System House

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

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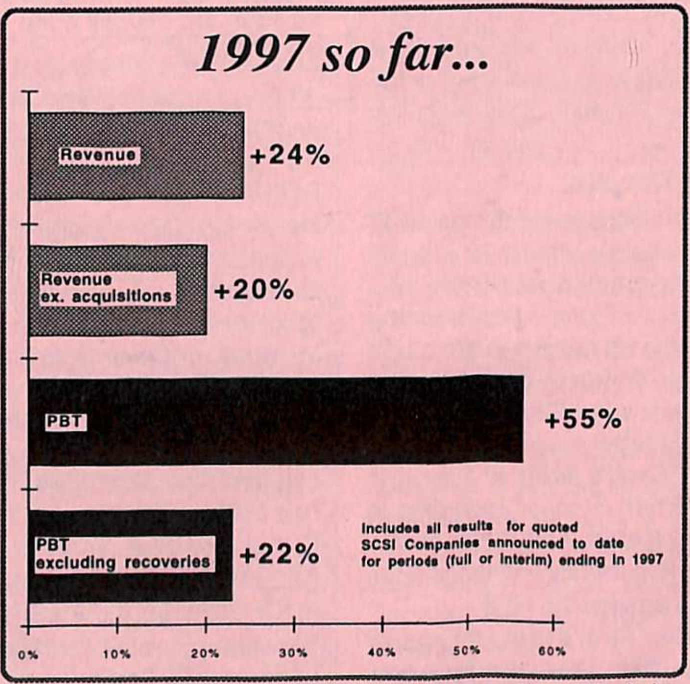
Buoyant conditions and *"What makes a Boring company?"*

As the reporting season gets underway, it is clear from the results already declared that the UK SCS sector has continued to enjoy buoyant trading conditions. Revenues have increased by 20% - once the effect of acquisitions (and disposals) has been removed. This is in line with the 22% increase recorded for 1996 as a whole.

At the headline level, a 55% increase in PBT seems exceptional. Indeed, it is the *exceptions* which have made all the difference.

Micro Focus swung from a loss of £9.5m to PBT of £5.2m in the six months to 31st Jul. 97, **Eidos** from a loss of £2m to profits of £7.6m, and **MAID** from a loss of £3.3m to a profit of £2m. It's amazing what an effect these recoveries have on the averages. Strip them out and profits growth reduces to 22% - i.e. about the same as revenue growth.



*Still sounds great.....*except that profits growth has substantially outstripped revenue growth in every year this decade. ***Until now.***

Our Page One review last month listed the *unprecedented* 18 profit warnings issued in the last few months. In turn, that article produced an *unprecedented* response from our readers.

The theme which ran through all the letters/e-mails was that management was the key. Exchange rates, skill shortages, markets, products, boom or bust, of course, had an influence but good management overcame these *"minor"* obstacles.

We were equally amazed at how many of you asked *"What really makes a Boring company?"*

There are now only five current holders - **Admiral, Capita, JBA, Triad** and **Sage**. Ten years of no reversals and EPS growth of >20% p.a. *A tough act.*

So are there any common characteristics? We can identify several.

1) "Stick to the knitting". How many times have we repeated this axiom from *"In Search of Excellence"*. Everyone of the Boring companies has been a slave to this, the most important principle.

2) Strong Brand Identification.

Capita = public sector outsourcing

JBA = business systems products

Sage = financial accounting products for small businesses etc.

We undertake many interviews with companies who spend the first hour trying to describe their myriad business activities. Try describing **Sanderson** or the activities of **Misys** in the early 1990s in a single sentence? But it seems much easier to describe Boring companies!

3) *"Only expand geographically in your own market sector".* *"OK, we have proved we can run an outsourcing company in the UK which proves we can run a banking software products company in Germany".* Boring companies only take the UK tried-and-tested recipe abroad.

4) ***Strong management.***

Word association test...

Admiral = Brendish

Capita = Aldridge

JBA = Vickery

Triad = Fulton

Sage = Goldman.

The real point, however, is that although these founders were crucial to the business in the early days, they all built up strong management teams. Indeed, Messrs. Brendish, Fulton, Goldman have all, in one way or another, reduced their involvement in their companies with no ill effect.

4) Acquisitions. We had been highly critical of the effect acquisitions can have on earnings and have often cited the organic growth at Admiral as an argument *against* growth by acquisition. However, Capita and Sage, in particular, have adopted highly successful acquisition strategies. The trick seems to be to use acquisitions to extend existing activities into new areas - whereas acquisitions which take companies into new activities AND new areas often fail.

As we have said before, Boring does not mean unexciting rewards for shareholders. On average our five Boring Award winners have seen their share price rise 13-fold since 1989 with Sage (up 26-fold) and Capita (up 23-fold) leading the way.

And don't think that you've missed the boat - JBA (up 60%) and Capita (up 65%) are amongst the leading share price rises so far in 1997.

Oxford Molecular - "surpasses expectations"

Oxford Molecular develops design software for the pharmaceutical industry and is therefore, like Proteus, at the verge of our definition of a SCSI company. Oxford have *"the long term strategic objective of becoming the world's number one drug discovery services company"*. Interim results for the six months to 30th Jun. 97 show revenue up 42% to £6.2m with losses reduced from £950K to £677K. And this is after spending £2.2m on R&D (all expensed we are pleased to report and up nearly £1m over the same period last year). They finished the half year with nearly £21m cash in bank after the May 97 rights issue at 360p.

CEO Tony Marchington said *"These results have surpassed our expectations and continue the consistent improvement in financial performance"*.

Oxford also announced an agreement with start-up company **Cambridge Combinatorial** to subscribe £2m in cash and the right (but no obligation) to acquire 78% of CC equity. Oxford already hold 20% of the shares. The maximum exercise price totals £23.4m. CC specialises in the design and production of chemical structures for the drug discovery industry. It's all a bit beyond us really but if successful, the rewards apparently could be huge.

Oxford was a new issue in 1994 at 80p and have performed excellently since. Still does it really justify the present share price of 295p and valuation of £209m? Only time will tell.

ECsoft group - strong results

UK NASDAQer **ECsoft** (*"an independent European IT services company that specializes in industrial strength solutions"* - clearly their description not ours!) has produced excellent Q297 results following on from the equally good Q1 figures. For the six months to 30th June 97, revenue increased 38% to $34.9m with net income up from $640K to $1.8m. EPS doubled. They now employ 575 people - up 42% on the same period last year. *"These strong results demonstrate ECsoft's ability to survive in the dynamic markets of Northern Europe"* according to President and CEO Terje Laugerud. And these results were achieved despite adverse currency exchange rates - particularly Nordic currency against the US$.

ECsoft completed an IPO in Dec. 96 at $10 but the shares fell sharply soon after to a low of $8. These interim results were *"above analysts' top end forecasts"* and pushed the share price to $15.75 at the end of Aug. 97. But we STILL think they would have been better off with a London float. The outlook looks equally good with the *"order backlog currently 69% higher in $ terms than last year"*.

Yet another profits warning

Intelligent Environments (software to help customers build Internet/Intranet applications) has joined the ever growing list of companies that have issued profit warnings (see last month's issue). The statement warned that *"individual deal sizes have been lower than expected"*. Revenues of £2.1m are now expected for the six months to the end of June 97. No profit projection was forthcoming but the company made a loss of £1.4m on revenue of £3.5m in FY96.

Launched on AIM in June 96 at 94p, the shares ended Aug. on 38p - that's a discount of 60% to the issue price.

Fraser Williams Group doubles PBT

We have included old established **Fraser Williams** in our Holway Report for very many years, but as far as we can see have never mentioned them in *System House*. Let's now rectify that.

Fraser Williams provide a full range of people based services from software products and implementation - for a wide range of platforms - to consultancy. Chairman, CEO and substantial shareholder Tom McCafferty this month sent us the 1997 accounts for the year ending 31st March. Revenue rose 26% to £26m with PBT more than doubled at £1.5m - a 5.7% margin - the highest for years. UK revenue at £17.3m represents 67% of the total but was up by only 10% - less than the average for the sector. But European revenue increased 131% to £5.4m. Software licences still accounts for nearly £21m of total sales with the remainder split fairly equally between equipment, third party licences and FM.

