57.2%
PBT	-£ 4,045,000		-£ 7,034,000	Both loss
EPS	-4.42p		-7.82p	Both loss

MMT Computing plc

	Interim - Feb 96	Final - Aug 96	Interim - Feb 97	Comparision
REV	£ 8,255,000	£ 16,861,201	£ 10,703,000	+29.7%
PBT	£ 2,372,000	£ 4,531,686	£ 2,424,000	+2.2%
EPS	13.00p	24.60p	13.30p	+2.3%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

M-R Group plc

	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparision
REV	£ 18,560,000	£ 38,361,000	£ 18,509,000	-0.3%
PBT	£ 2,174,000	£ 4,810,000	£ 2,354,000	+8.3%
EPS	2.60p	5.70p	2.90p	+11.5%

McDonnell Information Systems Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 146,805,000		£ 116,995,000	-20.3%
PBT	-£ 39,420,000		-£ 49,545,000	Loss both
EPS	-37.02p		-48.94p	Loss both

Macro 4 plc

	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparision
REV	£ 12,635,000	£ 25,317,000	£ 11,747,000	-7.0%
PBT	£ 5,956,000	£ 12,147,000	£ 5,135,000	-13.8%
EPS	17.90p	37.50p	16.50p	-7.8%

Micro Focus plc

	Final - Jan 96		Final - Jan 97	Comparision
REV	£ 77,258,000		£ 73,089,000	-5.4%
PBT	-£ 6,542,000		-£ 5,809,000	Loss both
EPS	-43.60p		-48.00p	Loss both

Microgen Holdings plc

	Interim - Apr 96	Final - Oct 96	Interim - Apr 97	Comparision
REV	£ 38,291,000	£ 73,391,000	£ 34,052,000	-11.1%
PBT	£ 4,875,000	£ 8,783,000	£ 4,211,000	-13.6%
EPS	8.00p	15.10p	6.90p	-13.8%

Microvitec plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 55,050,000		£ 65,176,000	+18.4%
PBT	£ 3,411,000		£ 461,000	-86.5%
EPS	3.14p		0.21p	-93.3%

Misys plc

	Final - May 96		Final - May 97	Comparision
REV	£ 279,867,000		£ 325,470,000	+16.3%
PBT	£ 50,437,000		£ 62,533,000	+24.0%
EPS	44.00p		53.90p	+22.5%

Mondas plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 133,300		£ 134,176	+0.7%
PBT	-£ 232,066		-£ 167,966	Loss both
EPS	n/a		n/a	n/a

Moorepay Group plc

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 2,717,246	£ 5,118,415	£ 2,731,603	+0.5%
PBT	£ 851,417	£ 1,327,894	£ 886,148	+4.1%
EPS	5.37p	11.56p	5.69p	+6.0%

MSB International plc

	Final - Jan 96		Final - Jan 97	Comparision
REV	£ 38,555,000		£ 69,755,000	+80.9%
PBT	£ 3,420,000		£ 5,431,000	+58.8%
EPS	12.00p		17.60p	+46.7%

OmniMedia plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 275,275		£ 1,003,861	+264.7%
PBT	-£ 1,684,980		-£ 2,314,967	Loss both
EPS	-9.97p		-10.10p	Loss both

On Demand Information plc

	Interim - Jan 96	Final - Jul 96	Interim - Jan 97	Comparision
REV	£ 5,677,000	£ 11,429,000	£ 5,601,000	-1.3%
PBT	-£ 1,284,000	-£ 2,900,000	-£ 2,291,000	Loss both
EPS	-2.50p	-5.60p	-4.20p	Loss both

Oxford Molecular plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 6,179,000		£ 9,789,000	+58.4%
PBT	-£ 3,693,000		-£ 1,849,000	Loss both
EPS	-7.20p		-3.30p	Loss both

Parity plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 127,711,000		£ 162,091,000	+26.9%
PBT	£ 6,540,000		£ 10,060,000	+53.8%
EPS	10.34p		15.81p	+52.9%

Pegasus Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 6,426,000		£ 7,914,000	+23.2%
PBT	£ 893,000		£ 1,160,000	+29.9%
EPS	10.30p		15.40p	+49.5%

Persona plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 53,375,000		£ 146,875,000	+175.2%
PBT	£ 2,832,000		£ 6,009,000	+112.2%
EPS	14.41p		17.20p	+19.4%

PhoneLink plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 4,356,000		£ 4,316,000	-0.9%
PBT	-£ 6,711,000		-£ 6,173,000	Loss both
EPS	-17.30p		-12.90p	Loss both

Proteus International plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 1,063,000		£ 573,000	-46.1%
PBT	-£ 5,395,000		-£ 3,824,000	Loss both
EPS	-14.53p		-7.31p	Loss both

Quality Software Products Holdings plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 21,385,842		£ 25,360,189	+18.6%
PBT	£ 502,697		£ 28,480	-94.3%
EPS	5.20p		0.20p	-96.2%

RM plc

	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparision
REV	£ 45,162,000	£ 99,032,000	£ 48,965,000	+8.4%
PBT	£ 1,322,000	£ 6,806,000	£ 1,683,000	+27.3%
EPS	5.00p	25.80p	6.30p	+26.0%

Radius plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 26,052,000		£ 27,267,000	+4.7%
PBT	£ 1,809,000		£ 1,591,000	-12.1%
EPS	4.37p		4.05p	-7.3%

Rage Software plc

	Interim - Dec 95	Final - Jun 96	Interim - Dec 96	Comparision
REV	£ 4,139,000	£ 9,504,000	£ 3,975,000	-4.0%
PBT	-£ 1,226,000	-£ 3,224,000	-£ 1,752,000	Loss both
EPS	-0.44p	-1.34p	-0.65p	Loss both

Real Time Control plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 11,903,000		£ 12,565,000	+5.6%
PBT	£ 2,207,000		£ 2,547,000	+15.4%
EPS	20.80p		25.50p	+22.6%

Rebus Group plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 60,040,000		£ 66,436,000	+10.7%
PBT	£ 1,969,000		£ 5,808,000	+195.0%
EPS	0.33p		4.61p	+1297.0%

Recognition Systems Group plc

	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparision
REV	£ 245,000	£ 324,000	£ 326,000	+33.1%
PBT	-£ 292,000	-£ 1,266,000	-£ 1,128,000	Loss both
EPS	-1.40p	-5.50p	-4.20p	Loss both

Riva Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 73,022,000		£ 64,438,000	-11.8%
PBT	£ 182,000		£ 518,000	+184.6%
EPS	0.10p		0.90p	+800.0%

