System House

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

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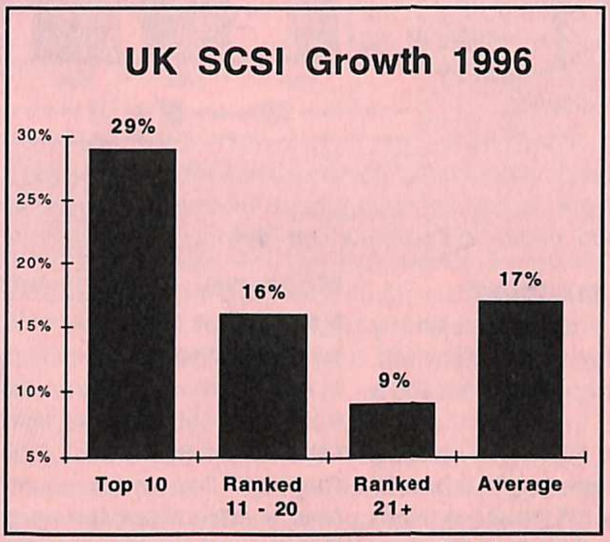
Largest UK SCSI suppliers grow three times faster than the rest!

We are delighted with the cooperation we have received this year in our compilation of our statistics for the 1997 (tenth!) edition of the Holway Report. Of course, many of the figures are *"Holway Estimates"*, rather than official figures, *but readers should know how this works by now!*

We have already estimated that UK SCSI growth would be about 17% in 1996 - with most of the results in, this looks pretty accurate. If it changes it will be upwards by 1-2%.



The results from the main players on the UK SCSI market show - yet again - how ***the big are getting bigger and bigger.*** The Top Ten providers grew their revenues by a massive 29% in 1996 and now represent 38% of the total. Those ranked 11 to 20 grew by a lower 16%. The Top 20 now represent a majority - 51% - of the total. We have well over 2000 companies in our database. If you strip out the Top 20, they grew by a still good - but, of course, much more modest - 9%.

In previous years, acquisitions have been the major reason for the high growth rates of the larger companies. The only major acquisition of UK revenues in 1996 was IBM's acquisition of **Data Sciences**. IBM UK's SCSI revenues - mainly now **IBM Global Services** - would have had a modest year of organic growth. Outsourcing revenues were up c70% at c£170m, but problems on certain contracts hit organic growth in UK SI revenues.

NONE of the other companies had executed any acquisitions which would have materially affected UK growth.

Readers should not underestimate the strong organic growth in almost all of these larger companies. But the MAJOR reason for high growth is undoubtedly the fact that these larger companies have been awarded the lion's share of outsourcing contracts.

Top Ten Suppliers of Software and Computing Services to UK Market in 1996

Note: Excludes hardware, operating software and own hardware maintenance and associated support
Note: Revenue relates to Financial Year ending in 1996 - NOT Calendar Year 1996

1996 Rank	Company	Nationality	1995	1996	Growth 1995/96
1	EDS UK	US	£525m	£765m	46%
2	IBM - UK SCSI (1996 with Data Sciences)	US	£450m	£600m	33%
3	ICL - UK SCSI Revenues	Jap	£510m	£575m	13%
4	Sema Group	UK/FR	£275m	£361m	31%
5	Andersen Consulting UK	US	£270m	£350m	30%
6	Computer Sciences Corp (CSC)	US	£200m	£323m	62%
7	CAP Gemini (UK)/Hoskyns	FR	£246m	£320m	30%
8	GEC-Marconi S3I	UK	£240m	£270m	13%
9	Microsoft UK	US	£225m	£260m	16%
10	Oracle UK	US	£197m	£234m	19%
Strictly © 1997 Richard Holway Limited		Overall growth			29%

EDS UK has regained its #1 slot. Indeed the 46% growth to £765m is exceptional. In 1996 the Rolls Royce contract came fully on line, the Airtours contract also started, the size of the Inland Revenue contract increased significantly and new defence contracts commenced.

The same applied to **CSC** (by the way, these figures are to 31st Mar. 96) where BAe, Oxford Consortium, Lucas and other contracts have had a major effect. Outsourcing also boosted the results at **Sema UK**. We understand that Sema's UK outsourcing revenues increased by nearly 70% - boosting revenues from £90m in 1995 to £150m in 1996. **Cap Gemini UK** also increased its outsourcing revenues by 26% (to £206m) in 1996 and now represent 60% of UK revenues. However, revenues from project services and consulting grew even faster. **ICL**'s total SCSI revenues grew by a relatively modest 13%, but this was after disposals e.g. of the healthcare operations. But ICL's outsourcing revenues (including CFM) grew by 50% to £165m; although a part of this was a reallocation of revenues from ICL Sorbus.

Indeed, any glance at the Top Ten ranking table shows that those engaged in outsourcing produced by far the fastest growth rates. Conversely, those with no outsourcing activities - **GEC-Marconi, Microsoft and Oracle** - had the lowest growth rates.

Where are the UK-owned SCSI companies?

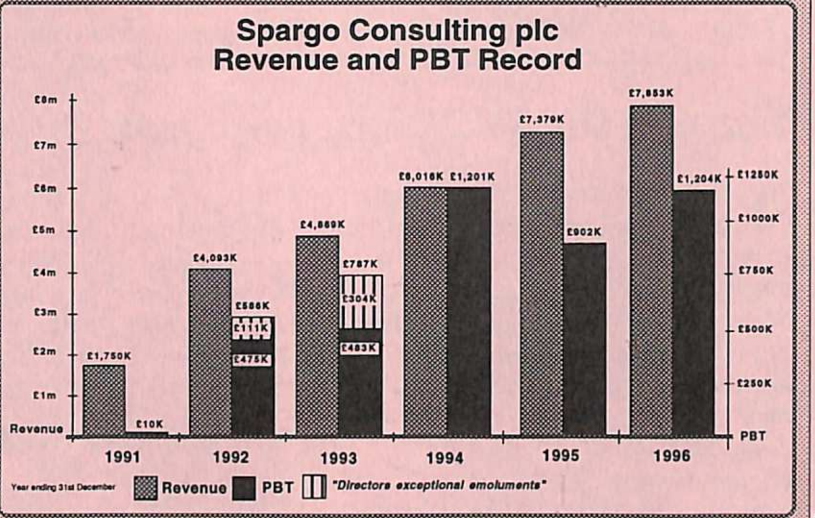
GEC-Marconi S3i is the only *"pure"* UK-owned company in the Top Ten. Even here, Tidu Maini's *"elevation"* to Dep. Ch. of Marconi, Keith Wilman's defection to CSC and the rather ignominious new positioning of S3i as part of **GEC Radar and Defence Systems** does not bode well for their commercial positioning.

Note: Full reviews, revenue breakdowns etc. in **1997 Holway Report**. See brochure enclosed.

Spargo Consulting *"Good...but hardly a star performer either"*

Spargo Consulting was a SCSI new issue back in June 94 at 95p. They were of particular interest to us as they are engaged in application management (AM) and had consistently reported profit margins of 20%.

We were, however, rather wary of this float as Chairman Bob Morton and MD Tony Spargo (who are also the majority shareholders) invoked the dubious practice of reducing their remuneration and adjusting the accounts back in previous years; as if a lower amount had been taken then too. The adjustment was well worth their while. Rather than the (at that time!) ludicrously high P/E of 37 without the adjustment, they floated on a P/E of 22 (about average at the time!) and were the only recipients of the £3m raised.



Secondly, in the first results after the float, Spargo had to take a big profits hit relating to a *"one-off full and final payment to the Inland Revenue in respect of employees PAYE and NIC on round sum allowances"*. To be fair, this liability was noted in the placing document but, at that time, *"the directors were of the opinion that there were reasonable grounds to refute the claim and no provision has been made"*.

Revenues for the year to 31st Dec. 96 increased by just 6% to £7.85m. PBT increased by 33.5% to £1.2m and EPS was up 39%. Although the profit margin has not regained the giddy heights of 20% *"due to an increased use of temporary contract staff"*- 15% is no slouch either!

Chairman Bob Morton repeated almost word-for-word his statement of 1995 that *"current trading and prospects are buoyant and showing encouraging growth over last year"*. He added that there were *"significant opportunities"* for Spargo associated with Y2K.

Spargo ended Mar. 1997 on 143p. *Good...but hardly a star performance either!*

Druid maiden results as expected

Druid (SAP development) was one of the relatively few new main market issues in Nov. 96 at 275p which, at the time, equated to a market cap. of £62.9m and a P/E of around 40.

If the initial valuation seemed high, the market certainly did not agree post float. Quite remarkably, Druid ended Mar. 97 at 425p - a 55% premium to the issue price.

Maiden results for six months to 31st Dec. 96 show revenues doubled at £9.4m, PBT up 108% at £1.8m and EPS more than doubled to 5.12p. These results were *"in line with the forecasts made at the time of the flotation"*. *"We have continued to enjoy sustained repeat business from existing clients including Cadbury, General Electric and Philip Morris as well as business from new clients including Ideal Standard, Siemens Microelectronics and Leyland Trucks"*.

Chairman David Tebbs said *"we are confident that Druid will deliver good results for the full year"*.

Staffware - *"Not bad considering"*

Staffware (workflow automation software) was an AIM newcomer in July 96 at 225p. In Jan. 97 they issued a profits warning. 1996 has been *"adversely affected"* by a shortfall in US earnings and some orders *"falling into the new FY"*. It now does *"not expect 1996 to meet market expectations"*. Expenses associated with recruitment, together with the costs of the abortive acquisition of CSE in Australia, will have an effect on second half profits.

The actual results for the year to 31st Dec. 96 showed revenues more than doubled to £10m, PBT up 63% at £873K and EPS up 43% Staffware 97 is about to be launched with its Inter/Intranet version. Expect expenditure in H1 and sales and profits in H2.