In 1994 we were told by Tom McCafferty that *"a float was at least two years away"* and certainly until these latest figures were produced even this seemed optimistic. Perhaps now a float is being considered again but our hunch is that a trade sale is more likely. The motives of any Chairman sending their results to us at *System House* so soon are usually quite obvious!

Diagonal - excellent interim figures

SAP consultancy and IT staff agency **Diagonal** has announced an excellent set of "maiden" results for the six months to 1st Jun. 97. Revenue went up 41% to £17.8m, PBT increased 37% at £1.1m with EPS increasing 41%. As these figures take into account the exceptional flotation costs of £348K, they could have been even better.

Chairman Mark Samuels commented *"Demand for our services is growing strongly... the forward order book stands at record levels and we look forward to the second half of the year with confidence and enthusiasm"*. This confidence should prove justified. Samuels went on to say that *"the shortage of experienced SAP consultants has been an interesting challenge"*.

Since the half year end, Diagonal has acquired **Sequelogic** (specialist London based agency dedicated to Oracle contract staff) for £2.15m cash and **Conos Resource** (contract and permanent recruitment based in Leeds) for £2.2m in shares. Sequelogic had revenues of £6m and Conos £5.5m.

Diagonal floated in Mar. 97 at 275p but the shares have not performed as well as some of the other new issues - although they have always been above the issue price. However the market reacted well to the interims and they ended the month up 10% at 367p.

An easy way to lose money with Easynet

UK Internet service provider (ISP) **Easynet** has proved once again how easy it is to lose money on the Internet. Despite increasing revenue in the six months to 30th Jun. by 294% to £2.5m, losses went up from £242K to £668K. At least, they still have £1.8m cash left to keep them afloat. But, as we have said before, the chances of survival for small independent ISPs is pretty low.

The shares ended August unchanged on the month at 70p, and are still at a discount of 30% to the Feb. 96 AIM issue price of 100p.

Watch this space.

"Millennium "bomb" lifts Micro Focus"

Financial Times headline - 15th Aug. 97.

We could spend the next four pages retelling the **Micro Focus** saga. Then half our readers would complain of too much history. Or we could assume you all know it...and the other half would complain of too little background! Let's just say that Micro Focus was our first "IT wonder stock" back in the early 1990s as their COBOL development tools catapulted the share price to over £30. Their inability to adjust to the new "open systems" world order caused an equally steep fall to a low of under £6.

But then along came the Y2000 with all its attendant problems relating to legacy COBOL systems. On top of that Micro Focus finally came to realise that its real asset was its services capability feeding off its products (rather than the other way around). If this theme is becoming **boring**...*well, you would be surprised at how many others still have not got the message.*

That's why the FT headline above rather neatly sums up the Micro Focus' interim results for Q297 to 31st Jul. 97. Worries about the Y2000 problem has helped them go back into profit. For the six month period to July, revenue rose 21% to £41.3m and the previous loss of £9.5m has been turned into a PBT of £5.1m. Product revenue rose £5m to £24.1m with services revenue up 14% to £17.2m. It's good to see product sales recovering after reducing in FY97. R&D costs have reduced from £13.2m to £9.4m and operating costs in total have been cut by over £6m. Although Micro Focus have always capitalised R&D costs, amortisation has again exceeded capitalisation as intangibles have now reduced by over £1m to £13.5m.

These were excellent results. But according to Senior VP and Chief Financial Officer Tony Muller, only some 15% at present relates to millennium business. He is predicting a rise to 20% by the year end and one third in 1998. The Euro will also provide new business with the planned launch of Micro Focus' first software solution in 98.

The market really loved it and the shares rose yet again - by over £2.20 on the announcement, ending August on £20.48p. Although this is a threefold increase on the price just a year ago, it's still lower than the £30+ high.

Last month CEO Marcelo Gumucio unexpectedly resigned and was replaced by Martin Waters from Platinum *"reflecting the intention of the group to shift its emphasis from products to supplying services"*. What joy to our ears! *"We are pleased with the progress the company has made"* said Waters. *"The significant growth in new licence revenue...demonstrates that our strategy of providing complete solutions is being well received"*.

CFS Group - good interim results

CFS' (specialised software and admin. support) interims show that for the six months ending 30th Jun. 97 revenue more than doubled to £3.7m, PBT went up from a low £26K to a more respectable £252K, with EPS up 56%. *"We have enjoyed a strong first half in 1997 and indications are that this will continue for the rest of the year"* according to Chairman Alfred Stein. He went on to say that they have further depreciated the value of the capitalised software by £222K. Great... but how much has been added? Intangibles have only reduced by £19K in the period! Brokers estimate PBT of £780K for the full year. The share price performance since flotation in Feb. 94 at 90p has hardly been startling after over three years trading. The shares ended August on just 98p.....

Sherwood makes steady progress

As in Micro Focus, (see left) dwelling on the past is not too popular at **Sherwood International** either. Their EPS record chart really does induce nausea. But let's omit the history lesson and say that Sherwood's interims for the six months ending 30th Jun. 97 were both good and bodes well for the future too. On revenue up 11% at £13m, PBT increased 45% to £1m with EPS up 41%. Net cash held increased to over £6m.

It looks as if all parts of the business performed well. Sherwood's main products are AMARTA (life and pensions - about 21% of revenues) and SENATOR (software for the reinsurance market - about 33% of revenues). The Oracle version of AMARTA achieved *"significant international sales"* with the sale to North Western (the 5th largest life company in the US) undoubtedly the highlight. This sale was achieved via the strategic partnership formed in June this year with Deloitte & Touche. The JV in FM with ICL/CFM also performed above expectations with significant new business being obtained. AM/FM represents the remaining c46% of revenues.

Sherwood have been following the *"products pull through services"* model for years. Indeed services now represent over 80% of revenues.

FD Steve Bellamy says that the future is *"more of the same"* with an increased emphasis on the highly successful AM/FM areas. It's not all plain sailing though...with staff turnover running at c30%, resources are clearly becoming an issue - as they are for many others in our industry.

But we agree with CEO George Matthews *"The group has continued to make steady progress.... We will continue to supply the global insurance industry with first class technical solutions and remain optimistic of reporting further progress at the year end and beyond"*. Investors will be equally happy with a 70% increase in Sherwood's share price in the last year.

Science Systems for AIM float

Science Systems is one of those archetypal SCSI companies offering a range of development and application management services to blue chip corporates both here in the UK, and in several European locations, including the Czech Republic. 35% of revenue comes from outside the UK.

Results to 31st Dec. 96 showed a modest 17% increase in revenue to £14.6m and operating profits of c£1.5m. However, a change in accounting policies meant that PBT reduced from £1.4m to £1.2m.

Chairman and MD Mike Love holds c19% of the equity with other management and staff holding a further 43%. They will be *buying* rather than *selling* in the placing. Private investors will be selling c15% with £1m of new cash being raised.

The AIM listing in mid-Oct., handled by Bristol based Rowe & Dartington, is expected to value the group at £20-£25m. *We anticipate a good reception.*

Profits not to be at On-Demand

On Demand *"the ultimate froth stock"* was a new issue in Nov. 93 and has never made a profit. In May 96 they had a rights issue at 180p. On the 29th Aug. 97, ODI not only announced that they wouldn't even make a profit in 1998 but that **Regent Associates** had been appointed to find a buyer. ODI shares are currently 10p. *Oh dear!*

Eidos has a busy month

UK NASDAQer **Eidos** (computer games) has appointed KPMG as auditors following the resignation of Coopers & Lybrand *"after failing to implement fully the corporate governance code of the Cadbury Committee"*. The market did not like the news and the shares suffered an immediate 12% fall.

It liked the news of talk that City regulators were probing dealings in the company's stock even less with a further fall of over £1. Never mind *"Tomb Raider"* how about *"Rogue Trader"?* CEO Charles Cornwall was *"nonplussed. The company is unaware of any investigation"*. The share price recovered slightly to end August on 468p - still a drop of 30% in the month.