Rolfe & Nolan plc

	Final - Feb 96		Final - Feb 97	Comparision
REV	£ 17,128,000		£ 20,299,000	+18.5%
PBT	£ 2,517,000		£ 2,758,000	+9.6%
EPS	12.33p		14.50p	+17.6%

Romtec plc

	Final - Jan 96		Final - Jan 97	Comparision
REV	£ 3,731,187		£ 4,734,677	+26.9%
PBT	£ 257,430		£ 326,125	+26.7%
EPS	3.60p		4.30p	+19.4%

Royalblue Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 7,229,000		£ 11,679,000	+61.6%
PBT	£ 1,104,000		£ 2,016,000	+82.6%
EPS	2.60p		4.60p	+76.9%

Sage Group plc

	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparision
REV	£ 71,836,000	£ 136,236,000	£ 73,554,000	+2.4%
PBT	£ 16,116,000	£ 30,053,000	£ 19,286,000	+19.7%
EPS	9.92p	18.50p	12.03p	+21.3%

Sanderson Electronics plc

	Interim - Mar 96	Final - Sep 96	Interim - Mar 97	Comparision
REV	£ 30,583,000	£ 61,385,000	£ 33,408,000	+9.2%
PBT	£ 3,317,000	£ 6,201,000	£ 3,504,000	+5.6%
EPS	5.30p	10.10p	5.90p	+11.3%

SBS Group Holdings plc

	Final - Aug 95		Final - Aug 96	Comparision
REV	£ 13,293,162		£ 15,187,558	+14.3%
PBT	£ 341,562		£ 125,661	-63.2%
EPS	n/a		n/a	n/a

Sema Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 677,726,000		£ 926,965,000	+36.8%
PBT	£ 36,927,000		£ 50,019,000	+35.5%
EPS	24.25p		30.94p	+27.6%

Sherwood International plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 26,246,000		£ 24,628,000	-6.2%
PBT	£ 6,850,000		£ 2,065,000	-69.9%
EPS	66.20p		18.80p	-71.6%

Skillsgroup plc

	Interim - May 96	Final - Nov 96	Interim - May 97	Comparision
REV	£ 179,200,000	£ 344,337,000	£ 181,600,000	+1.3%
PBT	£ 6,500,000	£ 14,277,000	£ 6,500,000	+0.0%
EPS	5.80p	12.70p	5.80p	+0.0%

Spargo Consulting plc

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 4,040,000	£ 7,853,000	£ 4,228,000	+4.7%
PBT	£ 602,000	£ 1,204,000	£ 625,000	+3.8%
EPS	3.10p	6.17p	3.25p	+4.8%

Staffware plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 4,267,360		£ 10,009,325	+134.6%
PBT	£ 535,213		£ 873,879	+63.3%
EPS	3.90p		5.60p	+43.6%

Superscape VR plc

	Interim -Jan 96	Final - Jul 96	Interim - Jan 97	Comparision
REV	£ 1,589,000	£ 3,888,000	£ 1,901,000	+19.6%
PBT	-£ 897,000	-£ 2,873,000	-£ 3,128,000	Loss both
EPS	-13.10p	-37.90p	-37.40p	Loss both

Systems Integrated Research plc

	Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparision
REV	n/a	£ 1,246,000	£ 507,000	n/a
PBT	n/a	-£ 642,000	-£ 1,194,000	n/a
EPS	n/a	-5.80p	-9.10p	n/a

Total Systems plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 2,892,802		£ 3,279,609	+13.4%
PBT	£ 222,329		£ 412,545	+85.6%
EPS	1.60p		2.76p	+72.5%

Trace Computers plc

	Interim - Nov 95	Final - May 96	Interim - Nov 96	Comparision
REV	£ 10,269,000	£ 20,534,553	£ 9,737,000	-5.2%
PBT	-£ 50,000	-£ 5,135,296	£ 145,000	Loss to profit
EPS	-0.35p	-35.88p	1.03p	Loss to profit

Triad Group plc

	Final - Mar 96		Final - Mar 97	Comparision
REV	£ 11,680,000		£ 18,827,000	+61.2%
PBT	£ 2,131,000		£ 2,656,000	+24.6%
EPS	7.09p		7.25p	+2.3%

Vega Group plc

	Final - Apr 96		Final - Apr 97	Comparision
REV	£ 16,032,000		£ 17,977,000	+12.1%
PBT	£ 3,452,000		£ 3,261,000	-5.5%
EPS	16.16p		13.79p	-14.7%

Xavier Computer Group plc

	Period - Mar 96		Final - Mar 97	Comparision
REV	£ 457,000		£ 8,961,457	not comparable
PBT	-£ 86,000		£ 582,000	Loss to profit
EPS	-0.13p		0.62p	Loss to profit

Zergo Holdings plc

	Final - Apr 96		Final - Apr 97	Comparision
REV	£ 8,483,877		£ 10,398,871	+22.6%
PBT	-£ 214,693		£ 725,736	Loss to profit
EPS	-5.10p		3.40p	Loss to profit

JBA Holdings raises £12m

JBA has placed shares at £8 raising c£12.4m to repay the borrowings of £5.6m incurred in the acquisition of Presys.

UK M&A

Moorepay is acquiring another (unnamed) payroll processing business for £626K - part cash, part shares. The **Royal Bank of Scotland** has bought an £8m stake (a 9% holding) in Australian listed company **Computershare. Computer Repair Centre** has acquired **Tangent Techniques Group. Scopec International** has acquired the supplies bit of PC dealer **Abtex.** US distributor **Globelle** is said to be looking for a buyer for its UK business in order to reduce its debt.

Delphi Group has acquired **Network Defenders Inc.** (network capacity measurement) for an initial $580K *"with a max. earnout of $3.5m to 31st Dec. 2000"*. IT agency **Professional Staff** has acquired the assets of **S-Com** and **SDS** for c£4.8m which will double rev. to c£31m.

AEA Technology has acquired Canadian **Hyprotech** for £34m. AEA will place 6.4m shares at 404p to raise £25.9m with the balance from increased borrowings. Hyprotech had revenues of £11.4m and PBT of £2.7m in the year to Feb. 97. **Radius** has acquired the rights to the Powersolve and Prosper products from **ICL** for £1m.

London Bridge Software buys in the US.

London Bridge Software is paying a maximum $33.45m (£21m) cash plus up to a deferred $1.5m for the **Recovery Management System** division of US **CheckFree Corp.** RMS supplies debt recovery software to the credit risk management market and had revenues of $5.1m in the nine months to Mar. 97. Although this seems a high price, RMS is very profitable with a declared *"contribution"* of $2.69m in the year to June 96 (on revenues of $5.8m). LBS, a new main market listing in March this year at 200p, is raising £17m gross from a 4-for-17 rights issue at 308p. The shares ended July on 334p - that's already a 67% premium to the recent new issue price.

