

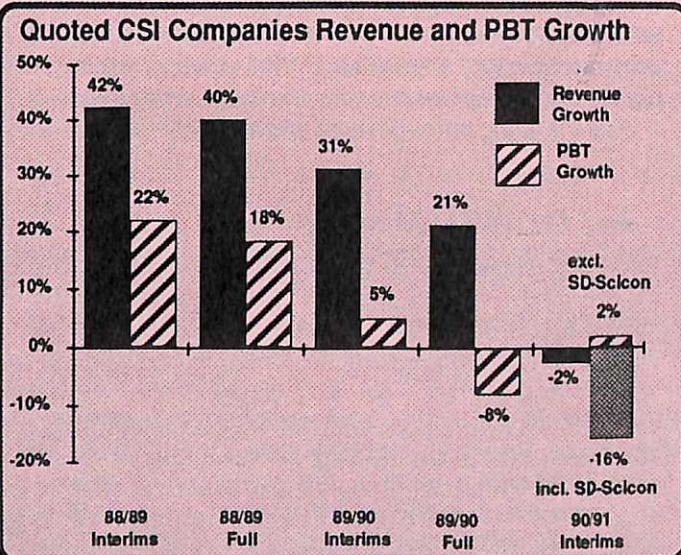
System House

The monthly review of the financial performance of the UK computing services industry
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No signs yet of recession ending

The latest pronouncements from the CBI, the Bank of England and the government all signal an end to the recession. However, the consensus view of CSI chiefs that we have spoken to recently is that, although the economic climate effecting our industry is unlikely to get any worse, no real recovery is likely until Q1/Q2 1992.

Each year we analyse the financial results at the half way point and again after the full year results have been announced. Past analysis has been accurate in predicting the trend of results in the industry. At last year's half way point we showed that revenue growth had slowed - largely because acquisition activity by the majors had gone out of fashion. But, more dramatically, we showed that profits growth had almost come to a halt. The full year results confirmed the trend with profits growth going negative for the first time ever.



The analysis of 1991 results at the halfway point shows that this time revenue growth has gone negative as companies suffer from the recession and divest themselves of previous acquisitions. On the surface, it looks as if major cost cutting, particularly job losses, have started to show through in a modest 2% profits recovery. However, it should be noted that SD-Scicon's results, switching from a £9.8m loss to a £5.9m profit this time, have a very significant effect. Excluding SD-Scicon, quoted CSI companies have registered a further 16% profits fall.

How the analysis was compiled

The analysis compares results for quoted CSI companies only for periods ending in 1991 with the equivalent results in 1990. Some are interim results and some are for the full year; but in all cases the same period has been compared.

Averages in our industry can hide both superb and dismal performances. It is interesting to note that had you invested in the best performing companies in October 1990's halfway point analysis you would have done spectacularly well. The list, this time last year, was as follows:

Company	89/90 Interim Performance	Share Price Increase 21/9/90 - 20/9/91
Quotient	Return to profit	199% - Acq. by ACT
Micro Focus	EPS +176%	153%
EDP	EPS +109%	243%
Admiral	EPS +49%	57%
Rolfe & Nolan	EPS +48%	60%
Kewill	EPS +38%	58%

The six shares above, on average, increased in value by a staggering 128% compared with rises of 36% in the CSI Index and 28% in the FTSE 100 in the same 12 months.

The Future?.... We would expect full year 1991 results to be similar, but no worse than, those at the interim stage. We would expect to see both revenue and profits showing modest, single % figure, growth in our interim analysis this time next year.

So which are the companies to watch in the next 12 months? The following companies have returned to profit in their latest results:

- Cray Electronics
- Kalamazoo
- SD-Scicon
- Total

Clearly, it is a bit too late to take advantage of the near doubling in SD-Scicon's share price culminating in the EDS bid success.

The "Top Five" in terms of EPS growth at the 1991 halfway point are:

Rank	Company	Latest EPS growth
1	EDP	+106%
2	ACT	+34%
3	Rolfe & Nolan	+28%
4	Micro Focus	+25%
5	Sage	+24%

The major loss makers were Enterprise (£4.8m), followed by Microvitec (£2.2m), LBMS (£1.7m) - their shares are currently racing ahead; up 73% this year, Proteus (£1.5m), Synapse (£974K) and Trace (£471K). Synapse has already been acquired by ECsoft and the other loss-makers could well become acquisition targets.