Eidos also announced its results for the three months to 30th Jun. 97. On revenue up slightly at £9.4m, the loss before tax went up from £2.3m to £4.9m; partly due, it must be said, to the strength of sterling. 60% of total revenues are in other currencies but 75% of costs are in sterling. According to Chairman Ian Livingstone *"The first three months represent the quietest time for the group... in line with expectations losses more than doubled... however I am pleased that we did achieve an increase in turnover without the sale of any premium games"*. Analysts are now forecasting a PBT of c£18m for FY98, helped by the continued success of Tomb Raider.

Evidently six new games have been launched, with one, *Blood,* a disappointment. But they have a strong forthcoming games schedule and, of course, *Christmas is coming* (Eidos actually reported a profit in Q396!). During the quarter, apart from the **Opticom** investment (see June issue), Eidos has also acquired 25% of **Sports Interactive** for £473K in shares and 25% in US **Black Dragon Productions** for $500K, part cash, part shares.

Difficult times for Microvitec

Microvitec's results for the six months to 30th Jun. were as expected after the warning in May that *"heavy losses incurred in the latter months of 1996 will continue throughout the first half of 1997"*. Revenue was down 38% at £20.9m and the previous profit of £1.6m was turned into a loss of £424K. And this loss was *after* the exceptional profit of £2.9m from the sale of CSM and MSI.

Bailey said *"This has been a very difficult period for the group. However corrective action has been taken in the Display Division which has been primarily responsible for the poor first half performance..... The Board remains confident that an improvement in overall group operating performance should be achieved"*. However, a loss is still expected in H2.

The Display Division *"produced its worst performance for seven years"*. Sales of £14.4m were 47% down with export sales down a total of 75% blamed mainly on the strength of sterling. The Networking Division produced sales of £7.1m (down from £8.5m) and profit down from £343K to £110K. Restructuring has now taken place. The companies in the remaining Software Division have been merged. This division had revenues slightly down at £1m but at least made a small profit of £4K this time.

At the risk of becoming boring, we feel it's a great pity that Microvitec did not take its own advice some three years ago and *"reposition and refocus in the areas of software and networking"* rather than deciding to concentrate on monitor manufacturing. The shares ended August on 15p, down 19% in the month.

A new name, a new start for MDIS?

McDonnell Information Systems are now officially **MDIS Group**. With the name change they have reported their interim results for the six months to 30th Jun. 97 just a few weeks after reporting their FY96 results (see last month's edition). Although total revenue fell from £60.5m to £54.4m, on a "like for like" basis, revenue increased 8.8% after taking into account the PRO-IV joint venture which is now accounted for as an associate. The operating loss was reduced from £7.1m to £3.2m with the loss before tax down from £9.2m to £3.9m. This reduced loss is very much in line with MDIS' forecast last month that losses would *"not be greater than £4.5m"*. The improved performance came largely from the Public Sector where profits increased nearly 290% (see table below).

FD Richard Barfield said that the boost to public sector profits had come from greatly reduced overheads as three separate divisions had been merged. The corporate sector (pharmaceuticals, manufacturing and finance) also did well with both revenue and profits up. The troubled area is still the Human Resource division where revenue reduced and losses increased.

MDIS Group Six months to 30th June			
	Revenue		
	1996	1997	Increase
Public Sector	£ 20.40m	£ 19.20m	-6%
Corporate Sector	£ 15.00m	£ 19.40m	29%
Human Resources	£ 6.10m	£ 5.80m	-5%
Chess	£ 8.20m	£ 9.40m	15%
Application Development	n/a	n/a	n/a
	Operating Profits		
	1996	1997	Increase
Public Sector	£ 0.80m	£ 3.10m	288%
Corporate Sector	£ 1.10m	£ 1.80m	64%
Human Resources	-£ 2.70 m	-£ 3.00 m	Both loss
Chess	-£ 2.60 m	-£ 3.40 m	Both loss
Application Development	-£ 2.10 m	-£ 0.50 m	Both loss

"These results demonstrate encouraging progress in the group's turnaround" according to Chairman Ian Hay Davison. *"With the group successfully recapitalised following the Placing and Open Offer.... MDIS is now well placed to deliver substantial progress"*.

Comment When we posted our review on *Hotnews*, we made the comment that MDIS was a float at 260p and now stood at 34p. MDIS 'phoned to say why hadn't we said *"MDIS shares were suspended on 1st Jul. 97, prior to the refinancing, at 23.5p but now stood at 34p?"*.

After years of writing reviews of poor performance at MDIS, only to find the worst fears exceeded, it is difficult to believe that at long last the corner might have been turned. MDIS does contain some gems. Even now a market cap of £79m looks out of line for a SCSI company with revenues exceeding £100m.

Will the market or a predator recognise that? Either way the beleaguered shareholders might receive restitution.

KALAMAZOO
COMPUTER GROUP

Is this the end of the "annus horribilis" for ***Kalamazoo.?*** What with profits warnings, £2.1m out-of-court settlements, *"falsifying management accounts"*, the FT raising *"questions of confidence in Kalamazoo's management"*, abortive takeover talks with Lynx (amongst others) and the resignation of CEO Paul Heaven, it has been a year to forget. This month their US rival in the motor trade systems business - **Reynolds & Reynolds** - has spent £17.7m on a badly needed cash injection and a further £3.8m on increasing their stake to 26.5% in Kalamazoo. This money is needed to ensure Kalamazoo did not exceed its banking facilities but will have to be approved first by shareholders. Kalamazoo has also warned of *"substantial"* losses in H1 but would return to the black by the second half.

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	£ 126,484,000	+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

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 1,751,000	£ 4,569,000	£ 3,702,000	+111.4%
PBT	£ 26,000	£ 552,000	£ 252,000	+869.2%
EPS	1.60p	6.40p	2.50p	+56.3%

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

	Interim - Jun 96	Final - Nov 96	Interim - Jun 97	Comparision
REV	£ 12,626,000	£ 28,328,000	£ 17,847,000	+41.4%
PBT	£ 781,000	£ 2,007,000	£ 1,072,000	+37.3%
EPS	2.70p	7.10p	3.80p	+40.7%

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%

ilion group plc (was Persona Group)

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 65,164,000	£ 146,875,000	£ 88,389,000	+35.6%
PBT	£ 2,707,000	£ 6,009,000	£ 4,030,000	+48.9%
EPS	7.80p	17.20p	11.00p	+41.0%

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

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 9,584,000	£ 21,443,000	£ 14,037,000	+46.5%
PBT	-£ 3,284,000	-£ 7,034,000	£ 2,013,000	Loss to profit
EPS	-3.69p	-7.82p	0.88p	Loss to profit

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

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%

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%

MDIS Group plc

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 60,540,000	£ 116,995,000	£ 54,377,000	-10.2%
PBT	-£ 9,213,000	-£ 49,545,000	£ 3,910,000	Loss to profit
EPS	-9.39p	-48.94p	3.82p	Loss to profit

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

	Interim - Jul 96	Final - Jan 97	Interim - Jul 97	Comparision
REV	£ 34,140,000	£ 73,089,000	£ 41,349,000	+21.1%
PBT	-£ 9,463,000	-£ 5,809,000	£ 5,171,000	Loss to profit
EPS	-62.20p	-48.00p	22.70p	Loss to profit

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

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 33,840,000	£ 65,176,000	£ 20,892,000	-38.3%
PBT	£ 1,610,000	£ 461,000	-£ 424,000	Profit to loss
EPS	1.40p	0.21p	0.10p	-92.9%

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 96		Final - Apr 97	Comparision
REV	n/a		£ 56,609	n/a
PBT	n/a		-£ 421,192	n/a
EPS	n/a		-10.50p	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

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 4,350,000	£ 9,789,000	£ 6,168,000	+41.8%
PBT	-£ 950,000	-£ 1,849,000	-£ 677,000	Loss both
EPS	-1.70p	-3.30p	-1.10p	Loss both

Parity plc

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 76,363,000	£ 162,091,000	£ 90,625,000	+18.7%
PBT	£ 4,303,000	£ 10,060,000	£ 5,678,000	+32.0%
EPS	6.75p	15.81p	8.90p	+31.9%

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%

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

	Interim - Jun 96	Final - Dec 96	Interim - Jun 97	Comparision
REV	£ 11,801,000	£ 24,628,000	£ 13,069,000	+10.7%
PBT	£ 705,000	£ 2,065,000	£ 1,025,000	+45.4%
EPS	5.60p	19.20p	7.90p	+41.1%

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

Mike Brooke has resigned as Chairman of **Azlan** - Barrie Morgans has added this to his CEO role. City analysts now expect £15m losses as a result of the recent troubles. The shares remain suspended.