Persona - German buy and name change

Persona is to acquire German **Microware International Marketing** for a total consideration of DM12.1m (£4.1m). This will be funded partly from cash held, partly by increased borrowing and the issue of new shares.

Microware, a distributor of networking and UNIX hardware and software in Germany and Austria, had revenues of £14.2m and PBT of £112K in the last year. The purchase will greatly increased Persona's penetration in the German market from the present revenue figure of only £4.1m. Chairman Wayne Channon said *"Expansion in Germany is an essential step...Microware is an ideal fit"*.

Persona is also to change its name to **ilion Group plc.** *Note* - "ilion" is the Greek name for the city of Troy, once considered the centre of the known world....

logica

On 31st July (our press day) **Logica** announced the acquisition of **Aldiscon** for up to £51m to be funded by a 1-for-7 rights issue at 605p raising £52.5m. Aldiscon is a leader in the supply of Short Message Service Centres to digital wireless operators. This will double Logica's £30m rev. from the telecomms sector.

The **acquisition looks absolutely right** as it plays to Logica's technical strengths, enables them to add strong services to Aldiscon product and is a truly international product. The 21 P/E paid looks modest compared with other recent deals. The market clearly agreed, marking the share price up 55p to 745p in the first hour of trading!

Logica also pre-announced that its PBT to 30th June 97 was up 14% at £28.1m.

What a difference a year makes....

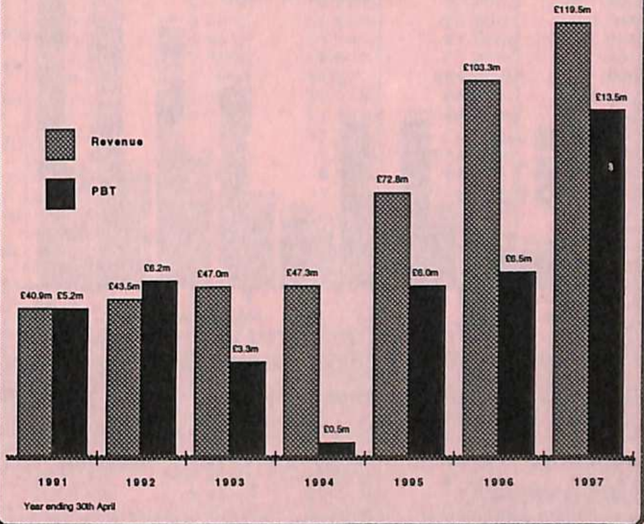
CRT

Tapping Potential

It was actually less than a year ago that Mike Milken/ Larry Ellison/Neil McCarthy/Tom Kalinske invested £109m in a c50% stake in **CRT Group** via their **Education Technology** (from now on to be known as **Knowledge Universe**). The last year has seen three acquisitions - Link-up, INLINE KPG and Harley West. We had expected more.

These all contributed to a 30% increase in revenues to £134.3m, PBT up 85% at £12.1m (by the way, just a smidgen higher than expected) and EPS up 20%. But *"like-for-like turnover increased by 16%"*.

CRT Group plc
Revenue and PBT Record



But net cash increased from next-to-nothing to £76.8m...which, despite the ET injection, was pretty good considering the acquisitions. It just shows the cash generation attributes of this type of business.

IT agency & recruitment saw revenue up 39% at £97.2m and operating profits up 57% at £5.5m. Training revenues were up 16% at £30.8m but *"profits increased modestly by 6.3% to £6.7m"*. Multimedia actually saw a 32% decline in revenues to a rather meagre £1.5m *"following the cancellation of a number of joint-development projects"* but losses reduced to £144K

CRT has now been reorganised into two divisions - IT Services and general services. House brokers Williams de Broe have left their forecasts unchanged at a PBT of £20.3m for FY98 as the board believes that *"CRT should perform well in the current financial year"*.

Comment - Pretty good performance. We rather respect CRT not just for what they have done..but for not paying crazy prices for acquisitions.

Let's just say to those readers involved, we somehow suspect you might rue the day ....prices will never be as high as they were in 1996 for a long, long time.

Select Software Tools - share price crash

UK NASDAQer **Select Software** announced Q297 ending 30th June revenue lower than analysts expected at c$6m although, to be fair to Select, this represents a 73% increase over Q296. A roughly breakeven situation is expected. Select were an IPO in Oct. 96 at $14 but had slumped to $5.37 by the end of July. Select has also acquired the **Excelerator 11** analysis and design product from **Intersolv.**

Continuing progress at Real Time Control

Real Time Control is a long established and leading supplier of retail systems and claim to be the premier UK supplier for high street multiples and department stores sectors. They have been expanding into Europe with a recent contract from the German Tchibo chain of 600 coffee shops and with *"the premier department store in Athens"*. The results for the year to 31st Mar. 97 are OK...rather than brilliant. Revenue rose 6% to £12.6m, PBT was up 15% to £2.5m with EPS increasing a higher 23%. However in 1996, an exceptional gain of £438K arising from the settlement of a legal dispute boosted profits. If this is taken out, PBT rose a much higher 44%.

Chairman BE Carrell is *"looking forward to reporting further progress towards our objectives in the current year"* and went on to say that the capacity of the retail systems market for technology continues to hold *"excellent long term potential"*.

The market liked the news with an immediate 10p rise but the price then fell during the remainder of July to end the month on 249p, a small fall overall.

Lorien - buoyed by acquisitions

Due to a combination of acquisitions (including P-E International, Arena and Frost Berkeley) and the present buoyant market for IT personnel, **Lorien** has boosted revenues by 194% to £52.9m. At the headline level however, PBT only increased 48% to £889K with EPS actually down 84%. Exceptionals are to blame for the smaller profit increase. These totalled £1.4m, comprising £838K for the *"fair value of shares to be issued from the Employee Benefit Trust"*, the move from AIM to the Official List cost £276K and *"reorganisation, termination and redundancy costs"* of £323K. This latter figure includes £63K for waving goodbye to ex-CEO Malcolm Coster. We, for one, were not surprised that this relationship failed.

Commenting on the outlook, Chairman Michael Heeley said *"Market conditions remain buoyant.. The current trading performance provides the basis for a strong second half of the year to deliver a result for the full year in line with market expectations"*.

The shares ended July on 328p, that's a rise of just 1% in the month but still a premium of 228% to the Aug. 95 AIM issue price of 100p.

Phonelink - our doubts remain

Phonelink was created by "visionary" Trevor and Heather Burke whose shareholding at one time was worth £100m. They headed our Richest Quoted SCSI Company Director Rankings. Not any more, we might add!