Another year of growth at Macro 4

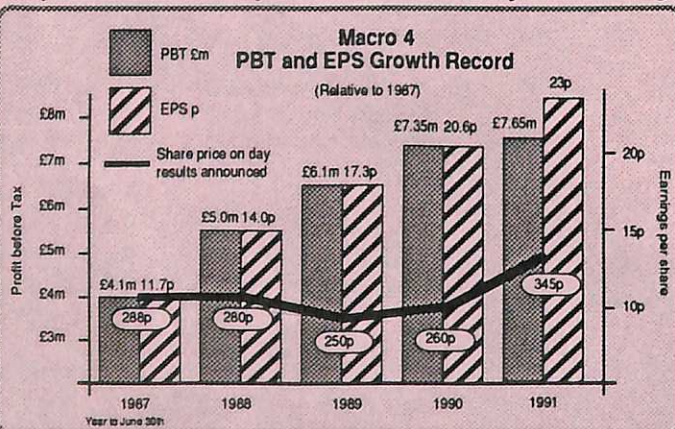
Many companies would give their eye teeth to be like **Macro 4**. During the year to 30th June 91, 87% of group revenue was from repeat rentals. For the coming year, existing contracts would already show a 14% revenue increase. Macro 4's revenues grew by 22% to £18m but PBT was up only 4% at £7.65m. Reduced UK corporation tax and brought forward overseas tax losses boosted EPS by 12%. Cash increased by £3.57m to £11.33m and shareholders will get a 24% increase in dividend.

The problem is that, with the strongest of bases on which to build, one cannot stop thinking that Macro 4 has wasted its opportunities. We have criticised before the millions invested in their new building - The Orangery. We note that Macro 4's original building, Crabtree Park House, remains unsold or un-let and no income from this source is envisaged in the coming year.

Unusually for a UK company, overseas earnings constitute 78% of group revenues. Sterling has weakened by 7% in the year against the \$ which should have boosted profits. However, a decision to undertake forward currency contracts depressed Macro 4 profits by £106K compared with remitting royalties at spot rates. Last years results were similarly depressed.

Market conditions in the US have remained difficult but strong cost control resulted in "double digit growth in both turnover and contribution". France, Italy and Switzerland "produced strong performances - comfortably exceeding 15% growth in contribution". Germany, formed by the acquisition of previous agent Dialogika in June 90, has yet to live up to expectations. "Two of our agents have experienced particularly severe economic downturns and two other agents have been replaced in the year".

Macro 4's share price had been in the doldrums for years - sliding from an historic P/E of 25 in 1987 to just 15 on 10th Sept. 91. Macro 4 may be safe but it certainly isn't exciting.



The vast majority of Macro 4's revenues still come from IBM mainframe clients- with 44% from VSE users. Most researchers are not expecting major growth in this market. For future growth, Macro 4 must therefore rely on converting current non-users; where they reckon they have a market penetration of less than 5%.

We believe that there is an enormous untapped market for UNIX based system software but Macro 4 do not seem willing to use its tried and tested rental + telephone sales techniques on this market. The share price has advanced by 17% in the last month. The outlook for the future is not exciting but Macro 4 "remains optimistic of more than a nominal increase in profits during the coming year".

P-E International finds predictions difficult

Back in April 91, P-E International's Chairman Hugh Lang said of 1991 "We shall continue to concentrate on profits and cash rather than growth..We have made a satisfactory start to 1991. Assisted by our lower cost base, profits in the first quarter will be close to the corresponding figure for 1990". However, he now says "the forecasts for an early recovery made in March by many commentators have not been fulfilled".

P-E's interims results to 30th June 91 "were disappointing" showing PBT down a third at £1.83m on revenues up 4% at £33.6m. EPS declined by 35%. Management Consultancy and IT seem to have been especially badly hit "as the true extent of the UK recession became clear in the second quarter". International earnings, however, grew by 15%.

The cash prediction was also optimistic as net interest payments increased from £57K to £177K. We also assumed that reference to growth meant a stop to P-E's previously frenetic acquisition activity. This was certainly not the case as Fray Data Intersite BV, David Bellamy Associates and publicly quoted Handley-Walker were all purchased in the period for a total consideration approaching £12m.

In today's climate we would agree with Lang's comment "that P-E is performing as well as can be reasonably expected" - certainly for an acquisitive company. After all P-E is British, still acquiring and growing overseas - a particularly rare combination. Lang now says "For 1992, our first priority will be to improve our margins and after a period of considerable corporate activity..the emphasis will be on developing our existing portfolio of businesses, with acquisitions and new ventures likely to play a less prominent role". It looks as if 1991 will be best forgotten but we share "enthusiasm for the long term prospects for P-E as a leading management and computer consultancy".

...and for INSTEM as well

"It is beginning to look as if the future is at last looking rosier by the day". - March 1990. "1991 has opened with a substantial order book, providing an excellent basis for continued performance improvement through the current year". - March 1991. So said David Gare - INSTEM's Chairman. Two months later he warned shareholders at the AGM that current trading "was somewhat mixed" as order intake had been "below expectations...due to the recession". For the uninitiated, INSTEM provides computer based control systems for power stations and should have benefited greatly from the recent privatisations of the electricity and water supply industries.