Staffware shares ended March on 232p. *Not bad considering the events!*

Moorepay - *Steady but not quite Boring enough!*

Moorepay is one of the oldest established SCSI companies, supplying payroll processing services since 1966.

In Aug. 95 Moorepay transferred to the AIM market from Rule 4.2 at 83p. It has since performed exceptionally well, closing March 97 on 360p - one of the best performances in the sector. But, regardless of the recent share performance, it has hardly been a dramatic performer given its 30 years in the business.

Revenues for the year to 31st Dec. 96 increased by 10% to £5.12m. PBT increased by 16% to £1.33m and EPS was up 13%.

In Oct. 96, Moorepay acquired *"a small payroll processing business"*. We might have expected rather more *"consolidation"* but although there have clearly been other *"negotiations"* none have been concluded *"because the clients could not have been transferred onto the Moorepay systems"*. *"The current year has started well and...the board looks forward to the future with confidence"*.

Flomerics - *still flowing well*

Flomerics specialises in software to predict fluid flow and heat transfer with its products Flotherm and Flovent. Flomerics went onto AIM in Dec. 95 at 130p.

Results for year to 31st Dec. 96 show revenues up 29% at £5.33m. US rev increased 34% and are now over 50% of the total. PBT was up 15% at £478K and EPS up 12%.

"The directors see good prospects for revenue growth in the current year but there will be pressure on earnings from the programme of investments".

Flomerics shares ended March 97 down 11% at 195p .

Quality adds another £1.3m intangibles to Balance Sheet

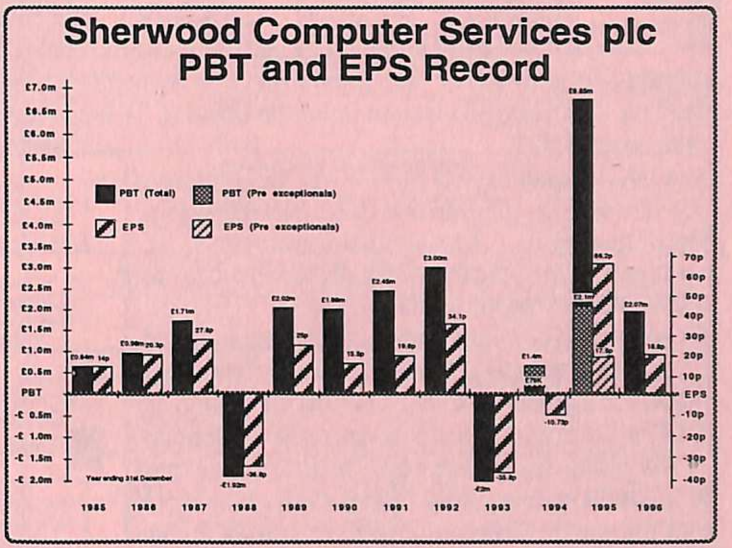
QSP has announced rev. up 19% at £25.4m but PBT reduced from £502K to £28.5K and EPS down from 5.2p to 0.2p in the year to 31st Dec. 96. But £1.3m has been added to intangible assets which now account for £18.1m of the £20.6m Balance Sheet total. Chairman Alan Benjamin reckons *"we are going forward again"*.

Sherwood International

Sherwood International plc has seen the abyss and stepped back on several occasion; as the chart below shows. Back in May 1993 Sherwood Computer Services reported *"record"* PBT of £3m and the share price hit 310p. There then followed two years of bad news resulting in a string of disposals as Sherwood put its house back into order once again. The shares hit a low of 85p in 1994.

The most significant was the sale of its 80% stake in **City Deal** - its share dealing and settlement service - to Cater Allan in Dec. 95. The transaction valued City Deal at £7.25m. Given that Sherwood obtained its original shareholding back in 1993 for just £16K it has certainly proved to be a highly successful investment for them. City Deal made PBT of £46K on revenues of £1.9m in 1994. At the time of the disposal, City Deal represented about half of Sherwood's profits and half of its then capitalisation.

Also, in Mar. 95, Sherwood acquired **Beta Computers.** In Nov. 95 Sherwood converted 1.2m 8.5% Pref. Shares into Ordinary shares.



Analysing Sherwood's results - bearing in mind all the disposals, acquisitions etc. listed above - is clearly complex. At the headline level revenues in the year to 31st Dec. 96 declined by 6% to £24.6m. Rev. from continuing operations increased by just 12%.

Depending on your viewpoint PBT was:

- significantly reduced from £6.85m to £2.065m if you include all the exceptionals
- around the same if you include profits from discontinued activities in 1995
- up 73% on a like-for-like continuing operations basis.

EPS was even more complex. Firstly Sherwood had diluted its shares by the purchase of Beta. But it had also issued 1.2m shares in lieu of Pref. Shares. At the most optimistic reading, therefore, EPS declined by 4%. But if you want to compare it at the headline level - i.e. taking full account of the exceptionals in 1995 - EPS declined from 79.5p in 1995 to 19.2p in 1996.

Anyway, enough of all this financial nonsense. It would appear that Sherwood is doing quite nicely from a profit viewpoint, needs to increase revenue growth and, although a 7% operating margin isn't too bad, ***for a specialist player it really ought to be twice as high.***

The real change which has occurred is in Sherwood's business mix. In 1992 52% of Sherwood's revenues came from the Lloyds underwriting market. This has reduced to 24% in 1996.

In 1994, just 4% of revenues came from outside the UK - in 1996 overseas revenues were 18% of the total.

But, perhaps, the most joyful news was that licences now account for just 17% of revenues. The remainder, of course, relates to service and support.

Outsourcing revenues - that's both applications management (AM) which Sherwood undertakes direct, and operational outsourcing, which is undertaken via the JV with ICL - now accounts for 24% of revenues (i.e. £5.9m) up from 16% (or £3.9m) in 1995. Indeed, only a week before the results announcement, Sherwood was awarded a £1 p.a. AM contract with Liverpool Victoria.

The AMARTA life and pensions products has also done well and now accounts for 21% (£5.17m) of revenues - up from 13% (or £3.2m) in 1995.

The problem is - just like other products companies - the licence revenues still mean a lot at the bottom line and they always seem to have to wait to the last minute to get signed. Perhaps investors were waiting until the year end fearing another disappointment. The shares - although having staged a considerably recovery since 1994 - were trading 25p lower than the 232p they were at a year earlier when the 1995 results were announced. However, they have since put on a spurt to end March 1997 on 274p.

As to the future, Sherwood were at pains to point out the competitive nature of the market. In addition FD Steve Bellamy told us that he was now looking to diversify in a number of smaller 30-40% equity stakes in companies which could provide strategic advantage - networking, IT agency staff, data warehousing etc.

INSTEM PLC

INSTEM plc is the exact opposite of a "commodity" software products company. They develop control systems for power stations etc. which sell for all of £1m each, as well as selling laboratory systems.

In 1995 US **Harnischfeger** effectively bought a 35% stake and had harboured ambitions to make this 100%.

In Sept. 96, INSTEM acquired **Apoloco Ltd** for £1.4m.

Results for the year to 31st Dec. 96 showed revenues up just 8% at £22.9m. Indeed most of that increase (£750K) came from Apoloco. PBT was up 6% at £1.3m and EPS was up 4%. Integration of Apoloco had been successfully completed. As usual INSTEM warns (of course correctly) of the lumpiness in revenues caused by the size of the contracts it is awarded.

Although INSTEM has been continuously profitable - well at least for the last 12 years during which we have followed them, they are *boring* in the true sense of the word. In 1985 their PBT was £872K...it was £1.32m ten years later in 1996. The shares have also been on a roller coaster. They were 172p a year ago when the results were announced but slid all the way to a low of 136p before climbing back to end Mar. 97 on 170p.

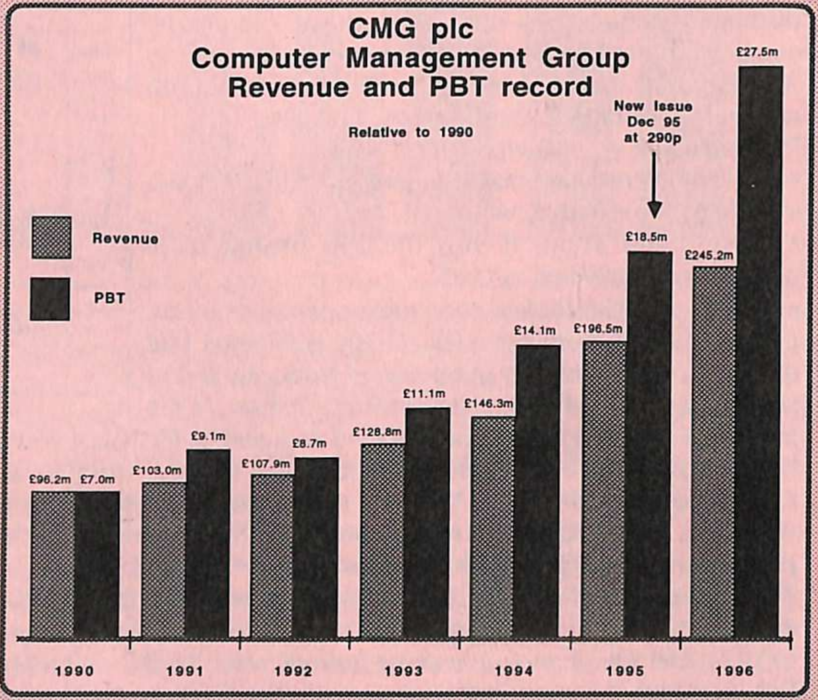
CMG shares up a massive 300% since float

CMG's results for the year to 31st Dec. 1996 - its first full year as a quoted company - were at the very highest end of analysts' expectations. Revenues were up 25% at £245.2m, PBT up 49% (only 37% if 1995 exceptionals are excluded) at £27.5m (about £2m more than the consensus view) and EPS up 50% (or 30% if 1995 exceptionals excluded). And for all readers who think that double-digit margins are impossible for an IT services company - *that's a 11% margin!*

CMG	Revenue			PBT		
	1996	1995	Growth	1996	1995	Growth
Netherlands	£172.2m	£127.8m	34.7%	£27.1m	£19.6m	38.3%
UK	£53.7m	£49.2m	9.1%	£3.1m	£1.9m	67.6%
Germany	£19.2m	£19.5m	-1.5%	-£1.2m	£0.0m	
Common Costs				-£2.1m	-£1.7m	19.8%
Float Costs					-£1.6m	
Income/interest				£0.6m	£0.3m	84.6%
Total	£245.1m	£196.5m	24.7%	£27.5m	£18.5m	48.9%

But the results from the various geographic areas were very different.