UK M&A

Delphi has made its third US acquisition in a year with the purchase of US **Network Defenders Inc.** Delphi has paid $580K, plus up to a further $330K over two years with a *"max. earnout of $3.5m to 31 Dec. 2000"*. Delphi's **AC Interskill** training arm has also acquired **Professional Software Training** of Liverpool.

Network Technology is to raise £5m in a new issue and transfer from AIM to the main market.

AEA Technology, the spin off from the Atomic Engineering Authority, has acquired Canadian process simulation software house **Hyprotech** for £34m. This follows their purchase of Canadian **Advanced Scientific Computing** for £6.7m back in February.

Compel Group has acquired specialist PC rental company **Computer Microrentals** for £1.57m. CMR made a PBT of £470K on revenue of £1.87m in the year to Mar. 97.

RM has made a £10m investment in a strategic alliance with **Computer Curriculum Corp.** and **Invest Learning Corp.**; both subsidiaries of US **Simon & Schuster** - the world's largest educational publisher.

Capita is strengthening its position in the payroll market with the acquisition of **IBM UK**'s **Datapay Payroll Business** for £9.3m. The purchase is being funded by the placing of 3.46m shares at 269p. Datapay made £775K on income of nearly £7m in 1996. Also, three consortia, including Capita and Sema, have been appointed by the Benefits Agency to enter into a partnership to gain an understanding into the workings of the agency and to advise on improving services.

Delcam (CADCAM software products) is investing £113K in a new unit in France.

Staffware has acquired the outstanding share capital of Danish **Staffware AS** in exchange for 16,500 ordinary Staffware shares (value c£450K).

Rage Software has sold part of its **Autonomy** stake for £2m reducing its stake in Autonomy to under 3%.

As reported in our June edition (but of course denied by the company), **Granada Group** is now poised to sell **Granada Computer Services** in an VC backed MBO. The price expected is c£80m (*as much as that?* we ask) after the parent wrote off £167m "goodwill" in its latest accounts.

Rolfe & Nolan has raised £1.9m in a placing at 305p.

After Canadian **Gandalf Technologies** filed for protection from its creditors it has put its UK and largest subsidiary **Gandalf Digital Communications** up for sale.

ECsoft (see also P2) has acquired Internet specialists **Simple Communications** A/S of Denmark for $750K.

New SCSI Floats

As well as **Science Systems** (see p3), at least two other SCSI companies are planning AIM listings in the next few weeks.

IS Solutions provides development services, FM and a *"fast growing"* Internet operation. Profits of £247K were made in the six months to 30th Jun. 97 - more than in the whole of 1996. IS expects to be valued at £6m. Williams de Broe are the brokers.

Silvertech International develops control software for safety systems on offshore platforms. John East & Partners are advisers.

European M&A activity at an all time high

A recent report from **Broadview Associates** showed that in the first six months of 1997, there were a record breaking 707 IT-related merger and acquisition deals in Europe worth a combined total of $31 billion. This represents an increase of 14% compared to a 20% increase in the North American sector in the same period. US buyers were back in Europe in force with 198 transactions just overtaking UK buyers with 196.

The telecomms sector was #1 with 62 deals worth $14.5 billion but the SCSI sector increased 30% with 192 deals valued at $2.4 billion.

Phonelink ends JV

Phonelink has ended its JV, **The Electronic Market**, with **Scottish Widows** set up to develop and market their Tel-Me electronic trading platform. SW will continue as a customer. Chairman Sir Gordon Brunton said their share of the costs since Nov. 96 would be c£200K, of which £116K had already been taken into account in the year to Mar. 97. *"The company has restructured its management and reduced the cost base".*

Readers should be well aware of our views about Phonelink and this announcement merely strengthens our doubts. The market did not like it either and the shares have fallen *another* 15% in the month to end on 34p, a far cry from their peak of 440p and well below the initial launch price of 155p in 1993.

Sorry Largotim

We missed the acquisition of **Largotim Holdings** by US NASDAQ quoted **BDM International** for $39m back in May. Apologies to Largotim's CEO Dave Redwood and **Regent Associates** who acted for them. Evidently "Big Dave" is ecstatic with the sale and he will now serve as President BDM Largotim, an operating unit of BDM's ISC Solutions group.

Training booming

According to a report from Key Note, the UK's IT training markets grew 60% in 1996 from £311m to £442m. We ourselves have calculated a much lower 19% rise to £340m in 1996 with a similar AAGR of 19% to reach a market size of £700m in 2000.

However, Key Note have estimated that between 3% and 5% of the UK's working population, some 600,000 people in all, received IT training. This training came in three types; formal courses, organised business courses and DIY training using videos, CD-ROMs or multimedia. Quite frankly we cannot agree or disagree with these estimates, certainly as far as the DIY part is concerned. Our figures are based mainly on the first two types and our many contacts with the main companies in this field.

There is no doubt, however, that on-line training is increasing rapidly. Both Peritas and Barefoot have evidently set up on-line divisions which use the Internet.

Finance Sector outsourcing

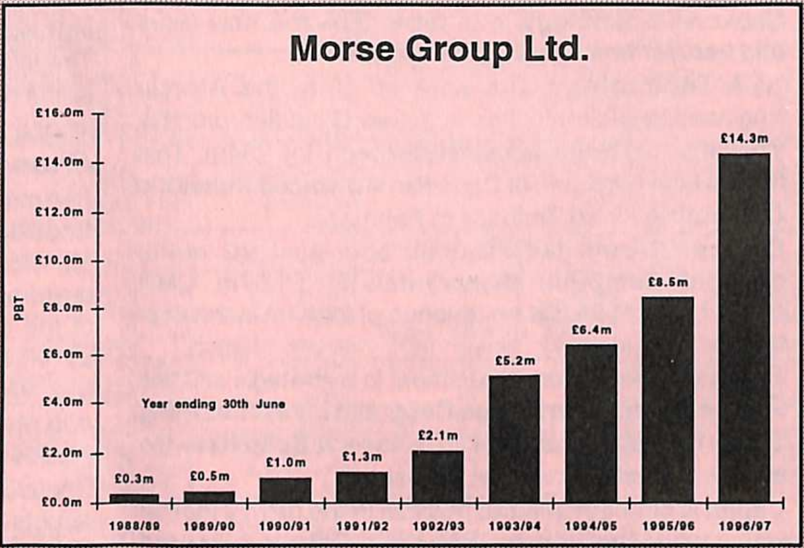
The finance sector is the fastest growing sector of the IT outsourcing market according to a new report from outsourcer **ITnet**. This market is now worth c£250m p.a., up 40%, and still has huge potential (e.g. no Building Societies have as yet adopted outsourcing to any extent). There were 22 new contracts of which 14 were in the leading insurance sector. Full details of the report can be obtained from ITnet's Claire Forrest on 0121 459 1155.

Morse Group *"Proud to be a reseller"....(with their margins, so would you!)*

Morse Group was established by John Britten in 1983 at the very start of the PC era. Britten had established the successful chain of Techno photographic shops. Morse was just like every other PC dealer .... *"except that they stayed in business and made money".*

Now Morse claims to be *"Europe's Leading Open Systems Reseller".* You probably know them best as Sun's leading reseller...but they now do just as much business with HP.

In Oct. 95, Britten sold Morse in a 3i/Prudential/NatWest-backed MBO to managers Nick Read, Richard Styles and Duncan McIntyre; who now hold 50% of the equity. The MBO valued Morse at £46m. We have featured Morse before, but last month Nick Read wrote saying *"I am certain that Morse could demonstrate a sales and profit record to qualify us for a System House Boring Award".* Any glance at the chart proves the point!