Although revenues increased by a massive 47% to £7.87m in the six months to 28th June 91, PBT was static at £507K and EPS was up just 2%. "Whilst margins as a percentage of turnover have reduced, INSTEM has continued to concentrate on a policy of commercially sound growth".

But Gare is an optimistic fellow and is "currently anticipating a recovery in this position which will lead to a satisfactory opening order book for 1992. An important part of this will be a successful introduction of our Datatox FI toxicology computer system planned for the fourth quarter".

Although most CSI shares have performed well this year, INSTEM's shares have declined by 22%.

Treading on thin ice with Sherwoods

Recently, we were bemoaning to the editor of one of the UK's leading trade papers the fact that *System House* received many letters and calls each month directly from Chief Executives "suggesting" different ways in which we might have covered stories. We were complemented as apparently feedback from readers of other journals is rare.

Anyway, Richard Guy considers our reporting of **Sherwood Computer Services** to be "very negative" - we had expressed our nervousness about short term prospects - and our talk of suitors is "not really very helpful...we are not in any discussions about Sherwood being taken over; have not been approached with any such view and would rebuff anyone trying to".

Latest Sherwood results for the six months to 30th June 91 show revenues down 2% at £12.1m but PBT 32% lower at £575k. Fully diluted EPS is also down 24%. Although operating profit improved by 10%, PBT was adversely effected by an increase from £33K to £119K in net interest payable, even though net current assets have increased from £100K in Dec. 90 to £2.6m in June 91, and "an exceptional charge of £280K relating to potential losses stemming from areas of the Lloyd's insurance market".

In May 91, Sherwood's formed a joint disaster recovery venture with ICL. As well as a 25% stake, Sherwood's will receive a minimum of £525K in management fees in the period to March 94. Richard Guy says that the joint venture produced profits in Q2 after losing £160K in Q1. Good sales performance is reported for SENATOR (insurance), SHARES (administration system for managing and members agents) and THRESHOLD (local government housing management).

For the future Guy is "satisfied that Sherwood's is well positioned for the remainder of 1991 and beyond". Shares have increased 47% this year.

Alphameric - "We're on course as we only lost £3m"

Many readers will know Alan Benjamin from his days at ICL and CAP/Sema. He is now Chairman of **Alphameric**. He deserves to be paid well for his courage. Under Benjamin's leadership, Alphameric has cut losses from £11.6m to £2.9m for the year to 31st Mar. 91.

Alphameric is about to launch a rights issue to raise about £5m needed because a number of customers have delayed placing orders. We hope it is more successful (for the shareholders) than the last one. You may remember that Geoff Bristow and Robb Wilmot from Octagon ("*Who had worked wonders at computer services group Headland*" Source - Computer Weekly 11th Jan 90) came to rescue Alphameric in Jan 90 when the shares stood at 34p and then raised £3.6m in a rights issue at around 20p per share in May 90 - 43% of which was left with the underwriters.

Benjamin recognised that Alphameric shares still "represented a high risk investment"; indeed the shares have now dropped to just 2.5p. He says the group had experienced a difficult period of trading but he expected that there would be an improvement in the second half.

Alphameric also confirmed the sale of FTT Alphameric to BT for £1.85m - £200K of which is subject to clawback if certain key contracts are not transferred within 90 days of completion - "which will be used to reduce the group's borrowings".

Touchstone

Stratagem's press release on **Touchstone** (nee MBS) results to 31st Dec. 90 was a journalist's dream. More venom per square inch than any episode of Spitting Image.

The Touchstone story was unpleasant. On 21st Feb. 91, investment group Stratagem won control in a £7.7m bid and ousted the previous directors. Touchstone made losses of £14.1m in 1988, losses of £4.8m in 1989 and the latest figures show increased losses of £5.5m for 1990. Revenue on continuing activities increased by 27% to £21m. Operating losses increased from £3.9m to £6.3m.

We will let the Stratagem press release speak for itself. "By the end of 1990 Touchstone had become a small, loss making company which had retained the overhead structure of a vastly bigger organisation without the profitability required to support such spending. Eg, the expenditure on professional fees alone was £889K during 1990, not including the amount of £422K spent on defending the takeover bid". Stratagem is particularly critical of the effects of the three acquisitions made in 1990. "The acquisition of Exchange Telegraph for a consideration of £1 was referred to by the then chairman as being "better than a bargain". However, Touchstone paid £5.7m for the goodwill relating to the acquisition and not the £3m indicated in the Interim Statement issued last October". It is now part of the TPM operation, Firstpoint, "the core business of the group". "The Board is committed to Firstpoint becoming the best and most profitable TPM in the country". VISI systems, acquired in Mar 90, "was loss-making throughout the second half of the year". BOC's training activities were acquired in Nov. 90 and relaunched as Genus. "Although the purchase consideration was only £169K, Genus has not been trading profitably.... Negotiations are currently in progress for the sale of Genus". Cablepoint, which had been loss-making throughout 1990, was sold for £120K cash on 16th July 91.