The Netherlands was the star - boosting revenues by 35% to £172m (that's now 70% of the total) with profits up a similar percentage. Indeed, the Netherlands now contribute all but £1.9m of CMG's total profits! *"In the Netherlands, we aim to continue to grow faster than the market and to maintain our margins in the 14% to 16% range".* We were interested in reading that FD Chris Banks puts this down to *"a less competitive marketplace in Holland".* Source - Computergram - 11th March 1997.



The UK, however, grew by just 9%. But that was not over surprising given that CMG had withdrawn from the share registration market. The underlying UK growth was 20% and profits improved/recovered by 69%.

Revenues in Germany were static and a loss of £1.2m was recorded. Indeed **Industry Frankfurt** made *"a significant loss".* The *"restructuring of CMG's German operations and the integration of Pecom"* (acquired in 1995 for £7.8m) has led to a £900K restructuring charge. But we are told that the rest of Germany *"performed reasonably well"* with the after year end acquisition of **Orga Team** *"expected to make a positive contribution in 1997".*

1997 has *"started well".* Indeed if CMG can get the same kind of margins in the UK as it gets in the Netherlands and can continue the recovery in Germany, 1997 should, indeed, be *"a year of further good growth".* And as Chairman Cor Stutterheim said ***"at CMG we like to do what we say".***

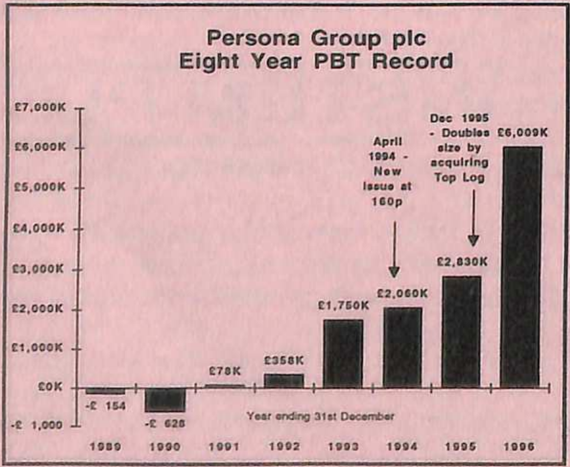
Footnote: The CMG share issue back in Dec. 95 at 290p was 9 times over subscribed. When the shares opened at a 45p premium the following day we decided we had missed the boat. Since then we have watched the gravity defying rise - CMG ended Mar. 1997 on 1150p - up a massive 4-times!

P•E•R•S•O•N•A

Persona distributes PC network and comms. products and was a new issue back in April 1994 at 160p. In Dec. 1995, Persona undertook its largest ever acquisition by buying **Top Log** of France for £19.9m.

Results for the year to 31st Dec. 96 were really rather excellent. Revenues up 175% at £146.9m - but that is not surprising given the size of the Top Log acquisition. But if you strip that out, revenues from continuing operations increased by an equally excellent 42%.

UK revenues now represent 57% (£83.9m) of the total with France 36% (£52.8m) and £10.2m from the rest of Europe. The UK was, again, the star performer with organic growth of 42% at Persona and 32% at Top Log UK. France grew organically by a good - but lower - 25% *"despite the elimination of direct sales which had accounted for 18% of turnover in 1995".* Growth in Germany and Belgium reached 45% and 46% respectively.



PBT increased by 112% to £6m and EPS was up 4.4%. If you exclude the exceptional items (relating to reorganisation at Top Log and *"an acquisition which did not proceed"*), PBT was up 143% and EPS up 19%.

As well as the Top Log acquisition (and the remaining 20% in Top Log Spain), Persona undertook two, rather smaller, acquisitions in 1996.

- **Formalan SA**, a small training company in France for £400K + £350K deferred.
- **Persona Datawave SA**, a small distribution company in Switzerland.

The market reacted well to these results which, even on the earnings side, were good for a very acquisitive company. Persona ended Mar. 1997 up 13% on 387p.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 65,460,000		£ 90,819,000	+38.7%
PBT	£ 9,832,000		£ 11,243,000	+14.4%
EPS	10.72p		11.60p	+8.2%

AFA Systems plc

	Final - Dec 95 (5 mos)	Final - Apr 96	Interim - Jun 96	Comparision
REV	£ 0	£ 217,000	£ 237,000	n/a
PBT	-£ 121,000	-£ 133,000	-£ 229,000	Both loss
EPS	-1.62p	n/a	-3.06p	Loss both

Anite Group plc

	In terim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 128,957,000	£ 262,838,000	£ 103,533,000	-19.7%
PBT	-£ 14,594,000	-£ 19,378,000	-£ 63,454,000	Loss both
EPS	-6.30p	-8.40p	-27.40p	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 95		Final - Mar 96	Comparision
REV	£ 11,941,000		£ 14,196,000	+18.9%
PBT	£ 556,000		£ 1,669,000	+200.2%
EPS	n/a		n/a	n/a

Capita Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 86,994,000		£ 111,869,000	+28.6%
PBT	£ 9,420,000		£ 12,292,000	+30.5%
EPS	11.80p		14.30p	+21.2%

Cedardata plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 5,333,000	£ 12,071,000	£ 5,661,000	+6.2%
PBT	£ 1,995,000	£ 4,384,000	£ 1,935,000	-3.0%
EPS	4.20p	9.50p	4.10p	-2.4%

CFS Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 1,276,000	£ 2,986,520	£ 1,751,000	+37.2%
PBT	-£ 66,000	£ 384,675	£ 26,000	Loss to profit
EPS	-1.50p	4.77p	1.60p	Loss to profit

Chemical Design Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 512,645	£ 1,811,407	£ 863,015	+68.3%
PBT	-£ 151,810	£ 239,488	£ 52,478	Loss to profit
EPS	n/a	3.50p	0.69p	n/a

Clinical Computing plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 924,000	£ 2,355,178	£ 1,236,000	+33.8%
PBT	-£ 357,000	-£ 546,832	-£ 573,000	Loss both
EPS	-2.20p	-3.40p	-3.40p	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

	Final - Oct 95		Final - Oct 96	Comparision
REV	£ 32,791,000		£ 33,889,000	+3.3%
PBT	£ 1,030,000		-£ 4,899,000	Profit to loss
EPS	2.50p		-18.80p	Profit to loss

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

	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 48,079,000	£ 103,282,000	£ 55,497,000	+15.4%
PBT	£ 1,748,000	£ 6,515,000	£ 3,367,000	+92.6%
EPS	1.71p	5.70p	2.40p	+40.4%

DCS Group plc

	Final - Jun 95		Final - Jun 96	Comparision
REV	£ 8,694,833		£ 30,482,000	+250.6%
PBT	£ 609,530		£ 2,366,000	+288.2%
EPS	5.02p		8.31p	+65.5%

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

	Final - Oct 95		Final - Oct 96	Comparision
REV	£ 4,830,000		£ 4,900,000	+1.4%
PBT	-£ 3,893,000		-£ 1,678,000	Loss both
EPS	-9.20p		-3.80p	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 - Dec 94		Final - Mar 96	Comparision
REV	£ 254,225		£ 3,706,000	n/a
PBT	-£ 107,623		-£ 1,949,000	Loss both
EPS	-4.16p		-44.60p	Loss both

Electronic Data Processing plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 12,605,000		£ 14,267,000	+13.2%
PBT	£ 3,083,000		£ 2,519,000	-18.3%
EPS	7.53p		6.64p	-11.8%

F.I. Group plc

	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 37,420,000	£ 78,824,000	£ 46,254,000	+23.6%
PBT	£ 2,089,000	£ 3,763,000	£ 2,805,000	+34.3%
EPS	4.90p	7.70p	6.00p	+22.4%

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

	Final - Oct 95		Final - Oct 96	Comparision
REV	£ 7,895,000		£ 9,271,000	+17.4%
PBT	£ 1,281,000		£ 1,682,000	+31.3%
EPS	2.36p		3.15p	+33.5%

Highams Systems Services Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	n/a	£ 13,227,496	£ 7,359,000	n/a
PBT	n/a	£ 899,067	£ 388,000	n/a
EPS	n/a	7.20p	3.30p	n/a

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

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 2,026,000	£ 4,051,000	£ 2,028,000	+0.1%
PBT	-£ 3,000	£ 202,000	£ 35,000	Loss to profit
EPS	-0.10p	1.00p	0.20p	Loss to profit

JBA Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 49,464,000	£ 124,693,000	£ 69,822,000	+41.2%
PBT	£ 754,000	£ 8,714,000	£ 1,362,000	+80.6%
EPS	1.43p	16.31p	2.33p	+62.9%