Phonelink's main product is Tel-Me which allows PC users to access a wide range of database services. In reality, it is competition with the largely free Internet and we have long expressed our doubts . Way back in 1995, we said it was an *"extremely high risk investment"* and as shareholders now know, this has certainly proved correct. Phonelink was launched in 1993 at 155p, reached a high of 440p, but the share price has since fallen remorselessly to end July on 40p. That's a fall of 31% this month alone and a discount of 74% to the new issue price.

The latest results for the year to 31st Mar. 97 have not allayed our fears. On revenue slightly down at £4.3m, losses were reduced but still stood at £6.2m. Note once again, losses exceed revenue!

On the bright side, the balance sheet remains fairly strong with cash in hand of £9.6m. A new CEO, Graham Ramsey, was appointed in January this year and a major restructuring has taken place to cut the cost base. Chairman Graham Brunton said *"Prospects for the company are encouraging. Revenue growth is now the top priority and a number of promising opportunities exist"*. Well we hope that these opportunities now come to fruition - not before time.

People

David Mills, ex-CEO of Fujitsu ICL Computers, is to become CEO of **Action Computer Supplies** from October. Chairman Henry Lewis said *"David Mills has big company experience, including an European perspective"*

RM has appointed Richard Girling as Group MD from his previous roles as technical director and MD of the PC division. Terry Burt becomes MD at UK NASDAQer **4Front** - Ken Newell becomes Dep. Chairman.

Martin Waters (ex President of Platinum Solutions) has been appointed President and CEO of UK NASDAQer **Micro Focus** replacing Marcelo Gumucio who resigned *"by mutual consent"*. What we liked most about this was that the group intends *"to shift the emphasis from products to supplying services". About time too....*

Tony Hill has left Delphi's Interskill to become MD of **Data Dimensions** in the UK. Ex-Informix & Oracle Mike Harrison has become CEO at **Cedardata** who shares dived this year on their profits warning. No word on the fate of MD Leon Fatal.

***Goodbye David...*Sage** founder David Goldman is our (and many other people's) hero. We were sad to learn that he is to step down as Chairman due to ill health. Michael Jackson moves to NEC and, of course, the company remains in the capable hands of CEO Paul Walker.

"Zergo is a leading supplier of information security solutions"

...and a new AIM issue in Sept. 95 at 97p. Given the problems of so many other AIM companies, **Zergo**'s latest results for the year to 30th Apr. 97 were extremely encouraging. After all they not only increased revenues by 23% to a quite acceptable £10.4m but they ***actually made a profit***. Indeed PBT was £726K compared with a loss of £215K last time around. Praise be.. It could have been £100K more; if not for the dreaded *"strength of sterling"*. *"In the short term, market share will take priority over maximising profits"* although *"further growth in turnover is anticipated during the next financial year"*.

SCSI Index falls again

Another month when our SCSI Index has fallen by 2.4% against a quite significant 7% rise in the FTSE100. In 1997, the FTSE100 has increased by 20% but our index is down 2% and 11% off its Feb. high.

With all the things we have said about **Total**, it's almost embarrasing to report a 121% rise (a new monthly record?) in their share price this month (see p4) - *still not back to the 85p new issue price in 1988 though!* **MDIS** also *"recovered"* by 34% on news of refinancing (p11).

SiR (down 42% and now a market cap. of just £670K) and, surprisingly, **Gresham** (down 37% - p2) were this month's wooden spoon winners.

30-Jul-97	SCSI Index			2622.12
	FTSE 100			4927.30
	BDO AIM			1387.60
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap			2185.95
Changes in Indices	SCSI Index	FTSE 100	BDO AIM Index	FTSE Small Cap
Month (30/6/97 - 30/7/97)	-2.41%	+7.01%	-2.36%	-1.77%
From 15th Apr 89	+162.21%	+139.93%		
From 1st Jan 90	+184.98%	+108.61%		
From 1st Jan 91	+270.42%	+128.07%		
From 1st Jan 92	+150.95%	+97.64%		
From 1st Jan 93	+64.54%	+73.10%		+57.56%
From 1st Jan 94	+57.05%	+44.14%		+16.98%
From 1st Jan 95	+74.90%	+60.73%		+25.17%
From 1st Jan 96	+16.10%	+33.56%	8.23%	+12.59%
From 1st Jan 97	-2.07%	+19.64%	2.35%	+0.13%

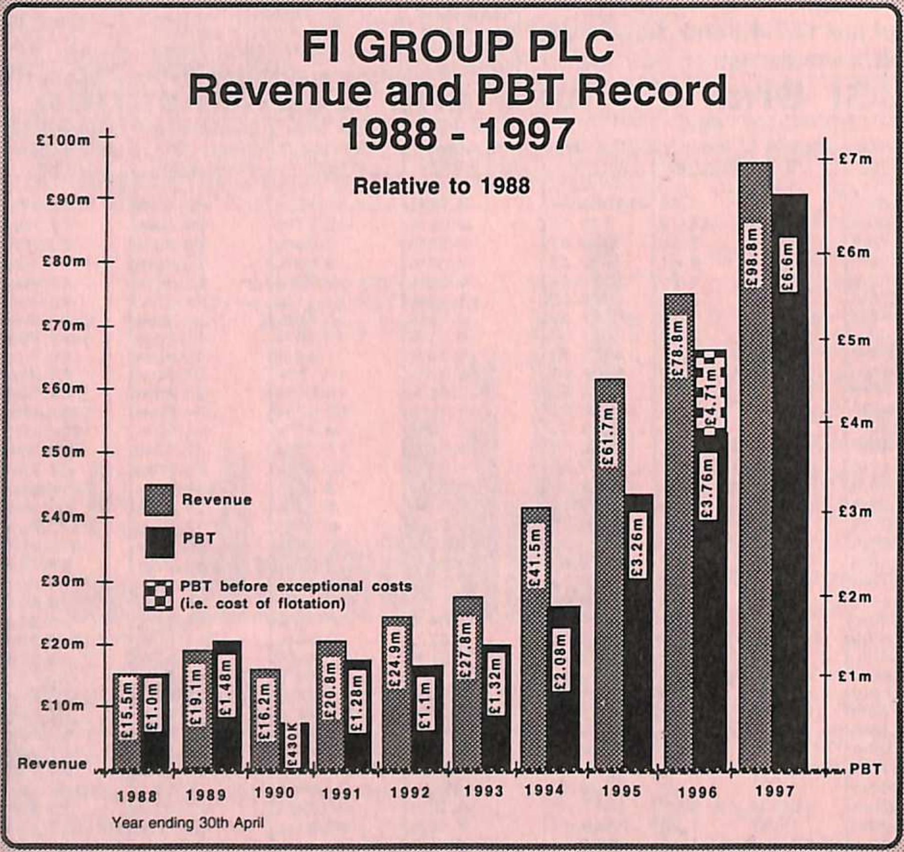
System House SCSI Share Prices and Capitalisation