Touchstone even had to settle out of court with Touchstone Computers over the use of the company name.

"Touchstone shareholders may draw their own conclusions about the stewardship of their resources during the last financial year under the previous management who departed in March 1991". Indeed they will.

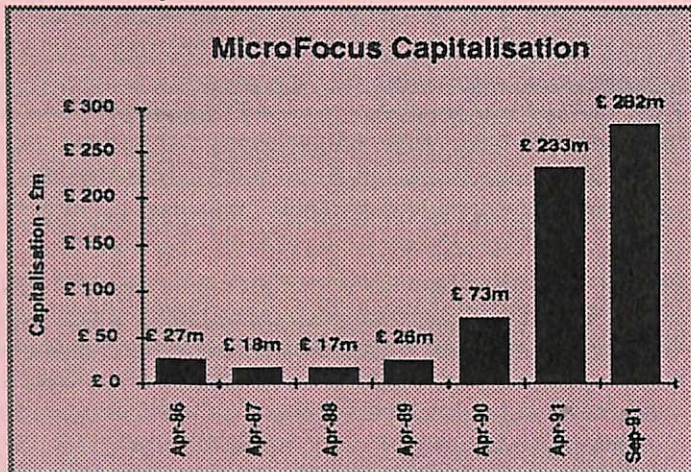
Declining Euro hardware Norsk Data, Norway's mini maker, made losses of Nkr257m (£22.5m) for the six months to 30th June 91. "Analysts suggest that Norsk Data is positioning itself for a possible sell-off". German **Siemens-Nixdorf** were rumoured to be heading for a DM500m (£171m) loss. The company forecast breakeven just 9 months ago. Olivetti has reported an interim Lire 74 b (£37m) loss compared to a profit of Lire 61 b last time..... BASF, the German group, has acquired **Siemens'** 33.5% stake in **Comparex**. Comparex was formed in 1987 as a European marketing operation initially to supply mainframe computers manufactured by Hitachi. Sales in the first six months of 1991 had increased 3% to \$300m but hardware sales had declined by 32% "while revenues from computer services rose". Source - FT 18th Sept. 91.

...and further problems for Unisys

Debt laden **Unisys** is seeking a further \$400m from its bankers to help it cope with the repayments on the \$3b debts it already has. It is doubtful if Unisys can last too much longer in its current form.

The rise and rise of Micro Focus

MicroFocus' market capitalisation is seventeen times higher than in April 1988; outperforming everyone else in the sector by a mile.



Latest results for the six months to 31st July 91 show PBT up 17% at £9m on revenues up 9% at £25.4m. EPS increased 25%. In the period MicroFocus sold Softwright Systems for £751K cash. If the exceptional £478K profit from the sale and interest earned is stripped out, operating profits grew by a rather more modest 8%. Cash balances increased by £3.9m to £24.3m; much of this gain arising from a significant swing in the \$ exchange rate in the period.

With this cash mountain and a desire to retain "a strong core of UK shareholders" (US shareholdings have already risen to 33.7%), the MicroFocus board is at long last **considering** the payment of a dividend.

Even MicroFocus has been effected by recession; with US Federal Government purchasing much reduced. Although their OEM business, which accounts for 25% of total revenues, did well in the first half revenues are expected to be lower in the second half.

But with a significant partnership in place allowing IBM to sell COBOL workbench and OEM deals with most of the world's leading hardware manufacturers, the present and future looks bright for one of the very few UK companies showing real success on the international software scene.

Leading HP dealer calls it a day

The financial problems effecting IBM and ICL agents have been frequently documented in these pages. Now Twickenham-based **SMM Communications** - the first HP dealer to fail in eight years - has called in the receivers. SMM, with annual revenues of around £5m, specialised in local area networking and also dealt with IBM and DEC kit. SMM was set up by Ross McBeath in 1984 and Roger Wakefield, ex-MD of MAI, joined as MD in Jan 91.

Sorry....

Clyde Zeigler from EDS 'phoned to point out that, contrary to our little joke about SD-Scicon last month, beards have been allowed at EDS for several years. He also pointed out that, in today's environment, decision-making had to be as close as possible to the client rather than the corporate EDS HQ. Management control at EDS was therefore focused on limited geographic areas. Early reports from SD bear out this view. Ian Hogg says "EDS and SD both have the philosophy that the client is king..from the client's viewpoint it's business as usual".