Kalamazoo Computer Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 32,358,000	£ 66,665,000	£ 35,218,000	+8.8%
PBT	£ 2,012,000	£ 5,882,000	£ 2,340,000	+16.3%
EPS	3.66p	10.20p	3.72p	+1.6%

Kewill Systems plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 16,567,000	£ 35,242,000	£ 19,830,000	+19.7%
PBT	£ 2,613,000	£ 6,061,000	£ 3,243,000	+24.1%
EPS	14.60p	33.70p	17.50p	+19.9%

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		£ 6,306,378	+130.4%
PBT	£ 805,586		£ 2,499,071	+210.2%
EPS	2.82p		8.26p	+192.9%

Lorien plc

	Final - Nov 95		Final - Nov 96	Comparision
REV	£ 29,109,000		£ 45,706,000	+57.0%
PBT	£ 971,000		£ 1,481,000	+52.5%
EPS	12.10p		11.80p	-2.5%

Lynx Holdings plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 32,018,000		£ 87,644,000	+173.7%
PBT	£ 2,564,000		£ 6,953,000	+171.2%
EPS	4.70p		5.36p	+14.0%

M.A.I.D plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 13,842,000		£ 21,443,000	+57.2%
PBT	-£ 4,045,000		-£ 7,034,000	Both loss
EPS	-4.42p		-7.82p	Both loss

MMT Computing plc

	Final - Aug 95		Final - Aug 96	Comparision
REV	£ 13,957,949		£ 16,861,201	+20.8%
PBT	£ 3,075,053		£ 4,531,686	+47.4%
EPS	16.30p		24.60p	+50.9%

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

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 79,145,000	£ 146,805,000	£ 60,540,000	-23.5%
PBT	-£ 1,673,000	-£ 39,420,000	-£ 9,213,000	Loss both
EPS	-2.30p	-37.02p	-9.39p	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%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

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

	Final - Oct 95		Final - Oct 96	Comparision
REV	£ 69,029,000		£ 73,391,000	+6.3%
PBT	£ 8,383,000		£ 8,783,000	+4.8%
EPS	14.80p		15.10p	+2.0%

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

	Interim -Nov 95	Final - May 96	Interim - Nov 96	Comparision
REV	£ 129,528,000	£ 279,867,000	£ 142,809,000	+10.3%
PBT	£ 19,216,000	£ 50,437,000	£ 23,665,000	+23.2%
EPS	16.90p	44.00p	20.30p	+20.1%

Mondas plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 133,300		£ 134,178	+0.7%
PBT	-£ 232,066		-£ 167,966	Loss both
EPS	n/a		n/a	n/a

Moorepay Group plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 4,632,538		£ 5,118,415	+10.5%
PBT	£ 1,142,110		£ 1,327,894	+16.3%
EPS	10.22p		11.56p	+13.1%

MSB International plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparision
REV	£ 15,692,000	£ 38,555,000	£ 29,961,000	+90.9%
PBT	£ 1,370,000	£ 3,420,000	£ 2,166,000	+58.1%
EPS	4.80p	4.90p	7.00p	+45.8%

OmniMedia plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 199,962	£ 275,275	£ 250,684	+25.4%
PBT	-£ 279,137	-£ 1,023,344	-£ 670,769	Loss both
EPS	-1.76p	-6.06p	-3.16p	Loss both

On Demand Information plc

	Final - Jul 95		Final - Jul 96	Comparision
REV	£ 8,786,000		£ 11,429,000	+30.1%
PBT	-£ 3,646,000		-£ 2,900,000	Loss both
EPS	-7.20p		-5.60p	Loss both

Oxford Molecular plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 2,832,000	£ 6,179,000	£ 4,350,000	+53.6%
PBT	-£ 2,112,000	-£ 3,693,000	-£ 950,000	Loss both
EPS	-4.20p	-7.20p	-1.80p	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

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 2,103,000	£ 4,356,000	£ 2,155,000	+2.5%
PBT	-£ 2,712,000	-£ 6,711,000	-£ 3,152,000	Loss both
EPS	-7.30p	-17.30p	-6.70p	Loss both

Proteus International plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 30,000	£ 1,063,000	£ 413,000	+1276.7%
PBT	-£ 3,618,000	-£ 5,395,000	-£ 1,820,000	Loss both
EPS	-9.75p	-14.53p	-3.67p	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

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 80,691,000		£ 99,032,000	+22.7%
PBT	£ 5,023,000		£ 6,806,000	+35.5%
EPS	18.80p		25.10p	+33.5%

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

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 5,325,000	£ 11,903,000	£ 6,314,000	+18.6%
PBT	£ 742,000	£ 2,207,000	£ 1,156,000	+55.8%
EPS	7.10p	20.80p	11.00p	+54.9%

Rebus Group plc

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 28,293,000	£ 60,040,000	£ 30,255,000	+5.4%
PBT	-£ 356,000	£ 1,969,000	£ 2,313,000	Loss to profit
EPS	-0.32p	0.33p	1.72p	Loss to profit

Recognition Systems Group plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 669,000		£ 324,000	-51.6%
PBT	-£ 397,000		-£ 1,266,000	Loss both
EPS	-2.10p		-5.50p	Loss both

Riva Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 34,718,000	£ 73,022,000	£ 32,348,000	-6.8%
PBT	£ 58,000	£ 182,000	-£ 905,000	Profit to loss
EPS	-0.20p	0.10p	-3.00p	Loss both

Rolfe & Nolan plc

	Interim - Aug 95	Final - Feb 96	Interim - Aug 96	Comparision
REV	£ 7,661,000	£ 17,128,000	£ 8,630,000	+12.6%
PBT	£ 1,074,000	£ 2,517,000	£ 1,107,000	+3.1%
EPS	5.35p	12.33p	5.57p	+4.1%

Romtec plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparision
REV	£ 1,614,000	£ 3,731,187	£ 1,990,000	+23.3%
PBT	£ 105,000	£ 257,430	£ 128,000	+21.9%
EPS	1.50p	3.60p	1.70p	+13.3%

Sage Group plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 102,234,000		£ 136,236,000	+33.3%
PBT	£ 22,362,000		£ 30,053,000	+34.4%
EPS	13.88p		18.50p	+33.3%

Sanderson Electronics plc

	Final - Sep 95		Final - Sep 96	Comparision
REV	£ 57,801,000		£ 61,385,000	+6.2%
PBT	£ 5,305,000		£ 6,201,000	+16.9%
EPS	8.80p		10.10p	+14.8%

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%

P & P plc (to be renamed Skillsgroup plc)

	Final - Nov 95		Final - Nov 96	Comparision
REV	£ 341,990,000		£ 344,337,000	+0.7%
PBT	£ 12,574,000		£ 14,277,000	+13.5%
EPS	11.00p		12.70p	+15.5%

Spargo Consulting plc

	Final - Dec 95		Final - Dec 96	Comparision
REV	£ 7,379,000		£ 7,853,000	+6.4%
PBT	£ 902,000		£ 1,204,000	+33.5%
EPS	4.43p		6.17p	+39.3%

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

	Final - Jul 95		Final - Jul 96	Comparision
REV	£ 1,590,000		£ 3,888,000	+144.5%
PBT	-£ 1,746,000		-£ 2,873,000	Loss both
EPS	-30.70p		-37.90p	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

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 1,273,331	£ 2,892,802	£ 1,477,822	+16.1%
PBT	-£ 54,488	£ 222,329	£ 185,587	Loss to profit
EPS	-0.44p	1.60p	1.33p	Loss to profit

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

	Interim - Sep 95	Final - Mar 96	Interim - Sep 96	Comparision
REV	£ 3,720,000	£ 11,680,000	£ 8,350,000	+124.5%
PBT	£ 778,000	£ 2,131,000	£ 1,219,000	+56.7%
EPS	2.51p	7.09p	3.22p	+28.3%

Vega Group plc

	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 7,260,000	£ 16,032,000	£ 8,826,000	+21.6%
PBT	£ 1,271,000	£ 3,452,000	£ 1,405,000	+10.5%
EPS	5.90p	16.16p	6.35p	+7.6%

Wakebourne plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 18,848,000	£ 36,714,000	£ 16,145,000	-14.3%
PBT	-£ 356,000	-£ 3,384,000	£ 212,000	Loss to profit
EPS	-1.10p	-12.20p	0.60p	Loss to profit

Xavier Computer Group plc

	Period - Mar 96	Final - Dec 95	Interim - Sep 96	Comparision
REV	£ 457,000	£ 1,201,884	£ 3,740,000	n/a
PBT	-£ 86,000	£ 70,472	£ 260,000	n/a
EPS	-0.26p	n/a	0.33p	n/a

Zergo Holdings plc

	Interim - Oct 95	Final - Apr 96	Interim - Oct 96	Comparision
REV	£ 4,005,000	£ 8,483,877	£ 4,671,000	+16.6%
PBT	-£ 479,000	-£ 214,693	£ 237,000	Loss to profit
EPS	-5.47p	n/a	1.81p	Loss to profit

Games distributor **Rage** (nee BCE) was still loss-making in the 6 months to 31st Dec. 96. Rev dropped 4% to £3.98m and losses increased from £1.23m to £1.75m.

UK M&A

Info' Products has bought UK PC reseller **Simmons Magee** for a *"reputed"* £10m. Still minimal considering the operation had revenues of £60m last year. Info' Products (which had sales of £150m in the UK in 1996) now claims to be *"one of the top three after Computacenter and Specialist in the UK"*. US **Elcom International** has acquired UK **PS Group** (also a PC reseller) for £1.5m. Source - Computing 6th March 97. UK **Pericom** has acquired its US software distributor **Graphics Devices** for an undisclosed sum.

3i. NatWest and Bank of Scotland have invested £4.8m allowing **Networks UK** to acquire **ML Networks**. The combined operation - **Communications Science** - will have annual revenues >£20m.