	Share Price 30/7/97 (£p)	Capitalisation 30/7/97(£m)	Historic P/E	PSR Ratio Cap./Rev.	CSI Index 30/7/97	Share price % move since 30/6/97	Share price % move in 1997	Capitalisation move (£m) since 30/6/97	Capitalisation move (£m) in 1997
Admiral	£4.14	£261.60m	31.1	2.88	14963.41	3.76%	13.42%	£9.40m	£31.70m
AFA Systems	£1.18	£11.80m	Loss	32.78	979.17	-4.08%	-15.77%	-£0.40m	-£2.10m
AIT	£1.47	£29.70m	27.5	2.78	976.67	-2.66%	-2.33%	-£0.80m	-£0.70m
Anite	£0.33	£78.40m	Loss	0.41	192.98	-4.35%	-9.59%	-£3.40m	-£8.10m
Azlan	£5.55	£197.00m	17.7	1.00	2413.04	0.00%	-2.20%	£0.00m	-£3.90m
Cadcentre	£2.45	£40.70m	34.4	2.35	1225.00	11.36%	-4.11%	£4.20m	-£1.80m
Capita	£2.49	£464.40m	45.7	4.15	22387.39	5.52%	53.40%	£24.30m	£180.30m
Cedardata	£0.70	£22.00m	19.2	2.12	661.90	-0.71%	-72.20%	-£0.20m	-£57.20m
CFS	£0.94	£6.92m	14.1	1.51	1038.89	-8.78%	11.98%	-£0.66m	£0.74m
Chemical Design	£1.65	£10.70m	23.4	4.20	1500.00	-8.33%	13.79%	-£1.00m	£1.26m
Clinical Computing	£0.35	£8.66m	Loss	4.37	278.23	-12.66%	15.00%	-£1.25m	£1.13m
CMG	£13.98	£895.80m	51.1	3.65	4818.97	6.48%	66.37%	£54.50m	£357.40m
Coda	£1.60	£44.30m	Loss	1.31	678.72	10.38%	48.37%	£4.10m	£14.40m
Compel	£2.03	£52.60m	13.9	0.61	1620.00	-6.03%	14.73%	-£3.40m	£25.70m
Comino	£1.46	£16.10m	14.7	2.07	1123.08	1.04%	12.31%	£0.20m	£1.75m
CRT Group	£2.28	£322.40m	33.2	2.40	2527.78	-5.01%	-9.00%	-£16.70m	-£18.80m
DCS Group	£2.48	£49.70m	20.2	1.63	4125.00	11.24%	-8.33%	£4.40m	-£2.10m
Delphi Group	£6.88	£198.00m	20.8	0.94	2829.22	-8.33%	-6.14%	-£18.00m	-£13.00m
Diagonal	£3.33	£61.60m	43.2	2.17	1209.09	-0.75%	20.91%	-£0.40m	£10.70m
Division Group	£0.51	£22.40m	Loss	4.57	1275.00	0.99%	-7.27%	£0.20m	-£1.70m
DRS Data & Research	£0.30	£10.10m	Loss	2.10	268.18	1.72%	20.41%	£0.18m	£1.72m
Druid	£3.69	£84.40m	32.8	7.03	1340.00	-6.71%	8.38%	-£6.10m	£6.60m
EDP	£0.65	£16.90m	13.7	1.18	1974.89	-5.84%	-6.52%	-£1.00m	-£1.20m
Eidos	£6.65	£112.40m	15.2	1.49	6650.00	-9.52%	-7.96%	-£11.80m	£16.30m
FI Group	£5.38	£159.60m	42.4	1.62	2287.23	2.97%	-5.45%	£4.60m	-£9.20m
Flomerics	£1.10	£2.86m	9.0	0.54	846.15	-21.43%	-48.84%	-£0.78m	-£2.65m
Gresham Computing	£0.30	£9.65m	10.9	1.04	317.20	-36.56%	-43.81%	-£5.55m	-£7.55m
Harvey Nash	£1.85	£51.60m	102.8	1.42	1057.14	-1.33%	5.71%	-£0.70m	£2.80m
Highams Systems	£1.25	£11.10m	17.4	0.68	1736.11	0.00%	-8.42%	£0.00m	-£1.00m
INSTEM	£1.70	£7.99m	9.1	0.35	1700.00	7.59%	17.24%	£0.56m	£1.32m
Intelligent Environments	£0.70	£15.70m	Loss	4.51	744.68	-12.50%	7.69%	-£2.20m	£1.20m
JBA Holdings	£8.40	£307.40m	44.7	1.90	5250.00	-4.00%	58.49%	£2.00m	£126.70m
Kalamazoo	£0.73	£21.20m	10.6	0.27	2071.43	-6.45%	-32.56%	-£1.40m	-£9.80m
Kewill	£6.45	£81.90m	15.9	1.98	2549.41	-0.15%	23.21%	-£0.10m	£15.40m
Logica	£6.90	£440.90m	24.2	1.55	1890.41	-0.36%	-24.88%	-£1.60m	-£142.30m
London Bridge	£3.34	£96.70m	41.7	15.35	1667.50	3.09%	66.75%	£20.70m	£49.70m
Lorien	£3.28	£56.00m	48.5	1.23	3275.00	1.24%	-2.53%	£0.70m	£17.70m
Lynx Holdings	£0.80	£82.00m	13.1	0.94	1987.50	-16.32%	-8.09%	-£15.90m	-£2.70m
M-R Group	£0.95	£52.70m	16.7	1.37	375.00	-4.06%	11.18%	-£2.30m	£5.30m
Macro 4	£3.33	£65.50m	9.2	2.59	1340.73	-7.64%	-32.14%	-£5.40m	-£31.00m
MAID	£1.88	£174.80m	Loss	8.15	1704.55	17.55%	-6.95%	£26.10m	-£10.00m