In the year to 30th Jun. 97 Morse increased revenues by 55% to £135.4m and PBT rose by 57% to £14.3m. That's pretty impressive by anyone's standards. But for a *"reseller"* the PBT margin of 10.6% was...probably unique. *As a one off, you say?...* Well, no...Morse has made a PBT margin bordering on 10% in every one of the last 5 years. Just compare this with Computacenter, Compel, Skillsgroup etal. *So perhaps Morse engage in the higher margin value added services that we have long championed?* Logica, Sema etc. we are sure, would be delighted to report 10%+ margins. But even Morse would admit that their IT consultancy revenues are currently no more than £5m.

Answering the question *"Why does Morse consistently make these high margins?"* is more complex. All the usual answers, like management, quality of staff etc., trip off Read's tongue. The real reason is equally trite..so far, they do not seem to have made the costly investment mistakes that have beset so many others. Even their new operation in Germany - which will contribute revenues of £10m this year - seems to be *"washing its face"* from day one.

Readers will know our scepticism when asked to visit private companies. It so often equates to a "For Sale" notice. Given that Morse is cash generative - they have reduced the £20m NatWest loan to just £7m in less than 2 years - there does not seem to be any pressing need.

We undertake many such visits and are not easily fooled. Morse gives every indication of being a well run operation in a kind of quiet, understated manner. Unlike so many others, they did not try to hide their real business as being that of a "reseller". It's just that Morse seems to be better at it, makes less mistakes and much higher margins than most. Giving the shareholders an "exit" in some manner is inevitable in the next few years. But if it's a float, the market will lump them in with all the other resellers and value them accordingly. *And that would be to undervalue their achievement.*

A new name (and big profits) for ilion group

Persona Group (distributor of networking, comms and UNIX products) has drawn together all its companies, including new acquisitions, and has renamed itself **ilion group** in an attempt to boost name recognition. (Note - Be careful to use lower case throughout - after all a Lion logo features in rival Azlan's image!)

The name may have changed but the latest results for the six months to 30th Jun. 97 are as good as we had come to expect under the old name. Revenue rose 36% to £88.4m (60% in the UK and 40% in Europe), PBT increased by a higher 49% to £4m with basic EPS up 41%. These results would have been even better but for the strength of sterling. Indeed in constant currency terms, French revenue rose 48% (against the UK's 38%) with the rest of Europe up 111%. Truly excellent figures. Chairman Wayne Channon said *"The first six months of 1997 have seen strong growth across the group, underpinned by investment in strategic new vendors and a key acquisition in Germany".*

Progress has been greatly helped by the company's strategy of dealing only with networking's big names such as IBM and Cabletron. ilion now claim to represent the top five networking companies as European Distributor. But dealing with these big names does have its problems. Stock has had to increase and now stands at nearly £22m (£13m same time last year) and cash has reduced by £3m to £2.7m at the half year end. We understand that possibly even this cash has now disappeared and ilion is now "in the red". But the company hopes to be able to maintain operating profit margins in the 4.5/5% range and, at the same time, squeeze competition by putting pressure on the smaller distributors. The ilion model is one we admire - stick to the business you know best, expand geographically but never take your eye off the bottom line. But margins are currently reducing from the heady 7.6% achieved in 1993. Further selected acquisitions within Europe cannot be ruled out.

ilion shares ended August on 360p - down 5% in the month but still up 16% so far this year.

Oracle UK - It looks as though **Oracle UK**, under the stewardship of Philip Crawford, had an excellent year to 31st May 97. We "estimate" (readers will know how this works!) that UK revenues increased by nearly 37% (about the same as Oracle Corp.) to around £320m but that PBT more than doubled to over £30m. Staff numbers increased by 700 to 2,800. We will bring you a more detailed review next month.

Some recovery in the SCSI Index

After the steady decline in the SCSI Index since Feb. 97, there was something of a revival this month with a 4% increase against a 1.7% fall in the FTSE100. ***Revival*** is certainly ***a*** word which could be used to describe **SiR**'s 120% rise to 11p. Readers should remember that SiR was floated at 115p as recently as Mar 96! **Sherwood**'s 35% and **Micro Focus**'s 25% rises both followed excellent results (both p3).

At the other end of the scale, **Intelligent Environments** (down 46% - p2), **Eidos** (down 30% - p4) and **Microvitec** (down 19% - p4) were all due to profit warnings - that makes over 20 such wanings so far in 1987.

28-Aug-97	SCSI Index			2728.04
	FTSE 100			4845.40
	BDO AIM			1378.00
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap			2247.76
Changes in Indices	SCSI Index	FTSE 100	BDO AIM Index	FTSE Small Cap
Month (30/7/97 - 28/8/97)	+4.04%	-1.66%	-0.69%	+2.83%
From 15th Apr 89	+172.80%	+135.95%		
From 1st Jan 90	+196.49%	+105.14%		
From 1st Jan 91	+285.39%	+124.28%		
From 1st Jan 92	+161.09%	+94.35%		
From 1st Jan 93	+71.19%	+70.22%		+62.02%
From 1st Jan 94	+63.40%	+41.74%		+20.29%
From 1st Jan 95	+81.97%	+58.06%		+28.71%
From 1st Jan 96	+20.79%	+31.34%	7.48%	+15.77%
From 1st Jan 97	+1.89%	+17.65%	1.64%	+2.96%