Kalamazoo has settled its dispute - in an out-of-court £2.1m settlement - with its franchisees who had alleged misrepresentation. Kalamazoo has acquired **CFS International Inc.** for £3.53m cash; £2.5m now, £1m in a years time. CFS trades in the UK and France as COIN - specialising in finance and insurance systems for motor dealers - a sector where, of course, Kalamazoo is already a market leader. Kalamazoo has also acquired a 25% stake in Danish **IT2000** for £300K.

Showing that the sky's the limit when you have a NASDAQ quote, **Eidos** has this month raised $50m in a convertible bond issue to US institutional investors.

Sema has sold **Goya** - the Spanish Internet Service Provider it acquired in Jan. 96 - to **EUNet** for *"an undisclosed consideration"*. Readers know our negative views on ISPs, so the disposal is apposite.

CAS Office Equipment Ltd has appointed the receivers with debts of c£500K.

Perhaps not directly in the SCSI arena (yet) but **Serco** this month acquired **RailDirect** (which runs train enquiries at Euston and Waterloo).

DCS has had a busy month. They announced a major *"multi million"* 10 year deal with Swiss Kuehe & Nagel for use of DCS' logistic software. Then DCS bought the remaining 66% stake in **GBM France** (France's market leader in motor dealer systems) for £3.88m (£1.3m in cash - rest in shares).

Microvitec *moves out of SCSI*

Three years ago **Microvitec** announced that it had taken *"a strategic decision to reposition and refocus the business in the areas of software and networking"*. But it all came to nought.

Microvitec was hit hard by the failure of Amiga, part of Escom. It also decided to get out of multimedia, *"exit the terminals market"* and this month sold **CSM** to Pegasus (see p12).

Results for the year to 31st Dec. 96 showed revenues up 18% at £65.2m but PBT down 87% at just £461K and EPS off 93%. Microvitec now intends to focus solely on networks and displays. Whether we should continue to report on Microvitec as a SCSI company is open to question.

Jordans has reported that new company registrations increased by 14% in 1996 largely as a result of the Internet - *"as shown by the number of new companies including the word* **"net"** *in their company name"*.
Now given that Internet shares have been the worst performers in our Index, It will be interesting to see how many survive!

CSC UK sells on Metier

You may remember the debacle in May 95 when firstly **EDS** were the preferred bidder for **Lucas**' IT activities. Then, after looking closer, EDS realised they couldn't make any money out of it and withdrew. **CSC UK** stepped in with a higher bid! This fuelled rumours that CSC was having, and certainly would in future have, profit problems on their outsourcing business. Indeed, there has been much management turmoil in the UK operation ever since. Only last month Mojtaba Ghassemian was appointed President and CEO of CSC UK - Tom Williams had been in the job for less than a year.

Anyway, now CSC UK has now sold on **Metier Management Systems** (the ***Artemis*** project management software bit which was the bulk of the Lucas Management Services operation) to US **Gores Technology Group Inc.**

This will just intensify the profit pressure concerns.

Funding...

We note that M&A specialists **Broadview Associates** has gone into competition with the very VCs who pass them so many of their leads. They have set up a £35m VC fund (**Kennet Capital**) with **Electra Fleming** to invest between £1m and £3m in IT companies in Europe with revenues between £1m and £10m.

We would like to wish MD John Gardner (ex-technical director of **Performance Software**) well on the launch of **Hand Held Solutions Ltd.** £300K has been raised as initial funding by Ian McNeil. HSS is based in Ilkley, Yorks where it aims *"to create 20 hi-tech jobs over the next twelve months"*.

Interesting times for Delphi

Delphi (nee Computer People) has acquired a 25% stake in **GD** which in turns holds a 55% stake in **Groupe Decan Europe** - a French IT consultancy and systems integrator - for £3.4m. GD had revenues of £15.5m and made PBT of £1.7m in the year to 30th June 96.

But Delphi is facing other challenges. Computer People founder Rupert Bayfield has set up a rival IT agency - **Best** - and is said to have poached up to 25 staff. Delphi issued an injunction against four former directors on 13th Mar. 97.

CRT consummates largest purchase

CRT
Tapping Potential

You will recall that **Education Technology** invested £109m buying a 50.1% stake in **CRT** in Aug. 96. This month the first major fruits of that injection appeared with the announcement of the acquisition of **INLINE KPG** - an IT recruitment and staff agency - for £23.8m (c£16.9m in cash - rest in shares).

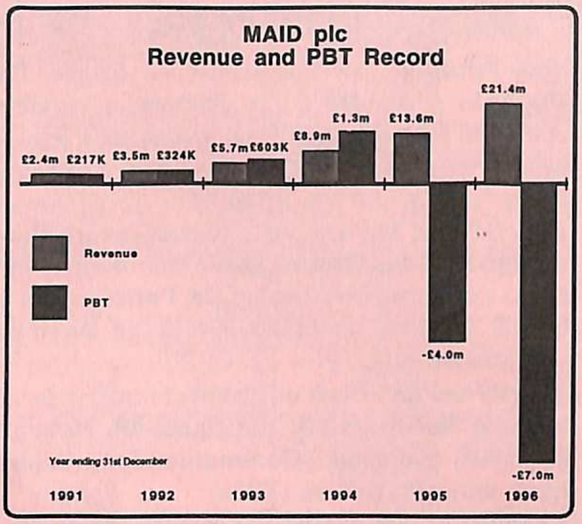
In 1994, KPG Computer Support (est. 1971) merged with INLINE Computer services (est. 1984) to form INLINE KPG. The combined operation boosted rev. by 22% to £45.1m but PBT was around the same at £500K in the year to 30th Sept. 96. The PSR looks fair and, if the industry average 5% profit margin can be achieved, so would the P/E.

It seems to be a good fit and, together with Software Personnel, pushes CRT's IT agency revenues to approaching £120m, employing 300 people in 13 UK locations with more than 2,000 out on contract.

We are sure this will neither be the last nor the largest acquisition CRT announces in the next year.

EASY ACCESS TO THE HARD FACTS

MAID, provides on-line third party market research information, was a new issue at 110p in March 1994 and an IPO on NASDAQ in Sept. 95 at 242p.



Latest results show revenues increased by 57% to £21.4m for the full year to 31st December 1996; but losses increased from £4m to £7m *"in line with expectations"*. However, losses were reduced by £1m to £1.4m in Q4 over Q3.

But, yet again, we should point out that the losses are actually much worse. MAID capitalises its R&D and *"intangible assets"* increased by another £2.1m - from £6.2m to £8.3m - in the year.

In another *"year of remarkable development"* MAID opened 14 new offices and now operates through 23 offices worldwide. MAID tripled the number of new customers signed and now has over 3,800 corporate clients worldwide. 75% of new subscribers to Profound are in the US and in the first couple of months of 1997 25% of usage is via the Internet. Several new alliances were announced with IBM, Thorn, Nokia, iafrica, South China Morning Post and Compuserve. They also took a 13.5% stake in **Easynet**. In Feb. 97 the hotel service part of MAID's business was sold to **4th Network** for $7.5m in stock (10%) plus 10% of the revenues over the next 30 years subject to a minimum of £11m in the first three years.

Comment. MAID's share price since its launch just three years ago has been as volatile as its high profile CEO Dan Wagner. Launched at 110p they rose all the way to a high of 355p in 1995 and then slipped all the way back to a low of 140p earlier in 1997. The sale of the hotel service caused a modest rally. But 201p at the end of Mar. 97 still means that MAID has a market capitalisation of £184m - pretty impressive for a £21m revenue company but even more gravity defying considering the £7m loss.

However, as we have said on many occasions, the UK needs more high flying companies like MAID and high profile entrepreneurs like Dan Wagner. After all, if the UK will not back such companies there are investors across the waters on NASDAQ who are only too ready.

Our concern about MAID is actually not its valuation but the future of the services it offers. We are a potential user of the service which MAID offers but find that we can get all the information largely for free via the Internet without needing to sign up for a subscription. In turn we could make *System House* available via MAID. But would this boost our revenues? Unlikely given the high commissions MAID charges. In addition, they are up against some powerful competitors like Reuters. Many think that the future value of MAID will come via a bid rather than MAID going it alone. Brokers Merrill Lynch are forecasting PBT of £10.1m in 1997 and £17.7m in 1998. If so, the prospective P/E of <16 looks pretty cheap.

London Bridge floats!

London Bridge made its Stock Exchange debut on 25th March 97 after the placing at 200p which initially valued the company at £47m - equating to a 24 P/E. The shares rose rapidly to end March 97 on 263p - a 31% premium. London Bridge was wholly owned by Gordon Crawford prior to the float. He received £5m of the £12m raised in the placing and still holds shares now worth over £45m.

In May 1991 **NMW Computers** (a quoted computer bureau), just starting to recover from Black Monday, acquired Gordon Crawford's **Charterhouse** for £270K. The acquisition did not work out well for NMW. Delays and cost overruns contributed to NMW reporting a £270K loss in 1991 and 1992 was an even more difficult year with cash problems adding to trading difficulties. As Richard Holway was a non executive director of NMW throughout this period, it would be wrong to comment further. In late 1992, **ACT Computers** acquired NMW. NMW Charterhouse was sold for *"a nominal amount"* to Gordon Crawford who assumed responsibility for the property lease in London.

In May 93, the holding company was put into liquidation. *"All outstanding debts to outside parties had been settled and the only liabilities remaining were to future lease obligations"*.

Charterhouse had developed a Debt Manager product for TSB which was ordered by Barclays in 1991 and, now as London Bridge Software, by the Midland and Bank of Scotland in 1994. This credit risk management software has since been extended into the commercial sector. In 1996 London Bridge made a number of small acquisitions in the US and UK.