McDonnell IS (MDIS)	£0.32	£33.00m	Loss	0.28	121.15	34.04%	-4.55%	£8.40m	-£1.60m
Micro Focus	£16.35	£251.80m	Loss	3.45	7898.55	-9.79%	68.56%	-£27.30m	£105.30m
Microgen	£1.17	£46.10m	8.3	0.63	497.86	-28.31%	-22.33%	-£18.20m	-£13.10m
Microvitec	£0.18	£14.30m	19.9	0.22	445.12	17.74%	-35.96%	£2.10m	-£8.10m
Misys	£14.65	£1,268.00m	27.1	3.90	3644.28	7.52%	31.21%	£89.00m	£317.90m
MMT Computing	£4.50	£53.50m	18.1	3.17	2678.57	-8.16%	-21.19%	-£4.80m	-£13.90m
Mondas	£0.76	£4.61m	Loss	35.46	1006.67	8.63%	-9.58%	£0.37m	-£0.42m
Moorepay	£2.75	£29.70m	32.5	5.80	4640.90	-12.70%	37.50%	-£3.70m	£8.40m
MSB International	£4.03	£81.70m	21.7	1.17	2118.42	3.87%	8.64%	£3.00m	£6.40m
OmniMedia	£0.03	£0.74m	Loss	0.74	40.00	0.00%	-68.42%	£0.00m	-£1.60m
On Demand	£0.12	£6.34m	Loss	0.55	147.44	-23.33%	-74.44%	-£1.93m	-£18.46m
Oxford Molecular	£2.51	£178.00m	Loss	18.18	3137.50	-11.62%	-29.49%	-£23.40m	-£38.80m
Parity	£4.58	£195.80m	28.9	1.21	25416.57	-8.04%	3.39%	-£17.10m	£7.70m
Pegasus	£2.87	£20.10m	16.6	2.54	782.02	-1.03%	-23.26%	-£0.20m	-£3.50m
Persona	£3.79	£95.00m	22.0	0.65	2365.63	2.99%	22.49%	£3.90m	£18.40m
Phonelink	£0.40	£19.10m	Loss	4.43	254.84	-31.30%	-35.25%	-£8.70m	-£10.10m
Proteus	£0.43	£23.60m	Loss	41.19	505.95	-8.60%	13.33%	-£2.20m	£3.00m
Quality Software	£2.04	£26.50m	n/a	1.04	535.53	-9.56%	-0.25%	-£2.70m	£0.00m
Radius	£0.40	£11.10m	9.7	0.41	286.23	-13.19%	-37.30%	-£1.60m	-£6.50m
Rage	£0.04	£10.40m	Loss	1.09	163.46	6.25%	-63.04%	£0.65m	-£17.50m
Real Time Control	£2.49	£17.40m	9.8	1.38	5081.63	-0.40%	7.10%	-£0.10m	£1.10m
Rebus	£0.71	£65.20m	15.9	0.98	801.14	8.46%	-2.76%	£5.10m	£12.40m
Recognition Systems	£0.38	£10.10m	Loss	31.56	535.71	-16.67%	-35.90%	-£2.10m	-£5.70m
Riva	£0.26	£8.03m	30.1	0.12	184.79	-7.14%	10.64%	-£0.62m	£0.93m
RM	£8.48	£150.90m	31.3	1.52	4842.86	4.95%	36.69%	£7.20m	£40.50m
Rolfe & Nolan	£3.63	£45.70m	25.0	2.25	4315.48	-1.36%	0.00%	-£0.60m	£0.00m
Romtec	£0.91	£4.71m	18.6	0.99	1448.00	7.10%	12.42%	£0.32m	£0.52m
Royalblue	£2.06	£67.70m	52.0	5.80	1211.76	-0.72%	21.18%	-£0.80m	£21.00m
Sage Group	£6.74	£728.50m	32.7	5.35	25923.08	2.20%	27.17%	£15.60m	£159.80m
Sanderson Electronics	£0.85	£39.00m	8.0	0.64	1446.81	-8.60%	-43.33%	-£3.60m	-£28.70m
SBS Group	£1.06	£7.49m	18.6	0.49	1055.00	-6.22%	5.50%	-£0.50m	£0.44m
Sema Group	£13.98	£1,561.00m	45.2	1.68	4394.65	13.39%	28.80%	£188.00m	£354.00m
Sherwood	£2.77	£23.80m	14.4	0.97	2304.17	-0.72%	41.79%	-£0.20m	£7.00m
Skillsgroup	£1.40	£113.30m	10.8	0.33	625.56	-29.01%	-10.00%	-£46.30m	-£11.80m
Spargo Consulting	£1.14	£14.20m	17.7	1.81	1200.00	3.64%	-21.65%	£0.40m	-£4.00m
Staffware	£2.73	£31.60m	48.7	3.16	1211.11	5.42%	5.01%	£1.60m	£1.60m
Superscape	£0.60	£5.28m	Loss	1.36	303.03	-20.00%	-84.91%	-£1.32m	-£28.12m
Systems Integrated	£0.05	£0.67m	Loss	0.54	43.48	-41.18%	-71.43%	-£0.47m	-£1.68m
Total	£0.68	£6.75m	24.5	2.06	1273.58	121.31%	132.76%	£3.70m	£3.85m
Trace	£0.57	£7.97m	22.2	0.39	452.00	-7.38%	61.43%	-£0.63m	£3.04m
Triad	£2.07	£52.00m	28.5	2.76	1529.63	1.47%	-1.43%	£0.70m	-£0.70m
Vega Group	£2.05	£31.60m	14.9	1.76	1680.33	-26.79%	-23.36%	-£11.50m	-£9.50m
Xavier	£0.09	£4.71m	10.1	0.53	900.00	-12.20%	-18.18%	-£0.65m	-£1.04m
Zergo	£2.90	£26.70m	85.3	2.57	2974.36	0.00%	0.00%	£0.00m	£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.