System House SCSI Share Prices and Capitalisation

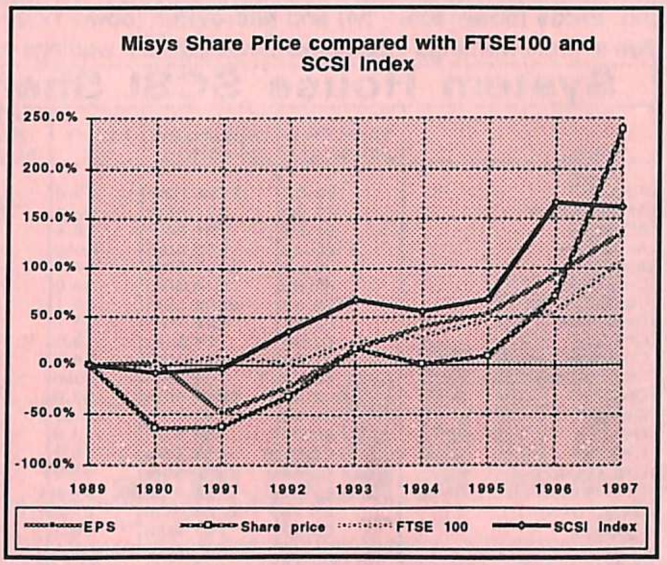
	Share Price 28/8/97 (£p)	Capitalisation 28/8/97(£m)	Historic P/E	PSR Ratio Cap./Rev.	CSI Index 28/8/97	Share price % move since 30/7/97	Share price % move in 1997	Capitalisation move (£m) since 30/7/97	Capitalisation move (£m) in 1997
Admiral	£4.68	£295.50m	35.2	3.25	16897.09	12.92%	28.08%	£33.90m	£65.60m
AFA Systems	£1.20	£11.90m	Loss	33.06	995.83	1.70%	-14.34%	£0.10m	-£2.00m
AIT	£1.59	£31.80m	29.4	2.98	1056.67	8.19%	5.67%	£2.10m	£1.40m
Anite	£0.40	£93.80m	Loss	0.49	230.99	19.70%	8.22%	£15.40m	£7.30m
Azlan	£5.55	£197.00m	17.7	1.00	2413.04	0.00%	-2.20%	£0.00m	-£3.90m
Cadcentre	£2.65	£44.00m	35.6	2.54	1325.00	8.16%	3.72%	£3.30m	£1.50m
Capita	£2.67	£498.10m	49.1	4.45	24009.01	7.24%	64.51%	£33.70m	£214.00m
Cedardata	£0.91	£28.70m	25.1	2.77	861.90	30.22%	-63.80%	£6.70m	-£50.50m
CFS	£0.98	£7.21m	13.9	1.58	1083.33	4.28%	16.77%	£0.29m	£1.03m
Chemical Design	£1.70	£11.10m	24.1	4.35	1545.45	3.03%	17.24%	£0.40m	£1.66m
Clinical Computing	£0.33	£8.16m	Loss	4.12	262.10	-5.80%	8.33%	-£0.50m	£0.63m
CMG	£14.48	£927.80m	52.9	3.78	4991.38	3.58%	72.32%	£32.00m	£389.40m
Coda	£1.54	£42.70m	Loss	1.26	653.19	-3.76%	42.79%	-£1.60m	£12.80m
Compel	£2.04	£52.90m	13.9	0.62	1628.00	0.49%	15.30%	£0.30m	£26.00m
Comino	£1.51	£16.60m	15.2	2.13	1157.69	3.08%	15.77%	£0.50m	£2.25m
CRT Group	£2.50	£353.50m	40.3	2.63	2772.22	9.67%	-0.20%	£31.10m	£12.30m
DCS Group	£2.67	£53.40m	21.7	1.75	4441.67	7.68%	-1.30%	£3.70m	£1.60m
Delphi Group	£7.18	£206.60m	21.8	0.98	2952.67	4.36%	-2.05%	£8.60m	-£4.40m
Diagonal	£3.67	£67.90m	36.3	2.40	1332.73	10.23%	33.27%	£6.30m	£17.00m
Division Group	£0.47	£20.50m	Loss	4.18	1162.50	-8.82%	-15.45%	-£1.90m	-£3.60m
DRS Data & Research	£0.30	£10.10m	Loss	2.10	268.18	0.00%	20.41%	£0.00m	£1.72m
Druid	£4.43	£101.30m	39.4	8.43	1609.09	20.08%	30.15%	£16.90m	£23.50m
EDP	£0.55	£14.40m	11.6	1.01	1684.02	-14.73%	-20.29%	-£2.50m	-£3.70m
Eidos	£4.68	£79.00m	21.2	1.05	4675.00	-29.70%	-35.29%	-£33.40m	-£17.10m
FI Group	£5.68	£168.70m	39.7	1.71	2417.02	5.67%	-0.09%	£9.10m	-£0.10m
Flomerics	£1.15	£2.99m	9.4	0.56	884.62	4.55%	-46.51%	£0.13m	-£2.52m
Gresham Computing	£0.35	£11.30m	12.7	1.22	370.97	16.95%	-34.29%	£1.65m	-£5.90m
Harvey Nash	£2.16	£60.10m	119.7	1.66	1231.43	16.49%	23.14%	£8.50m	£11.30m
Highams Systems	£1.25	£11.10m	17.4	0.68	1736.11	0.00%	-8.42%	£0.00m	-£1.00m
ilion (was Persona)	£3.60	£90.20m	17.6	0.61	2246.88	-5.02%	16.34%	-£4.80m	£13.60m
INSTEM	£1.65	£7.75m	8.8	0.34	1650.00	-2.94%	13.79%	-£0.24m	£1.08m
Intelligent Environments	£0.38	£8.40m	Loss	2.41	398.94	-46.43%	-42.31%	-£7.30m	-£6.10m
JBA Holdings	£8.48	£310.20m	45.1	1.92	5296.88	0.89%	59.91%	£2.80m	£129.50m
Kalamazoo	£0.80	£23.40m	11.7	0.30	2285.71	10.34%	-25.58%	£2.20m	-£7.60m
Kewill	£5.93	£75.20m	14.6	1.82	2341.90	-8.14%	13.18%	-£6.70m	£8.70m
Logica	£7.88	£575.70m	28.3	2.02	2157.53	14.13%	-14.26%	£134.80m	-£7.50m
London Bridge	£3.34	£96.70m	41.7	15.35	1667.50	0.00%	66.75%	£0.00m	£49.70m
Lorien	£3.08	£52.60m	45.6	1.15	3075.00	-6.11%	-8.48%	-£3.40m	£14.30m
Lynx Holdings	£0.91	£93.30m	14.9	1.06	2262.50	13.84%	4.62%	£11.30m	£8.60m
M-R Group	£1.02	£56.60m	18.0	1.48	402.78	7.41%	19.41%	£3.90m	£9.20m
Macro 4	£3.25	£64.00m	9.0	2.53	1310.48	-2.26%	-33.67%	-£1.50m	-£32.50m
MAID	£2.07	£192.90m	Loss	9.00	1881.82	10.40%	2.73%	£18.10m	£8.10m
MDIS	£0.38	£78.60m	Loss	0.67	144.23	19.05%	13.64%	£45.60m	£44.00m
Micro Focus	£20.48	£315.30m	55.6	4.31	9891.30	25.23%	111.08%	£63.50m	£168.80m
Microgen	£1.12	£44.20m	8.0	0.60	476.50	-4.29%	-25.67%	-£1.90m	-£15.00m
Microvitec	£0.15	£11.60m	84.5	0.18	359.76	-19.18%	-48.25%	-£2.70m	-£10.80m
Misys	£15.98	£1,383.00m	29.7	4.25	3973.88	9.04%	43.08%	£115.00m	£432.90m
MMT Computing	£4.76	£56.60m	19.2	3.36	2833.33	5.78%	-16.64%	£3.10m	-£10.80m
Mondas	£0.77	£4.67m	Loss	81.93	1020.00	1.32%	-8.38%	£0.06m	-£0.36m
Moorepay	£2.75	£29.70m	32.5	5.80	4640.90	0.00%	37.50%	£0.00m	£8.40m
MSB International	£4.63	£93.90m	24.9	1.35	2434.21	14.91%	24.83%	£12.20m	£18.60m
OmniMedia	£0.03	£0.61m	Loss	0.61	33.33	-16.67%	-73.68%	-£0.13m	-£1.73m
On Demand	£0.10	£5.51m	Loss	0.48	128.21	-13.04%	-77.78%	-£0.83m	-£19.29m
Oxford Molecular	£2.95	£209.20m	Loss	21.37	3687.50	17.53%	-17.13%	£31.20m	-£7.60m
Parity	£5.14	£220.00m	28.5	1.36	28555.45	12.35%	16.16%	£24.20m	£31.90m
Pegasus	£2.86	£20.00m	16.5	2.53	779.29	-0.35%	-23.53%	-£0.10m	-£3.60m
Phonelink	£0.34	£16.20m	Loss	3.76	216.13	-15.19%	-45.08%	-£2.90m	-£13.00m
Proteus	£0.43	£23.60m	Loss	41.19	505.95	0.00%	13.33%	£0.00m	£3.00m
Quality Software	£2.08	£27.00m	n/a	1.06	546.05	1.97%	1.72%	£0.50m	£0.50m
Radius	£0.45	£12.50m	11.0	0.46	322.46	12.66%	-29.37%	£1.40m	-£5.10m
Rage	£0.04	£10.40m	Loss	1.09	163.46	0.00%	-63.04%	£0.00m	-£17.50m
Real Time Control	£2.72	£19.00m	10.4	1.51	5540.82	9.04%	16.77%	£1.60m	£2.70m
Rebus	£0.69	£63.80m	15.6	0.96	784.09	-2.13%	-4.83%	-£1.40m	£11.00m
Recognition Systems	£0.35	£9.31m	Loss	29.09	492.86	-8.00%	-41.03%	-£0.79m	-£6.49m
Riva	£0.29	£8.81m	33.0	0.14	202.55	9.62%	21.28%	£0.78m	£1.71m
RM	£8.33	£148.20m	30.8	1.50	4757.14	-1.77%	34.27%	-£2.70m	£37.80m
Rolfe & Nolan	£3.18	£40.00m	21.9	1.97	3779.76	-12.41%	-12.41%	-£5.70m	-£5.70m
Romtec	£0.96	£4.97m	19.7	1.05	1528.00	5.52%	18.63%	£0.26m	£0.78m
Royalblue	£2.08	£68.50m	52.7	5.87	1220.59	0.73%	22.06%	£0.80m	£21.80m
Sage Group	£7.13	£770.20m	34.5	5.65	27403.85	5.71%	34.43%	£41.70m	£201.50m
Sanderson Electronics	£0.81	£36.90m	7.5	0.60	1370.21	-5.29%	-46.33%	-£2.10m	-£30.80m
SBS Group	£1.13	£7.99m	19.8	0.53	1125.00	6.64%	12.50%	£0.50m	£0.94m
Sema Group	£14.00	£1,563.00m	45.3	1.69	4402.52	0.18%	29.03%	£2.00m	£356.00m
Sherwood	£3.75	£32.20m	17.4	1.31	3125.00	35.62%	92.31%	£8.40m	£15.40m
Skillsgroup	£1.45	£117.90m	11.4	0.34	650.22	3.94%	-6.45%	£4.60m	-£7.20m
Spargo Consulting	£1.18	£14.70m	18.6	1.87	1236.84	3.07%	-19.24%	£0.50m	-£3.50m
Staffware	£2.68	£31.00m	47.8	3.10	1188.89	-1.83%	3.08%	-£0.60m	£1.00m
Superscape	£0.67	£5.90m	Loss	1.52	338.38	11.67%	-83.14%	£0.62m	-£27.50m
Systems Integrated	£0.11	£1.47m	Loss	1.18	95.65	120.00%	-37.14%	£0.80m	-£0.88m
Total	£0.63	£6.30m	22.7	1.92	1179.25	-7.41%	115.52%	-£0.45m	£3.40m
Trace	£0.54	£7.70m	21.0	0.38	428.00	-5.31%	52.86%	-£0.27m	£2.77m
Triad	£2.24	£56.30m	30.9	2.99	1655.56	8.23%	6.68%	£4.30m	£3.60m
Vega Group	£2.02	£31.00m	14.5	1.72	1651.64	-1.71%	-24.67%	-£0.60m	-£10.10m
Xavier	£0.09	£5.40m	10.1	0.60	900.00	0.00%	-18.18%	£0.69m	-£0.35m
Zergo	£2.80	£25.80m	82.4	2.48	2871.79	-3.45%	-3.45%	-£0.90m	-£0.90m