Interest charges hit Sema

It is a clear sign of the times that Sema Group's Chairman was pleased with the "solid performance for the first six months to 30th June 91". Sema reported revenues up 6% at £201m, operating profit up 5% and EPS increased 4.4%. However, PBT was down 8.6% at £6.6m as net interest charges soared from £391K to £1.39m even though "controls on cashflow were radically improved, with the result that total net borrowing reduced by £9m" (from £27m on 30th Dec. 90 to £18m on 30th June 91) and the equity debt ratio has reduced from 53% to 34% in the period. Even so, Managing Director, Pierre Bonelli, was reported as saying that the level of interest the company is paying would make it inevitable that it would have to make a cash call within two years to provide a firmer financial cushion. Source - FT 18th Sept. 91.

In April 90 Bonelli had said that he "saw no reason why a profit margin of 10% could not be achieved". This time margins at the interim stage have slipped still lower to 3.3% from last years 3.8%; continuing a decade of lower than industry average margins at both CAP and Sema.

In a "year of consolidation" (ie significant "headcount reductions"), downturns were experienced in the financial markets in the UK, Spain and France. However, these were offset by improvements in FM and systems integration in the public sector, health and energy areas. Sema admits that "the supply of services on a time and materials basis has suffered the most" but "Sema Group, with its emphasis on prime contractorship, has proved more resilient than many of its competitors". We wonder who they mean?

The most significant recent event for Sema was the formation on 1st July of **BAeSema** - the 50/50 joint venture with British Aerospace. This created a capital gain of £9.8m but this exact same amount has been included in the P&L account as a provision for future software development costs. Sema hopes that the new venture will make a significant contribution to profits in the medium term but profits in the second half will be adversely affected by one-time costs incurred in its launch.

Otherwise, Sema is surprisingly bullish about the future reporting "record order intake in May and June.... which should ensure reasonable growth and profitability in the second half".

Readers should however take care in drawing too many conclusions for the UK. Remember that Sema makes the majority of its revenues from outside the UK - in 1990, 67% or £251m of their £375m turnover. In the first six months of 1991, overseas revenues have grown faster than UK revenues. 84% of Sema's shares are now held by non-UK investors. This contrasts with over 95% of CAP's shares which were UK owned at the time of the merger. This month, rival **CGS** bought more shares upping their holding to 28.3% and edging nearer to the point where a decision on a full bid must be made. With backing from Daimler-Benz, CGS now has the financial muscle to attempt such an acquisition.

In the recessionary climate of 1991, Sema is perhaps justified, at the operating level, to be pleased with the current results and believes it is "well-placed to respond to any upturn in economic activity in Europe". Bonelli does not, however, see the recession lifting until the second half of 1992.