F • I • GROUP PLC *powers ahead, exceeding all expectations*

FI Group is the UK's leading Application Management (AM =70% of revenues) supplier. FI came to the main market in Mar. 96 at 235p and the shares have performed excellently since, ending July on 538p. FI's employees must indeed be happy people as c46% of shares are still owned by the workforce and related trusts. During the year, FI's permanent staff increased by 38% to 1,036 and offers have been made for another 100 graduates to join this year. Results for the year ended 30th Apr. 97 show revenue up 25% at £98.8m, with PBT up 75% at £6.6m. After stripping out the 1996 exceptional flotation costs of £947K that's still a 40% increase with EPS up 29% on the same basis. Although operating margins improved slightly, they are still below the market average 6%. But let's not be churlish as these are truly excellent results which even exceeded FI's own brokers expectations of £6.2m PBT. The FY98 PBT estimate has now not surprisingly been revised upwards to £8m.



Revenues advanced in each industry sector with finance at £38m, services at £37m and retail at £24m - a very sound balance. Cash in bank at the year end was over £15m.

Although AM is FI's main activity, the **FI Recruitment** subsidiary increased its turnover by 37% and profit contribution by an even higher 42% with **FI Training** growing 36% with profits up 52%.

The order bank at the year end stood at a record £109.8m, up 52% with some 55% of this deliverable in FY98. During the financial year, six large contracts of 3-5 years duration were signed with Barclays, Legal & General, NatWest, Sainsburys, Whitbread and the DoEE. After the year end, an £18m contract was signed with Tesco and Lloyds TSB signed a five year contract worth £26.5m. Chairman Sir Peter Thompson said *"The year has started well and the board is confident it can continue to deliver increased shareholder value into the future"*. CEO Hilary Cropper commented *"The market for the group's services remains buoyant. The trend to outsource IT provision is being accelerated by technological change, extensive merger activity in FI's principal market segments, deregulation in the Energy sector and finally both Year 2000 and EMU conversion issues"*. We agree entirely.

There have been various management changes announced. Hilary Cropper becomes Deputy Chairman whilst still retaining her CEO role. *"It is expected that Hilary will succeed Sir Peter Thompson as Executive Chairman at the appropriate time"*. Jo Connell has been appointed COO .

FI is now on an historic P/E of 42 and a prospective P/E of c30. Although we are the first to say that FI is a real quality company, these kind of stratospheric valuations make us increasingly uneasy.

SKILLSGROUP

"Warning unsettles Skillsgroup"

So read the heading in the FT on 11th July. It certainly *"unsettled"* the share price which plunged 35% on the day of the announcement . Falling demand in Continental Europe - off some 30% in Belgium and Sweden - was blamed. Analysts have cut PBT expectations for FY97 from £17.5m to £14.3m. The market (and we, come to that) felt let down as no mention was made of any possible downturn at the AGM in May...we know how much the City likes surprises!

In the six months to 31st May 97 revenue was flat at £182m with both PBT and EPS identical at £6.5m and 5.8p respectively. Chairman Prof. Roland Smith commented *"Although we still expect a stronger performance in H297 than H1, trading conditions remain difficult, particularly in the P&P mainland business. Consequently we are cautious with regard to the outcome for the rest of the year"*.

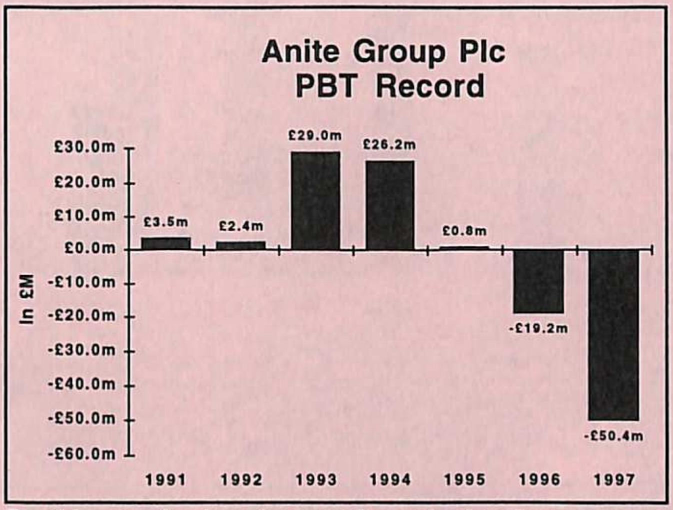
QA (consultancy, IT training and recruitment) did rather well with revenue up double to £36m (mainly as a result of acquisitions) and operating profits up from £1.4m to £2.6m. Acuma (solutions based on mid range platforms) reported revenues up 20% at £40.6m with profits increasing from £1.8m to £2.4m. The big problem was at P&P (distribution and supply to corporate customers) where revenue fell 18% to £1.5m with profits down 38% to £2.3m.

Making the switch from hardware supply to higher margin services was always going to be hard. Considering the moves already made down that road, the City's reaction looked somewhat harsh. Indeed the shares recovered slightly to end July on 140p - still a fall of 29% in the month.

Anite and MDIS vie for Largest Loss

A White Nite still needed for Anite

Anite Group (formerly Cray Electronics) announced a record loss for our sector. In the year to 30th Apr. 97, on total revenue down 26% to £193.4m, they increased losses before tax from £19.2m to an all time record high of £50.4m. Net assets slumped to just £1.6m although they do have £16.5m cash in the bank with bank borrowings down from over £30m to under £1m.



But this massive loss is not quite as bad as it appears as the company has taken the opportunity to bring out (hopefully) all its bad news. The 1996 results were adversely affected by a £21.7m loss on discontinued ops. This year they included exceptionals losses of £26.3m from the data comms manufacturing division disposal with a further £32m from surplus property costs and provision. Evidently Anite have 34 properties or 616,000 sq. ft. of surplus commercial property after the disposal of the manufacturing business.

We were disturbed with the drop in continuing operations revenue. Revenue at Anite Networks fell 11% to £84m with operating profits still a mere £1m. Mike Shone's Anite Systems showed static revenues of £77m *"significantly affected by the overall perception of the Group"*. Profits were up 28% at £5.9m. Given our involvement in the sale of SAMS to the then Cray in Aug. 94 we were particularly pleased, against the negative group backdrop, to read that 12 orders for their UNISON system have been won including a £2m order from Heiton Builders Merchants.

Another disturbing feature in the accounts is the payment already made to ex-CEO Jon Richards who "resigned" in March. He has *already* received over £300K in compensation and pension payments and could receive *another* £320K if he can't find suitable work in the next two years (what an incentive that is!). We think this level of compensation is totally out of order.

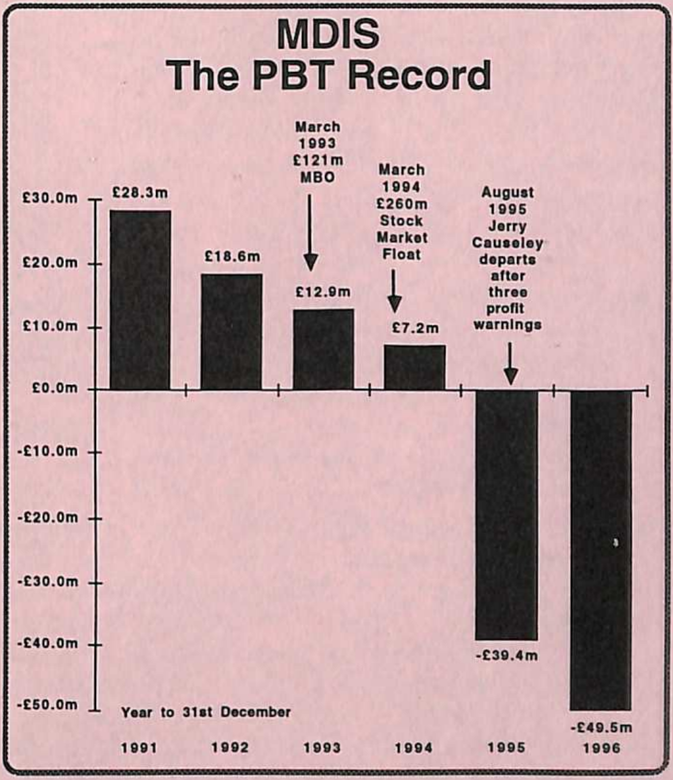
Comment. We have long said that Networks should be sold. At the present capitalisation of £78m, Systems alone is worth more than this. Customer (and City) doubts remain as to Anite's future prospects. At least one city analyst is now predicting an £8.5m PBT for the Group in FY98 - a rather lowly 10 P/E. We are told that a new CEO will be appointed shortly which could well upset the internal candidates. Certainly we hear nothing but criticism of Alec Daly's handling of the whole affair.