Results for the year to 31st Dec. 96 were either exceptional or exceptionally good - *perhaps both!* Revenues more than doubled to £6.3m. Although just short of £1m came from the acquisitions noted above, its still exemplary. PBT tripled to £2.5m as did EPS. For the record there is no capitalised R&D.

"London Bridge is Falling Down" Investors Chronicle 14th March 1997

We have admiration for any company that can report this kind of growth. We are not overly concerned with the competition that London Bridge apparently face, or about overseas expansion or even Gordon Crawford's record. He did what was required to ensure survival. *We suggest lessons learned the hard way are lessons well learnt.*

What we are concerned about is the exceptional nature of the financial record. We have seen this kind of high growth before just prior to flotation - with reversals soon afterwards. The profit margin of 40% is not unique in our industry but we have yet to see such margins repeated year after year. Sure a P/E of 24 sounds quite reasonable, but a PSR of nearly 7.5 times does not. Any glance down our PSR tables show this is widely out with PSRs of 3 to 5 times being the usual amongst the top performers like Sage and Misys.

The Investors Chronicle advised ***"Avoid"***...despite the initial rise, we intend to watch with interest from the sidelines too.

SCSI Index reverses earlier gains At the beginning of March, SCSI share prices continued to increase. Then the calling of the Election and US jitters hit the sector hard and sent many shares tumbling. The SCSI Index ended March down nearly 3%; *but that's still a 7.4% gain in Q1 1997!* **Trace** (p11) was up another 36% as **MMT**'s Mike Tilbrook continues to buy. Trace is the first share to double in 1997 - so far! **Sherwood** also put on 34% on results announcements (p3). Despite our comments, newcomer **London Bridge** (p8) ended its first month up 31%. **Diagonal**'s placing price equated to a value of £51m and a P/E of 36. It was not surprising that the after market was limited to a more modest 12% gain. **Proteus** - down 23% (profit talking), **CFS** - down 23% (worries over results due soon) and **DRS** - down 17% (results p11) led the fallers.

25-Mar-97	SCSI Index			2876.44
	FTSE 100			4270.70
	BDO AIM			1469.80
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap			2311.69
Changes in Indices	SCSI Index	FTSE 100	BDO AIM Index	FTSE Small Cap
Month (27/2/97 - 25/3/97)	-2.84%	-1.58%	-2.18%	-1.89%
From 15th Apr 89	+187.64%	+107.96%		
From 1st Jan 90	+212.62%	+80.81%		
From 1st Jan 91	+306.35%	+97.68%		
From 1st Jan 92	+175.29%	+71.30%		
From 1st Jan 93	+80.50%	+50.03%		+66.63%
From 1st Jan 94	+72.29%	+24.93%		+23.71%
From 1st Jan 95	+91.87%	+39.31%		+32.37%
From 1st Jan 96	+27.36%	+15.76%	14.64%	+19.06%
From 1st Jan 97	+7.43%	+3.70%	8.42%	+5.89%

System House SCSI Share Prices and Capitalisation

	Share Price 25/3/97 (£p)	Capitalisation 25/3/97(£m)	Historic P/E	PSR Ratio Cap./Rev.	CSI Index 25/3/97	Share price % move since 27/2/97	Share price % move in 1997	Capitalisation move (£m) since 27/2/97	Capitalisation move (£m) in 1997
Admiral	£3.90	£245.70m	33.6	2.71	14095.97	4.70%	6.85%	£11.00m	£15.80m
AFA Systems	£1.13	£11.20m	n/a	n/a	937.50	-5.86%	-19.35%	-£0.70m	-£2.70m
Anite (was Cray)	£0.47	£111.40m	Loss	0.42	274.85	1.08%	28.77%	£1.10m	£24.90m
Azlan	£5.30	£188.20m	16.9	0.96	2304.35	-15.06%	-6.61%	-£33.30m	-£12.70m
Cadcentre	£2.35	£38.90m	29.5	2.74	1172.50	-12.34%	-8.22%	-£5.50m	-£3.60m
Capita	£7.25	£443.00m	51.2	3.96	21771.77	11.80%	49.02%	£46.80m	£158.90m
Cedardata	£1.03	£32.50m	11.0	2.69	976.19	-15.64%	-59.00%	-£6.00m	-£46.70m
CFS	£0.57	£4.18m	7.8	1.40	627.78	-23.13%	-32.34%	-£1.26m	-£2.00m
Chemical Design	£2.40	£15.60m	38.3	8.62	2181.82	11.63%	65.52%	£1.60m	£6.16m
Clinical Computing	£0.31	£7.66m	Loss	3.47	245.97	-6.15%	1.67%	-£0.50m	£0.13m
CMG	£11.50	£737.10m	42.0	3.01	3965.52	2.22%	36.90%	£16.00m	£198.70m
Coda	£1.21	£33.60m	Loss	0.99	514.89	-11.36%	12.56%	-£4.30m	£3.70m
Compel	£2.47	£62.40m	16.9	15.60	1972.00	5.12%	39.66%	£3.10m	£35.50m
CRT Group	£2.35	£322.40m	29.6	3.12	2611.11	0.64%	-6.00%	£2.00m	-£18.80m
DCS Group	£3.16	£60.60m	39.8	1.99	5258.33	9.74%	16.85%	£5.40m	£8.80m
Delphi Group	£8.23	£236.90m	24.9	1.12	3384.77	-1.32%	12.29%	-£3.10m	£25.90m
Diagonal	£3.08	£56.90m	40.0	2.01	1118.18	11.82%	11.82%	£6.00m	£6.00m
Division Group	£0.53	£23.10m	Loss	4.71	1312.50	3.96%	-4.55%	£0.90m	-£1.00m
DRS Data & Research	£0.24	£8.21m	18.0	1.70	218.18	-17.24%	-2.04%	-£1.71m	-£0.17m
Druid	£4.25	£97.30m	37.9	8.10	1545.45	-12.82%	25.00%	-£14.30m	£19.50m
Eidos	£8.33	£139.90m	26.4	37.71	8325.00	-14.18%	15.22%	-£21.10m	£43.80m
Electronic Data Processing	£0.80	£20.80m	12.0	1.46	2434.17	-14.97%	15.22%	-£3.70m	£2.70m
FI Group	£5.00	£148.50m	40.5	1.88	2127.66	-15.40%	-12.05%	-£27.00m	-£20.30m
Flomerics	£1.95	£4.99m	17.7	0.94	1500.00	-11.36%	-9.30%	-£0.64m	-£0.52m
Gresham Computing	£0.52	£17.00m	16.5	1.83	559.14	-7.96%	-0.95%	-£1.50m	-£0.20m
Highams Systems	£1.30	£11.50m	19.0	0.87	1805.56	-3.70%	-4.76%	-£0.40m	-£0.60m
INSTEM	£1.70	£7.82m	9.0	0.34	1700.00	7.94%	17.24%	£0.57m	£1.15m
Intelligent Environments	£0.67	£14.90m	48.0	3.73	707.45	-14.19%	2.31%	-£2.40m	£0.40m
JBA Holdings	£7.50	£255.80m	44.9	2.05	4687.50	3.45%	41.51%	£8.60m	£75.10m
Kalamazoo	£0.90	£26.00m	9.2	0.39	2557.14	-15.96%	-16.74%	-£5.00m	-£5.00m
Kewill	£5.86	£74.40m	16.0	2.11	2316.21	-5.48%	11.94%	-£4.30m	£7.90m
Logica	£9.58	£609.90m	33.5	2.14	2623.29	0.79%	4.25%	£4.80m	£26.70m
London Bridge	£2.63	£61.70m	31.8	9.79	1312.50	31.25%	31.25%	£14.70m	£14.70m
Lorien	£3.59	£61.30m	30.4	1.34	3585.00	-15.65%	6.70%	-£11.40m	£23.00m
Lynx Holdings	£1.01	£98.40m	18.7	1.12	2512.50	-10.27%	16.18%	-£11.20m	£13.70m
M-R Group	£0.92	£51.10m	16.2	1.33	363.10	1.10%	7.65%	£0.60m	£3.70m
Macro 4	£4.08	£80.30m	11.3	3.17	1643.15	0.00%	-16.84%	£0.00m	-£16.20m
MAID	£2.01	£183.90m	Loss	8.58	1822.73	12.32%	-0.50%	£20.20m	-£0.90m
McDonnell IS (MDIS)	£0.48	£50.30m	Loss	0.34	184.62	-11.52%	45.45%	-£6.60m	£15.70m
Micro Focus	£12.28	£186.50m	Loss	2.55	5929.95	14.72%	26.55%	£23.90m	£40.00m
Microgen	£1.78	£70.10m	11.7	0.96	758.55	1.43%	18.33%	£1.00m	£10.90m
Microvitec	£0.26	£20.60m	8.5	0.32	640.24	-11.02%	-7.89%	-£2.60m	-£1.80m
Misys	£12.33	£1,061.00m	26.1	3.79	3065.92	2.92%	10.39%	£30.00m	£110.90m
MMT Computing	£5.45	£64.90m	23.6	3.85	3244.05	-5.87%	-4.55%	-£4.00m	-£2.50m
Mondas	£0.83	£4.97m	Loss	38.23	1100.00	0.00%	-1.20%	£0.00m	-£0.06m
Moorepay	£3.60	£27.30m	34.2	5.33	4337.35	2.86%	28.57%	£0.70m	£6.00m
MSB International	£3.99	£81.00m	26.9	2.10	2100.00	-14.56%	7.69%	-£13.80m	£5.70m
OmniMedia	£0.08	£1.97m	Loss	7.16	106.67	-5.88%	-15.79%	-£0.12m	-£0.37m
On Demand	£0.33	£17.90m	Loss	1.57	416.67	-18.75%	-27.78%	-£4.10m	-£6.90m
Oxford Molecular	£4.08	£248.50m	Loss	40.21	5100.00	-10.33%	14.61%	-£28.60m	£31.70m
P&P	£2.20	£177.50m	16.9	0.52	986.55	-0.45%	41.94%	-£0.80m	£52.40m
Parity	£5.09	£217.60m	32.2	1.34	28249.89	6.60%	14.92%	£14.90m	£29.50m
Pegasus	£3.75	£24.00m	36.4	3.03	1020.44	-0.66%	0.13%	-£0.10m	£0.40m
Persona	£3.87	£95.90m	22.5	0.65	2415.63	12.52%	25.08%	£10.70m	£19.30m
Phonelink	£0.64	£30.90m	Loss	7.09	412.90	-9.86%	4.92%	-£3.40m	£1.70m
Proteus	£0.56	£30.50m	Loss	28.77	660.71	-23.45%	48.00%	-£9.40m	£9.90m
Quality Software	£2.25	£29.20m	n/a	1.15	592.11	5.88%	10.29%	£1.60m	£2.70m
Radius	£0.54	£15.10m	13.3	0.55	391.30	-8.47%	-14.29%	-£1.40m	-£2.50m
Rage	£0.10	£26.10m	Loss	2.75	394.23	-6.82%	-10.87%	-£0.60m	-£1.80m
Real Time Control	£2.29	£16.00m	9.2	1.34	4663.27	-6.73%	-1.72%	-£1.10m	-£0.30m
Rebus	£0.60	£55.50m	14.8	0.92	681.82	-11.76%	-17.24%	-£7.40m	£2.70m
Recognition Systems	£0.57	£15.30m	Loss	47.81	807.14	-6.61%	-3.42%	-£1.00m	-£0.50m
Riva	£0.23	£6.95m	230.0	0.10	163.46	-14.81%	-2.13%	-£1.20m	-£0.15m
RM	£7.58	£134.80m	29.4	1.36	4328.57	4.84%	22.18%	£6.20m	£24.40m
Rolfe & Nolan	£4.03	£50.70m	32.1	2.96	4791.67	-1.23%	11.03%	-£0.60m	£5.00m
Romtec	£0.78	£4.03m	18.2	1.22	1240.00	-3.73%	-3.73%	-£0.16m	-£0.16m
Sage Group	£6.49	£697.70m	35.0	5.12	24961.54	10.66%	22.45%	£67.20m	£129.00m
Sanderson Electronics	£1.28	£58.30m	12.7	0.95	2170.21	-12.97%	-15.00%	-£8.70m	-£9.40m
Sema Group	£13.63	£1,517.00m	43.9	1.64	4284.59	7.92%	25.58%	£111.00m	£310.00m
Sherwood	£2.74	£23.80m	14.6	0.97	2283.33	33.66%	40.51%	£6.20m	£7.00m
Spargo Consulting	£1.43	£17.80m	23.1	2.27	1500.00	-15.93%	-2.06%	-£3.40m	-£0.40m
Staffware	£2.32	£26.80m	41.3	2.68	1028.89	-2.53%	-10.79%	-£0.70m	-£3.20m
Superscape	£4.10	£36.10m	Loss	9.28	2070.71	-7.87%	3.14%	-£3.10m	£2.70m
Systems Integrated	£0.16	£2.08m	Loss	1.68	134.78	-11.43%	-11.43%	-£0.27m	-£0.27m
Total	£0.31	£3.10m	9.2	1.07	584.91	1.64%	6.90%	£0.05m	£0.20m
Torex	£0.65	£20.30m	15.0	n/a	1252.43	-3.01%	25.24%	-£0.60m	£8.00m
Trace	£0.70	£9.87m	27.5	0.48	560.00	35.92%	100.00%	£2.61m	£4.94m
Triad	£1.90	£47.90m	22.9	4.09	1407.41	-16.11%	-9.31%	-£9.20m	-£4.80m
Vega Group	£3.23	£48.10m	19.5	3.00	2643.44	-3.73%	20.56%	-£1.80m	£7.00m
Wakebourne	£0.12	£2.74m	Loss	0.08	66.67	9.09%	-20.00%	£0.23m	-£0.68m
Xavier	£0.10	£5.23m	Loss	4.36	1000.00	-6.98%	-9.09%	-£0.39m	-£0.52m
Zergo	£2.90	£26.70m	72.8	3.15	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.