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.

Misys

Depending on your definitions, **Misys** is the largest UK-owned SCSI company. With a market capitalisation of £1.38 billion - only the Anglo-French Sema Group is a bigger London-listed SCSI company. In profit terms, Misys' PBT of £62.5m beats Sema's £50m. If you regard Misys as a software products company - *"Misys sees its business activity as developing and managing applications software products"* - then there is no argument. By that definition Misys is the largest UK-owned software products company by far.

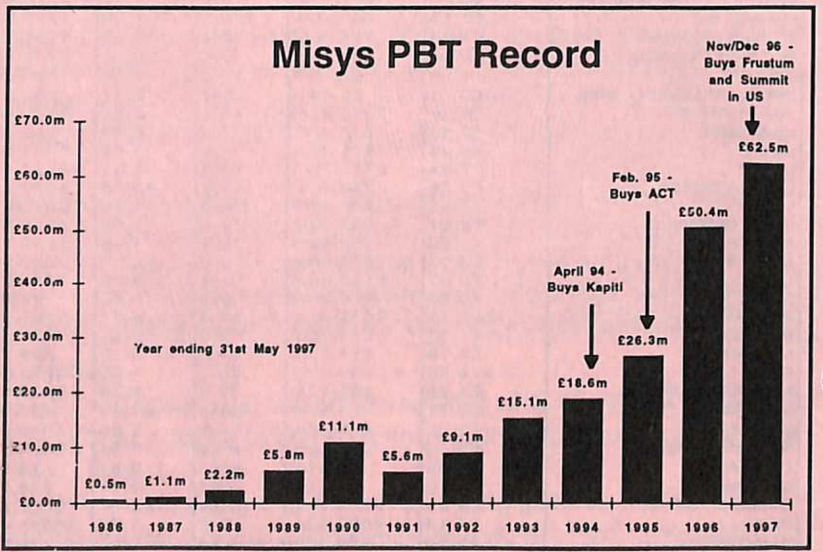
So, regardless of their continued *"reluctance"* to invite us to their briefings, on behalf of our subscribers we think it only right to give them the coverage their size (rather than their attitude) deserves.



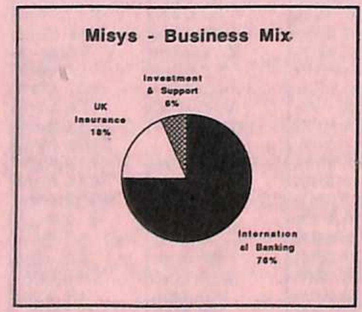
Misys - excellent results

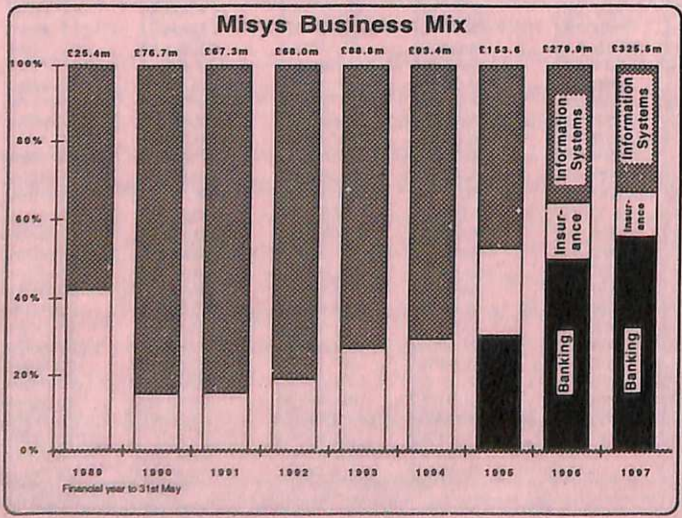
We briefly previewed Misys' excellent results last month as they arrived just as we were going to press. Let us summarise them again. Revenue increased 16% to £525.5m, PBT went up 24% to £62.5m (a very tasty 11.9% PBT margin) with EPS up 23%. Misys employs 3,962 staff. The order book increased by 20%. These results were even better than expected and the share price immediately increased. The reviews of the results were universally favourable with many commenting on the low valuation of Misys compared with its peers. This has led to a major re-rating of Misys shares - a re-rating which started a year ago and continued this month. Indeed Misys shares ended August on £15.98p, an increase of 9% in the month and more than doubled in the last year. As can be seen in the graph, the Misys share price had lagged behind both the FTSE100 and our SCSI Index since 1989. Indeed, the Misys share price hadn't even kept pace with their EPS rise. The last year has changed all that. But, regardless of the recent rise, Misys is still on a modest historic P/E of 30.

Misys - the international company



Misys is clearly the largest UK-owned application software provider and in the world Top Ten. Misys now trades in 90 countries and over half its sales and profits arise outside the UK - 21% from Europe, 11% from *"the Americas"* and 13% from Asia Pacific. This, of course, has meant an exchange risk exposure on some 35% of group profits. But canny Chairman Kevin Lomax spent £400K on currency hedging which resulted in a £2.2m profit saving. This is the first such positive hedging we have reported. But they have decided not to do it again due to the increasingly international nature of the group. Interestingly the unadjusted impact on 98 profits, working on the assumption that sterling would move the same as in FY97, would be in the order of £3.5m. *It just shows what astute management can do to avoid joining the ever growing band of companies issuing profit warnings!*





Misys - the company

Misys' product mix over the years is shown in the chart. **Banking** is now clearly the star with revenue up 29% at £180m and profits up 43% to £48m - i.e. about 70% of the total profits. The latest acquisitions *"Credo, Frustrum & Summit performed above expectations"*. Lomax is now moving Misys into banking/financial services outsourcing. *We never thought we would see the day!*

But that's the good news. Elsewhere the picture was decidedly lacklustre. We should remind readers that up until a couple of years back, the following areas ***were*** Misys. **Insurance** revenues were only up 3% at £41m with profit

Misys - continued

slightly down at £12m. *"Strong growth from transaction processing (now 55% of divisional profits) more than offset the effects of weak market conditions in the general insurance sector".*

Information Systems revenue were up 4% to £104m but profit reduced 12% to £8.5m. To be fair, the main reason for the profits reduction was the prudent provision for the *"unexpected"* termination of the CHA contract in Australia and it's associated legal action.