Bluntly we still think that the best option is a trade sale of Networks and/or an MBO at Systems.

Anite ended July on 33p, down 4% in the month.

MDIS back from the brink?

We have told the **MDIS** tale of woe many times before. A new issue at 260p in Mar. 94, its been a disastrous record ever since. The shares were suspended at 23.5p on 1st July 97.



Results for the year to 31st Dec. 96 showed revenues down 20% at £117m and a loss before tax of £49.5m. Even continuing operations showed revenues down 9% at £106.6m and operating losses of £23.6m. The balance sheet was shot to pieces with negative net assets of £32m and estimated arrears of £9.5m...representing amounts due for PAYE, VAT and NI.

But, just for once, let's not dwell too much on the past. MDIS has organised a refinancing package via Close Bros raising £23.3m in a placing and six-for-seven open offer at 26p. The resumption of trading in MDIS shares saw them rise to 32p by the end of July.

We were (accurately) quoted by Paul Taylor in the FT of 18th July 97 saying *"there are some excellent nuggets in the MDIS portfolio. If MDIS can move more to services and away from the lumpy products/hardware sales of the past, there must be considerable potential"*. Indeed, the public sector operations (Health, Police, Local and Central Govt. application products and services) in the UK made profits of £4.7m on rev. of £43.9m and there is upside in the Fujitsu/CHESS JV (see last month) . We are not very keen on the Corporate Sector hardware side (profits of just £1.3m on rev. of £32.8m). The HTR side lost £17.5m as result of project cost overruns. The PRO-IV application development activity has small revenue/large losses but might have potential.

There is a new management team under John Klein (who we rate as straight and honest).

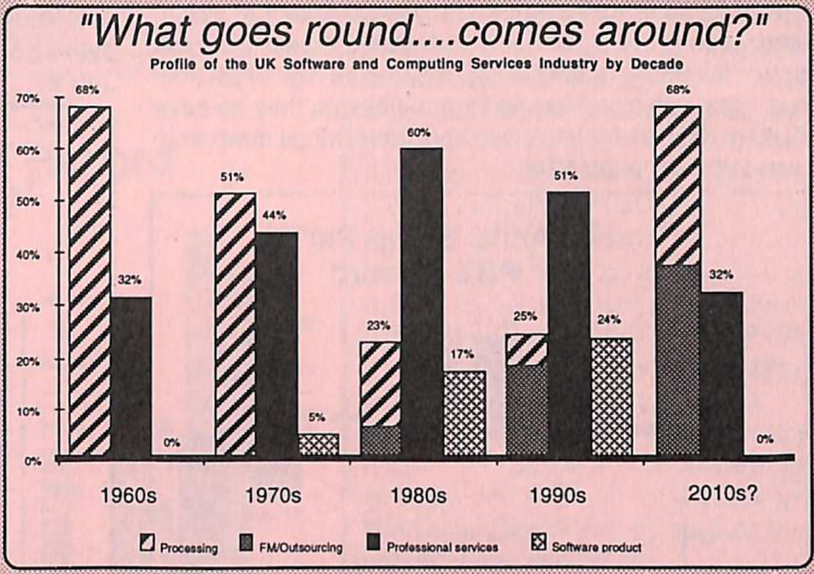
Bluntly we still think that MDIS's future is better served as part of a larger company. But either way, the future now looks rather more positive than the past!

Holway's talk

Richard Holway's talk for the **CSSA** on 16th July was a sell out. Nearly 300 attended. But it was the quality rather than the quantity of the attendees which was truly humbling!

We hope you all enjoyed it...we certainly enjoyed meeting so many of our subscribers.

We added to last year's controversial prediction that *"software products would be given away free in exchange for services revenues"*, with an equally provocative prediction that in the 2010s internet-based services would mean that bureau services would regain the dominate position they had in our industry in the 1960s. Ben Pring from **Gartner/Dataquest** was in the audience and sent us a copy of their latest *"Dataquest Predicts"* paper which totally supports that view. *"Business process-related services - such as accounting and finance, logistics operations and call centre management - offered over the Internet could be a $7 billion marketplace in the UK alone by 2002...what at first appears as a new form of service offering..in reality represents a return to the standardized bureau services of the 1970s".*



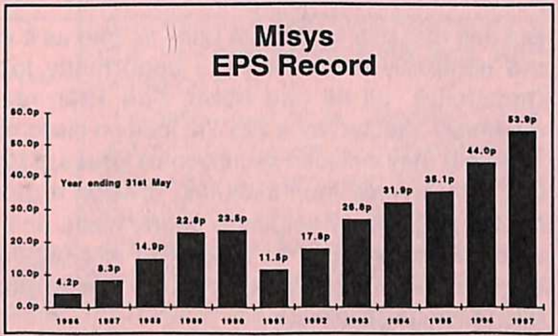
Honest guv..we had never seen the Dataquest paper! But it is good sometimes to realise you are not completely alone in your views!

Anyone wanting a copy of the summary and/or the slides used at Holway's talk, please drop us a line or e-mail.

Misys exceeds expectations

Misys is the pre-eminent UK-owned application software provider. Results for the year to 30th May 97 were at the top end of expectations - indeed shares rose by 8% to £14.65p. Rev. up 16% at £325.5m, PBT up 24% at £62.5m and EPS up 22.5%. *And that's still a comparatively modest historic P/E of 27 and prospective P/E of 23.*

Misys *"now trades in 90 counties and currently over half of its sales and profits arise overseas"*. So you might think that Misys would be one of the many companies complaining that the strength of sterling had adversely affected performance. But *canny old Kevin Lomax* had spent £400K buying a currency hedge in June 96 which saved £2.2m in profits. *However, he says he has decided not to do it again.*



Banking was clearly the Misys star, with rev. up 29% at £180.1m and profits up 43% at £48.2m. But revenues were pretty much static in **Insurance** (profits down 5% at £12m) and **Information Systems** (profits dipped by 12% due to legal action in Australia). Anyway, overall the order book was up 20% and *"the board is confident of another year of good progress"*. Brokers now forecast PBT of £75m for FY98.

As these results came in (again) just as we went to press, a more detailed review of Misys will appear next month.

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