Richard Holway Results Service

Admiral plc	Results Revenue PBT EPS	Interim - Jun 90 £ 9,785,000 £ 1,511,000 9.1p	Final - Dec 90 £21,207,000 £3,276,000 19.4p	Interim - Jun 91 £ 11,686,000 £ 1,667,000 10.3p	Interim Comparison +19.4% +10.3% +13.2%
ACT plc	Results Revenue PBT EPS	Final - Mar 90 £140,712,000 £8,026,000 7.07p		Final - Mar 91 £ 98,831,000 £ 12,706,000 9.5p	Final Comparison -29.8% +58.3% +34.4%
Butler Cox plc	Results Revenue PBT EPS	Final - Dec 89 £9,370,583 £1,324,095 16.43p		Final - Dec 90 £ 10,725,924 £ 760,425 6.31p	Final Comparison +14.5% -42.6% -61.6%
Capita plc	Results Revenue PBT EPS	Interim - Jun 90 £ 9,167,000 £ 956,000 5.9p	Final - Dec 90 £20,072,000 £2,512,000 13.7p	Interim - Jun 91 £ 11,104,000 £ 1,382,000 7.1p	Interim Comparison +21.1% +44.6% +20.3%
Computer People plc	Results Revenue PBT EPS	Final - Dec 89 £69,919,000 £4,219,000 21.8p		Final - Dec 90 £ 76,170,000 £ 3,106,000 16.42p	Final Comparison +9.7% +26.4% -24.7%
Cray Electronics Holding plc	Results Revenue PBT EPS	Final - Apr 90 £ 117,133,000 (£ 2,795,000) (2.84p)		Final - Apr 91 £ 107,286,000 £ 3,509,000 2.5p	Final Comparison -8.4% Loss to profit Loss to profit
EIT Group plc (was Maxiprint)	Results Revenue PBT EPS	Final - May 90 £ 368,000 (£ 882,000) (5.56p)		Final - Mar 91 £ 485,000 (£ 246,000) (0.083p)	Final Comparison Not comparable Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Interim - Mar 90 £ 8,331,000 £ 822,000 7.14p	Final - Sept 90 £16,645,000 £2,100,000 17.38p	Interim - Mar 91 £ 8,654,000 £ 1,865,000 14.69p	Interim Comparison +3.9% +126.9% +105.7%
Enterprise Computer plc (was Systems Reliability plc)	Results Revenue PBT EPS	Interim - Jun 90 £ 95,345,000 £ 5,012,000 6.25p	Final - Dec 90 £ 183,149,000 £ 7,532,000 7.4p	Interim - Jun 91 £ 89,965,000 (£ 4,775,000) (6.59p)	Interim Comparison -5.6% Profit to Loss Profit to Loss
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Mar 90 £ 1,232,000 (£ 44,000) (0.99p) NOTE THAT ALL THESE	Final - Sept 90 £ 2,101,000 (£ 103,000) (16.47p) FIGURES RELATE TO	Interim - Mar 91 £ 732,000 (£ 79,000) (1.26p) TELECOMPUTING PLC	Interim Comparison -40.6% Loss both Loss both
Hoskyns Group plc	Results Revenue PBT EPS	Interim - Apr 90 £ 111,700,000 £ 8,200,000 6.3p	Final - Oct 90 £223,263,000 £17,253,000 13.0p	Interim - Apr 91 £ 102,800,000 £ 8,600,000 6.4p	Interim Comparison -8.0% +4.9% +1.6%
INSTEM plc	Results Revenue PBT EPS	Interim - Jun 90 £ 5,349,000 £ 505,000 7.07p	Final - Dec 90 £11,154,000 £ 1,005,000 14.0p	Interim - Jun 91 £ 7,870,000 £ 507,000 7.21p	Interim Comparison +47.1% +0.4% +2.0%
Kalamazoo plc	Results Revenue PBT EPS	Interim - Jan 90 £ 31,522,000 (£ 1,289,000) n/a	Final - Jul 90 £ 62,221,000 £ 1,074,000 2.2p	Interim - Jan 91 £ 28,348,000 £ 1,025,000 1.8p	Interim Comparison -10.1% Loss to profit Loss to profit
Kewill plc	Results Revenue PBT EPS	Final - Mar 90 £17,107,000 £2,668,000 27.11p		Final - Mar 91 £ 31,298,000 £ 3,731,000 29.43p	Final Comparison +83.0% +39.8% +17.7%
LBMS plc	Results Revenue PBT EPS	Final - Apr 90 £18,471,000 £450,000 2.3p		Final - Apr 91 £ 19,485,000 (£ 1,701,000) (10.5p)	Final Comparison +5.5% Profit to loss Profit to loss
Logica plc	Results Revenue PBT EPS	Final - Jun 90 £ 190,819,000 £ 8,822,000 8.7p		Final - Jun 91 £ 197,758,000 £ 3,676,000 (1.6p)	Final Comparison +3.6% -58.33% Profit to Loss
Logitek plc	Results Revenue PBT EPS	Interim - Sept 89 £18,723,000 £1,310,000 6.69p	Final - Mar 90 £29,580,000 £3,833,000 16.27p	Interim - Sept 90 £33,103,000 £145,000 0.52p	Interim Comparison +76.8% -88.9% -92.0%
Macro 4 plc	Results Revenue PBT EPS	Final - June 90 £14,775,000 £7,353,000 20.6p		Final - Jun 91 £ 18,028,000 £ 7,647,000 23.0p	Final Comparison +22.0% +4.0% +11.7%
Micro Focus plc	Results Revenue PBT EPS	Interim - Jul 90 £ 23,337,000 £ 7,633,000 33.0p	Final - Jan 91 £ 46,982,000 £ 13,549,000 63.5p	Interim - Jul 91 £ 25,387,000 £ 8,961,000 41.1p	Interim Comparison +8.8% +17.4% +24.6%
Microgen plc	Results Revenue PBT EPS	Interim - Apr 90 £ 25,050,000 £ 4,526,000 7.1p	Final - Oct 90 £47,115,000 £8,504,000 13.5p	Interim - Apr 91 £ 24,604,000 £ 4,328,000 7.2p	Interim Comparison -1.8% -4.4% +1.4%
Microvitec plc	Results Revenue PBT EPS	Interim - Jun 90 £ 11,236,000 (£ 2,143,000) (5.2p)	Final - Dec 90 £ 23,444,000 (£ 2,415,000) (6.2p)	Interim - Jun 91 £ 12,484,000 (£ 2,212,000) (4.8p)	Interim Comparison +11.1% Loss both Loss both