The outlook for FY98 is good with the closing order book up 20%. Lomax is confident that, as Misys is a products company rather than a services company, they will be less vulnerable to rising wage costs and skill shortages. The banking division will obviously benefit from Y2000 and the Euro.

Although Misys regards itself as a products company but *"initial licence fees"* represented just 35% of total revenues. A further 39% comes from *"recurring licence revenues"* and 26% from professional services. *"80% of revenues go to existing customers, and 40% of all sales are recurring".* Again, a rather healthy business mix.

Misys on the Internet

Misys numbers over 40% of the UK's insurance brokers amongst its customers. But Misys now plans to go into competition with some of its customers and sell policies over the Internet under the brand name *Screen Trade.*

Misys - the outlook

"While any persistent strength of Sterling will affect overseas profits...the board is confident of another year of good progress". Analysts are now predicting a PBT of £72m in FY98 with £84m in FY99.

Misys - the attitude

"The important thing is to have a regular dialogue with one's peer group and understand the small talk and know what is going on". Source - AFX News Service 30th July 97.

Amazing...Misys is not a member of the CSSA (almost everyone else is) and of all the many industry events we attend, we have not bumped into Lomax at any of them. Of course, the Lomax/Holway relationship has taken on a life of its own. Goodness knows, we have tried to break the log jam. All we get to all our requests, invites, etc. is a stone wall.

We care. Misys is so important to our industry. But the real insult to us (and we do have to say, we have heard this from many others in our industry) is that Lomax doesn't seem to give a damn. *Really sad.*

Misys - the open company

Last year we gave full marks to Misys for being one of the first SCSI companies to fully declare individual director's emoluments. The R&A again provides full details and shows that Lomax' salary + bonus increased by a modest 9% to £435K. Mind you, if you add pension contributions and dividends it comes to £773K. Given that Lomax runs the UK's largest products company making £63m profit, which is currently doing well, this also looks modest. Compared with remuneration at similar US companies, he's positively cheap!

Misys - the future

Misys is currently going through a long overdue re-rating. Even the current price probably means a 20-30% lower valuation than other "similar" SCSI companies. *Could the attitude be, at least in part, to blame?*

PARITY

Parity has announced another set of excellent results for the six months ending 30th Jun. 97 with revenues up 19% at £90.6m, PBT increased 32% to £5.7m with EPS also up 32%. *"A most satisfactory start to 1997"* according to Chairman Philip Swinstead.

Parity now employs more than 3,500 permanent and c70,000 temporary staff in the UK and Europe. The Y2000 problem has, of course, helped to fuel demand for their services, but CEO Paul Davies has attempted to talk down the millennium problem as *"grossly overhyped".* He regards revenues from this source as more of a *"windfall"* and says this currently represents <1% of income (but it is increasing).

Parity has three main business divisions. **CSS Trident** (IT staff agency) has not only grown but has also managed to maintain profit margins by concentrating more on the high value end of the market. **Parity Solutions** (consultancy, training and systems/software development) had a *"very strong six months with significant increase in margins".* **Eurosoft** (European ops) expanded and met its targets although, in common with many others, was affected by sterling's strength. Holland performed particularly well.

Management, management, management

Chairman Philip Swinstead *"sees 1998 as a year of great opportunity for the better companies in the sector".* With managers like Swinstead, Paul Davies, Ron Moss and Keith Jennings, Parity has a very strong team. We were very pleased this month to get a long letter from Swinstead concerning the *"topical excuses that are clutched at by sinking Chairman"* (Swinstead's words, not ours!) as analysed in our August Page 1 lead story concerning the current rash of profit warnings. Swinstead, admitting to some past mistakes of his own, says *"it is always the quality of management that sorts the men from the boys in a fast moving sector...The better managed companies should attract the needed quality staff and, when price rises come through next year, should expand rapidly with good margins.*

The next couple of years might be quite exciting for investors seeking to differentiate between the good, the bad and the ugly!"

Parity shareholders have certainly had an ***Exciting*** time. This month alone the shares have risen 12% and since Swinstead's arrival have risen over 28-fold. Of course, many of our readers prefer to be called ***Boring***. Perhaps even Parity might get an award in a few years time if they keep up this kind of performance.

Mondas - *"sound progress since flotation"*

Mondas founder and Chairman, Tim Simon, said *"We have made sound progress since the flotation putting in place all the elements to capitalise on Radica's enormous potential".* Radica *"enables rapid development of business applications with the minimum of technical work".*

For the 8.5 months to 30th Apr. 97, revenues were only £56K, but losses were £421K - joining the club of companies where losses greatly exceed revenue. The *"sound progress"* refers to the first sales made after the year end. Mondas initially had an excellent reception on AIM when it was launched in Oct. 96 at 75p. The shares ended August on 77p, up slightly in the month, but a premium of only 3% to the launch price. *One for the very, very brave!*

M.A.I.D - in the black and launches biggest SCSI bid to date

You must always expect the unexpected from **MAID** and its CEO Dan Wagner. With annualised revenues of <£30m, MAID's market capitalisation of £193m is itself *"unexpected"*. But the news this month that MAID had been granted exclusivity on talks with **Knight-Ridder Information** with a view to a possible purchase was a downright surprise. A mooted price for KRI in the region of £300m would make the deal the biggest UK-led SCSI takeover on record. Apparently both Reuters and Reed International withdrew their bids as they were unwilling to pay the asking price. Of course MAID will need to borrow heavily and advisers Goldman Sachs are developing *"innovative financing plans"*. Although the deal has enormous potential for terminal *"acquisition indigestion"*, one cannot accuse MAID of not *"going for it"*. *The* deal will give MAID the potential to compete with the likes of Reuters by leapfrogging its major rivals.

MAID also announced that, after two years of hefty losses, it made a PBT of £2m in the six months to 30th Jun. 97 on revenue increased by 47% to £14m. At the comparable stage last year the loss was £3.3m. But don't get too carried away as there was still an operating loss, albeit reduced from £3.9m to £1.7m. The half yearly figures this year included an exceptional profit of £3.6m resulting from the disposal of the hotel business in February to US 4th Network. Also, MAID is one of the few companies that *still* capitalises its R&D. Despite amortising some £1.4m in the half, intangibles rose again by nearly £0.5m to £8.8m.

After restructuring, income from new products and alliances are expected to ensure that MAID makes an operating profit in the second half. Revenues from various alliances (IBM, Thorn, Nokia, CompuServe, BT etc.) increased some 400% - further helped by an agreement with Fujitsu to sell MAID's Profound products in Japan.

It seems trivial compared with the KRI bid, but MAID also announced the acquisition of 70% of **Muscat** - the *"UK market leader in information retrieval technology"* - for £5.56m, part in cash and part shares. This seems to be a good partner for MAID's business as an on-line supplier of business intelligence. Muscat had FY97 revenues of £656K and a PBT of £161K.

Before the KRI bid, analysts were forecasting full year 97 profits of some £9m - a prospective P/E of about 21. That's now starting to look quite modest! The shares ended August on 207p, a rise of 10% in the month.

People who "unexpectedly resign"

Perot Systems President & CEO James Cannavino *suddenly resigned* at the end of July. Cannavino has only been with Perot two years and CEO for just one of these and has been described as a visionary. But *"Perot has bitten off as much vision as it can chew... the company has to start executing"* according to an undisclosed source.

Tom Butler has *unexpectedly resigned* from **Origin** where he was CEO. Only eight months ago, fellow ex-EDSer, Geoff Carrel also *suddenly resigned* the CEO role. Given the expectations of a float, the problems must be significant.

Jon Moynihan, who earned £941K as Chairman and CEO of **PA Consulting**, has *resigned suddenly*. Privately-owned PA had revenue of £192m in 1996 and a strong £40m net cash. His departure was said to be unconnected with the Inland Revenue inquiry which saw PA forced to pay £11m for tax related to consultant expense claims.

The respected Paul Heaven quit as CEO of **Kalamazoo**'s Computer Div. (see p4)

But perhaps the resignation of Jon Richards as CEO of **Anite** in March can be explained. The reopened Stock Exchange investigation *"related to a period prior to the present management joining the business. The matter is now closed". So that's alright.....?*

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