Torex...*from tool hire to IT services*

This year we have transferred **Torex plc** (previously a tool and hire services group) to our SCSI Index. In March 1996 they acquired **Smart Terminals Ltd** for c£4.8m.

Then in December 1996 Torex announced three further SCSI purchases:

- **The BIT Group** (Windows and Oracle based retail solutions) for £3.5m
- **Ambridge Business Systems Ltd** (clinical and administrative systems to GPs) for up to £1.75m
- **Warwick BePoS Group** (software and hardware distribution) for £500K.

Torex raised £1.93m in an open offer at 43p in Jan. 1997. Latest results for the year to 31st Dec. 96 show PBT up 178% at £1.47m on revenues up 47% at £10.9m. EPS was up 79%.

Smart Terminals contributed £5m of the £10.9m revenues and half of the £1.7m operating profit - *"well ahead of budget"*. The forward order book *"remains strong"*.

Shareholders have clearly done well too. Those who took up the 43p placing in Jan. 97 have seen the shares soar to end March 97 on 65p.

Radius - *Sorry STILL going round in circles*

We titled our review on **Radius** last year *"Going round and round in circles at Radius"*. We pointed out that EPS and PBT were about the same as ten years earlier in 1985 - with some nausea producing slumps and revivals in between.

But we really hoped that 1996 would be a good year - a view clearly shared by Chairman Mike Roberts who *"looked forward to reporting continued progress"* a year ago. At the AGM in June, Roberts told shareholders *"1996 will be another successful year for Radius"*. He repeated his optimism when the interims were announced in Sept. 96.

But then in March 97, a profits warning was issued. A major customer *"on a high value project"* in Canada had filed for protection against their creditors owing Radius a *"substantial stage payment"*. Problems with the strength of Sterling were also given. Rather than the expected PBT of £2.1m we were now to expect £1.6m.

In the event, the actual results for the year to 31st Dec. 96 showed PBT down 12% at £1.59m, revenues up 4.7% at £27.3m and EPS down 7%. However, in January 1996 Radius acquired IT Professional Ltd for £180K cash. Acquisitions were responsible for £1.78m of the revenue and £286K of the operating profit. Continuing operations saw a 2% revenue reduction and 32% reduction in operating profit.

"Service revenues were slower to materialise than we anticipated during the second half of 1996, because a number of large customers extended project timescales". The Commercial Division also faced a *"very competitive market"* and rationalisation steps have been taken.

On a more positive note, software products revenues were up 30%, Public Sector business grew by 34% and the Print Division had *"a busy year"* increasing revenues by 20%. *"The year has started with increased order books"*. Radius ended March down 8% at 54p.

Congratulations FI Group for winning the Coopers & Lybrand/FT *"Newcomer of the Year"* award. Shareholders have already received their prize. A new issue at 235p in Apr. 96, FI Group closed March on 500p!

The Rise...Fall..and Rise Again of MicroFocus

If you are one of those subscribers with us since 1989 you will be familiar with **Micro Focus'** meteoric rise to PBT of £22.3m, a capitalisation of £300m and £58m cash in the bank in 1992. We then tracked their equally meteoric fall.

We warned of troubles ahead at Micro Focus in every review for the last four years. When others were forecasting profits of £13m for 1995 and Chairman Paul O'Grady said his management team *"is a seasoned group of people who have gone through periods of transition before"*, we reminded readers that the last such transition produced a £2.8m loss.

The problem was that the move away from COBOL mainframe based new developments towards client-server took place much faster than Micro Focus expected.

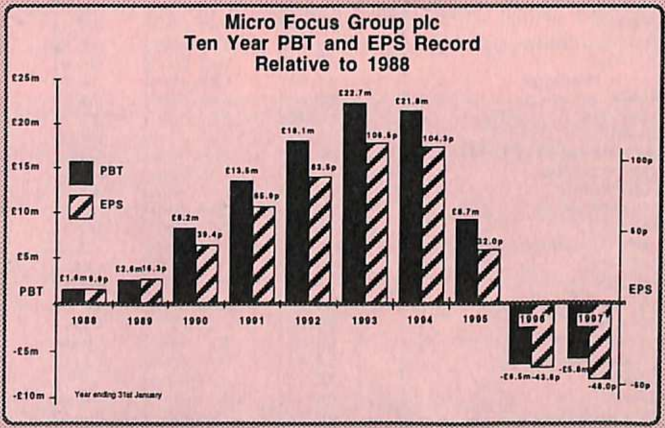
On 30th April 1996 it was announced that founders Paul Reynolds and Paul O'Grady had resigned and had been replaced by US Marcelo Gumucio as CEO and J Michael Gullard as Chairman.

Gumucio said the *"new"* emphasis was towards *"off loading"*. I.e. helping users move from mainframes to PCs, client-server systems and *"Year 2000"*.

There are two ways of looking at the results of Micro Focus in the year to 31st January 1997.

- in the full year revenues reduced by 5.4% to £73.1m. The loss before tax was reduced a smidgen from £6.54m to £5.8m but loss per share increased from 43.6p to 48p. Pretty awful, you might say.
- on the other hand, cash increased from £39m to £45m. Indeed, Q4 of FY97 produced PBT of £2.56m (compared with a loss £1.77m in Q4 FY96).

Given the above, you will not be surprised that Micro Focus was rewarded with a major increase in its share price which ended March 97 on 1228p.