Richard Holway Results Service

Misys plc	Results Revenue PBT EPS	Final - May 90 £ 75,038,000 £11,070,000 23.5p		Final- May 91 £ 67,253,000 £ 5,626,000 11.5p	Final Comparison -10.4% -49.2% -51.1%
MMT plc	Results Revenue PBT EPS	Interim- Feb 90 £ 3,735,000 £ 1,012,000 5.7p	Final - Aug 90 £ 7,524,390 £ 1,865,165 10.4p	Interim- Feb 91 £ 3,100,000 £ 626,000 3.4p	Interim Comparison -17.0% -38.0% -40.4%
NMW Computers plc	Results Revenue PBT EPS	Final - Dec 89 £ 9,119,000 £ 87,000 0.2p		Final- Dec 90 £ 8,726,000 £ 413,000 1.3p	Final Comparison -4.3% +374.7% +550.0%
P & P plc	Results Revenue PBT EPS	Interim- May 90 £ 109,400,000 £ 6,800,000 10.9p	Final- Nov 90 £ 223,787,000 £ 13,117,000 18.5p	Interim- May 91 £ 120,700,000 £ 3,300,000 3.9p	Interim Comparison +10.3% -51.5% -64.2%
P-E International plc	Results Revenue PBT EPS	Interim- Jun 90 £ 32,381,000 £ 2,753,000 10.3p	Final- Dec 90 £ 65,013,000 £ 4,214,000 15.0p	Interim- Jun 91 £ 33,565,000 £ 1,833,000 6.7p	Interim Comparison +3.7% -33.4% -35.0%
Pegasus plc	Results Revenue PBT EPS	Interim- Jan 90 £ 7,830,000 £ 1,342,000 16.1p	Final - July 90 £13,039,000 £2,554,000 30.4p	Interim- Jan 91 £ 4,138,000 £ 774,000 8.9p	Interim Comparison -47.2% -42.3% -44.7%
Proteus plc	Results Revenue PBT EPS	Final Mar 90 £ 9,000 (£ 637,000) (3.95p)		Final- Mar 91 £ 7,000 (£ 1,502,000) (7.01p)	Final Comparison -22.2% Loss both Loss both
Quotient plc	Results Revenue PBT EPS	Final - Dec 89 £19,095,000 (£1,577,000) (8.8p)		Final - Dec 90 £22,440,000 £1,022,000 4.0p	Final Comparison +17.5% Loss to profit Loss to profit
Radius plc	Results Revenue PBT EPS	Interim- May90 £ 14,521,000 £ 1,394,000 3.2p	Final - Nov 90 £29,902,000 £2,820,000 6.48p	Interim- May 91 £ 14,708,000 £ 801,000 1.71p	Interim Comparison +1.3% -42.5% -46.6%
Rolfe & Nolan plc	Results Revenue PBT EPS	Final - Feb 90 £5,460,000 £1,142,000 13.8p		Final- Feb 91 £ 6,298,000 £ 1,446,000 17.7p	Final Comparison +15.3% +26.6% +28.3%
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 90 £6,703,000 £2,341,000 9.65p	Final - Sept 90 £13,359,000 £4,731,000 19.2p	Interim - Mar 91 £7,821,000 £3,024,000 11.98p	Interim Comparison +16.7% +29.2% +24.2%
Sanderson Electronic plc	Results Revenue PBT EPS	Interim- Mar 90 £ 6,450,000 £ 1,780,000 14.0p	Final - Sept 90 £14,259,000 £3,302,000 24.8p	Interim- Mar 91 £ 10,610,000 £ 1,501,000 11.0p	Interim Comparison +64.5% -15.7% -21.4%
SD-Scicon plc	Results Revenue PBT EPS	Interim - Jun 90 £138,118,000 (£9,846,000) (6.19p)	Final - Dec 90 £ 256,547,000 (£ 19,781,000) (12.42p)	Interim - Jun 91 £129,173,000 £5,891,000 1.69p	Interim Comparison -6.5% Loss to profit Loss to profit
Sema Group plc	Results Revenue PBT EPS	Interim- Jun 90 £ 189,921,000 £ 7,185,000 4.5p	Final - Dec 90 £375,410,000 £15,331,000 10.5p	Interim - Jun 91 £ 200,869,000 £ 6,566,000 4.7p	Interim Comparison +5.8% -8.6% +4.4%
Sherwood Group plc	Results Revenue PBT EPS	Interim- Jun 90 £ 12,336,000 £ 850,000 8.7p	Final- Dec 90 £ 24,785,000 £ 1,982,000 17.0p	Interim- Jun 91 £ 12,139,000 £ 575,000 6.6p	Interim Comparison -1.8% -32.4% -24.1%
Star plc	Results Revenue PBT EPS	Interim - Dec 89 £6,392,000 (£649,000) (9.5p)	Final - June 90 £13,567,000 (£1,995,000) (27.2p)	Interim - Dec 90 £8,037,000 (£253,000) (3.7p)	Interim Comparison +25.7% Loss both Loss both
Synapse plc	Results Revenue PBT EPS	Interim - Jan 90 £4,675,000 (£ 249,000) (7.1p)	Final - Jul 90 £10,226,373 (£331,919) (8.9p)	Interims - Jan 91 £ 5,211,000 (£ 974,000) (27.6p)	Interim Comparison +11.5% Loss both Loss both
Total Systems plc	Results Revenue PBT EPS	Final- Mar 90 £ 1,777,084 (£ 6,722) (0.08p)		Final- Mar 91 £ 2,041,384 £ 102,768 0.74p	Final Comparison +14.9% Loss to profit Loss to profit
Trace plc	Results Revenue PBT EPS	Final - May 90 £13,933,504 £1,807,644 10.49p		Final - May 91 £ 19,699,000 (£ 471,000) (2.04p)	Final Comparison +41.4% Profit to Loss Profit to Loss
Vistec Group plc	Results Revenue PBT EPS	Final - Apr 90 £36,048,000 £1,588,000 0.92p		Final- Apr 91 £ 31,005,000 £ 1,763,000 0.95p	Final Comparison -14.0% +11.0% +3.3%