Costs have been reduced significantly in the year. But the real "successes" of the last year have been:

- although product licence revenues have reduced, services revenues have held up very well.
- the UK and Germany have been particularly strong markets. Indeed, Europe has replaced the US as the source of more than 50% of Micro Focus' sales in Q4 FY97.
- Y2K is seen as *"a five year earner"* and similar growth from the Euro is anticipated (although little evidence of demand from this is being seen at present). Indeed, Micro Focus is recruiting worldwide in an effort to turn itself from a mainly products company into *"a far more broadly based systems and services company"*.

Mind you CEO Marcelo Gumucio did utter the dreaded words *"we look forward to 1997 with **confidence**"*. But, of course, Micro Focus is now to all intents and purposes a US company, so its management have probably not heard the warnings and know no better.

Analysts are now forecasting PBT of £8.7m for FY98.

PARITY *How to build a Top UK SCSI company in four years...*

Mar. 93 - **Comac,** a sleepy little IT staff agency, announces revenues of £11.1m and PBT of £447K for 1992. Share price = 18p.

June 93 - Philip Swinstead (recently out of SD-Scicon after the EDS takeover) buys 19.4% stake in Comac for £720K.

Oct. 93 - Comac buys **CSS Trident** for £18.5m.

Nov. 93 - Paul Davies, ex of Easams and SD-Scicon, appointed CEO.

July 94 - Comac changes name to **Parity** and buys **LBMS UK consulting division** for £1.75m cash.

Aug. 94 - Parity acquires IT training operation **Class Ltd.** for £500K (Rev. £732K, PBT £90K).

Oct. 94 - Parity acquires **ACT Business Systems** and **BIS Training** from **ACT** for an initial £6.3m plus £2m in 96. Parity also announced 1-for-7 rights issue at 125p raising £5.7m and the appointment of Keith Jennings from Easams as head of Parity Solutions.

Nov. 95 - Parity spends £3.5m extending its business model into Europe. CSS-Trident acquired **Software 92 plc.** Parity Solutions acquired **Eurosoft** which provides systems development and training, mainly via its own staff in Germany and contractors in the UK.

May 96 - Parity acquires *"privately owned IT training company"* **Britech Services** for £2m in cash.

Nov. 96 - Parity acquires German **TPI** for £600K.

Mar. 97 - Parity announces revenues up 27% at £162m, PBT up 54% at £10.1m and EPS up 53%.

And what do you get for your four years hard labour?

- a share price some 28-times higher (18p to 509p at end March 97)
- revenues up 14-fold and PBT up 26-fold
- EPS up over 4-fold (from 3.7p to 15.8p)
- a company worth some £218m.

Parity may not qualify for a *System House* Boring Award - yet - but the record is exemplary none the less.

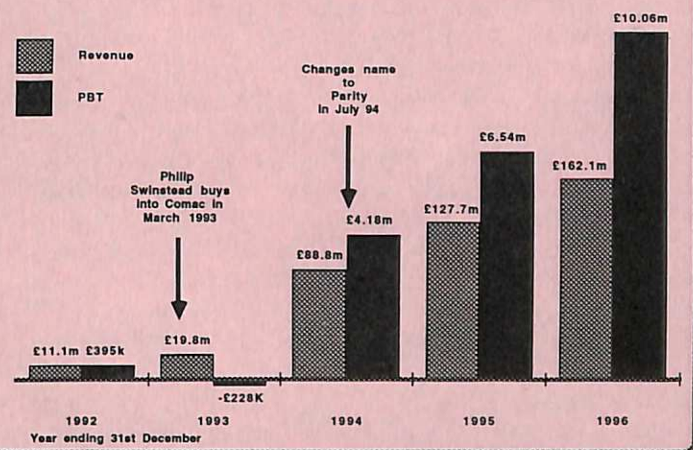
We will describe Parity's business under three headings:

• ***"UK resourcing"*** which is in essence the agency staff activity under the **CSS-Trident** banner. This represents around £90m or 55% of revenues. Because it has moved further up the value chain, its revenue growth was actually a rather modest 9%. However, profit margins increased - as a result - from a rather measly 2% three years back to 7%. They now work more and more on long term contracts providing service level agreements and eschewing the "commodity" end of the business.

• **Parity Solutions**, run by Keith Jennings, now employs over 700 professional IT staff and offers *"consultancy, training, systems and software development"*. It has seen increasing business from the Y2K problem. In addition some 25,000 customers went through Parity training. Revenues last year were £35m and margins of c8% were achieved in its first real year of operation.

• Parity's **Continental European** business has been relaunched/rebranded under the name **"Eurosoft"** (see earlier acquisition). Non-UK revenue have grown from £14m in 1995 to £36m in 1996 with margins of *"5-6%"*. Two new offices have been added in the year in Holland and Switzerland.

The Rise and Rise of Parity plc



Comment - Parity is in exactly the right place at the right time. Brokers are now busy upgrading forecasts - £12.6m PBT is now the expectation for FY97 and £15.4m for FY98.

Personally we would rather like to see a *"third leg"* added to make the whole structure a bit more secure - particularly more robust to the *"post Y2K and Euro"* downturn that misery-makers like us are contemplating in 2002+. A nice outsourcing acquisition would fit the plan perfectly.

But regardless, a fine performance from an increasingly fine company.

DRS - *Marks time*

DRS Data & Research Services plc (optical mark reading systems to schools) has been a disaster. A new issue in April 94 at 110p when founder Malcolm Brighton cashed in shares to the tune of £3.5m. The share price has since collapsed to end Mar. 97 on 24p.

Results for the year to 31st Dec. 96 showed revenues down *another* 25% (at £4.82m), a loss before tax of £1.73m (compared with PBT of £594K in 1995 and £1.5m in 1994). Cash had decreased from £9m in 1994 to £4.9m. The schools market *"suffered a further reduction"*. But *"new markets have been established to address the local government market'* and DRS *"traded in 30 countries in 1996"*. The results of these actions are said to be promising and DRS is *"confident that the substantial losses of 1996 will not be repeated in 1997, which we expect to be a year of significant revenue growth and dramatically improved performance"*.

Trace Computers - *Tilbrook increases stake*

Trace Computers has returned to a modest PBT of £145K (loss £50K) on revenues down 5% at £9.74m in the six months to 30th November 1996. Although this was obviously better than the £5.1m loss reported in FY96 it was hardly exciting. *"Current performance is expected to continue through the second half"*.

The revenue reduction was largely as a result of the disposal of **Proteus**. This month Trace has concluded the sale of **Workflow** in an MBO *"which will strengthen the balance sheet by £500K"*. They need it - it currently shows net liabilities of £1.3m.

The views we expressed in the Jan. 97 edition - *"someone should put Trace shareholders out of their misery"* - remains our view. Mike Tilbrook's MMT has since increased his stake to over 7%.

Trace shares have doubled in the first 3 months of the year - so MMT must be sitting on its usual profit!

Pegasus - *Surviving without Sage*

In July 96, when **Pegasus** (financial accounting software) was trading at 275p, they received *"an unsolicited bid"* from **Sage** at 425p (later increased to 475p). But the Pegasus board believed it *"seriously undervalued"* the company and might get referred to the MMC. Pegasus said it was *"still open to offers from other international software groups"*. As far as we are aware none were forthcoming.

Results to 31st December 1996 show PBT up 30% at £1160K on revenues up 23% £7.9m. EPS was up 49%. *But one of those strange quirks of fate, 1996's PBT of £1.16m was EXACTLY equal to that achieved ten years previously in 1986!*

However, if you exclude the *"Sage approach costs"*, PBT was up 51% at £1345K. There was a 45% increase in the sales of Pegasus' *"flagship"* Opera product. But *"sales of legacy products continued to decline"*. Service revenues grew by 23% and now represent a third of total revenues. However sales of the EPoS software operation (acquired in May 96) *"started more slowly than anticipated"*.

Comment. We said very publicly at the time of the Sage bid that we thought Sage did not need Pegasus and that no-one else was likely to value Pegasus as highly as Sage. As it turned out we were right on both counts. The Sage share price has surged since - up from 356p at the time of the initial approach in July 96 to end March 97 on 649p. On the other hand Pegasus ended March 97 on 387p - well off the 475p Sage bid price.

This month Pegasus has acquired **CSM**, *"the leading supplier of software to professional accountants"* from **Microvitec** (see p7) for £6.7m - £4m in cash the rest in loan notes. CSM, with its 87 staff, had revenues of £4.3m and PBT of £148K in the year to 31st Dec. 96.

Text 100 - *makes the news itself*

Text 100, which many *System House* readers use or at least know as one of the leading IT PR agencies in the UK, made the news themselves this month when they launched onto Ofex at 30p. The shares rose quickly on the first day's trading. Not surprising when you consider that although Text 100 made PBT of £1.02m on revenues of £9.3m in the year to 31st July 96, the initial capitalisation was just £6m - clearly a bargain spotted by others! But there is hardly any liquidity - founder directors sold just 4% of the equity - and around 25% of revenues come from just one customer - Microsoft.

We do not include Ofex shares in our SCSI Index but clearly will keep a watch on them. They haven't ruled out further fund raising which might well involve moving up to AIM.

Welcome back Derek

Vertex' briefing document starts *"Vertex is one of the UK's leading technology-based business operations outsourcing companies with revenues of over £200m and a workforce of 2500"*.

You can, however, be forgiven for not knowing them...yet. Vertex was launched in April 96 out of United Utilities and provides IT services to the 7m customers of North West Water and Norweb.

In March 97 Vertex won its first external outsourcing deal with Bromley Hospital NHS Trust, in conjunction with Siemens; the first of *"a number of significant deals which will substantially increase our external revenues"*.

Given the involvement of Derek Lewis (of Technology plc fame) as Chairman and the ambitions of Managing Director Tom Drury, we will watch with interest.

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