Acquisitions, disposals and liquidations

Acquisitions boosts Computer Associates

The world's second largest computer software operation - **Computer Associates** - moved closer to the number one, **Microsoft**, this month with the agreed acquisition of **Pansophic** for \$282m. Pansophic majors in IBM software. Last month they assumed UK support of their mid-range manufacturing software from failed IBM agent - Bluebird. Pansophic had 1990 revenues of \$232m and profits of \$20.6m. CA acquired **On-Line Software** in Aug. for \$90m.

DacEasy UK goes under

Sage acquired **DacEasy** in the US for c\$18m in Apr. 91. This month **DacEasy UK** has gone into liquidation basically because Sage wants to do its own thing in the UK. The situation was not helped by the £35K that the UK owed to DacEasy US.

We usually side with the distributor in cases of cavalier actions by suppliers. But we understand that DacEasy UK had no written distribution agreement and therefore appears not to have a leg to stand on.

Rebuilt Ferrari crashes again

Videcom Customer Services bought the maintenance activities of **Ferrari** from the receiver for £3m in Mar 91. This month they have laid off 100 staff after losing a £1m contract with Glaxo. An internal memo claims that "the actual level of business at Ferrari was less than half that represented by the Ferrari receiver". Ferrari had 280 staff and £14m of maintenance contracts when Videcom bought the company from the receiver. Source - Computing 5th Sept. 91.

..but "reasonable" first year for Pericom

Pericom Technology was formed by Ron Cragg and others in an MBO when the ill-fated Ferrari acquired Pericom for £4m in April 90. They paid around £800K for the UK manufacturing operations, non-IBM distribution and its overseas subsidiaries. Cragg reports a first year turnover of £13m and "reasonable profits despite stock write downs and provisions relating to its terminal manufacturing arm". The division lost £718K last year.

EIT buys again

The revitalised - and renamed - **EIT Group** announced another acquisition this month. They have acquired the computer systems division of **TPC TriStar** for an initial £25K and a further £100K depending on future profits.

Further French expansion

GSI, one of France's leading software houses with annual revenues of FF2b, has acquired the German software house **Lammert** for an undisclosed consideration. Lammert has annual sales of around FF90m.

More change for IBM agents

Zelix has bought AS/400 agent **AS People** and will merge it with Cwmbran-based AS/400 agent **Newgate Computers**. Considering that acquisitive investment house, Zelix, has seen all of its ICL agent investments go into receivership in the last two years, we really wonder why they believe they will have better luck with IBM proprietary systems.

The others...Corporate Computers - itself acquired by Dutch VRG from SRH in Sept. 90 for £13m - has acquired the goodwill and assets of **FMS**, the Guildford based NatComm subsidiary specialising in advanced printer products. IBM computer broker, **Barlan Data**, appointed the receivers. **Siemens** has sold its 10% holding in US **Advanced Micro Devices** for \$100m. **AT&T Istel** has closed its computer systems divisions with the loss of 30 jobs as a result of the AT&T acquisition of NCR. £3m revenue pa, ICL software distributor, **Control-C Software**, was placed in the hands of the receiver owing £250K. **Fujitsu** has invested £24m in a 44% stake in US UNIX RISC chip designer **Hal Computer Systems**. **AT&T Istel** was reported to have pulled out of its £20m acquisition of health service supplier **Qa Business Systems**. Qa made a £725K loss last year on revenues of £7m. To avoid collapse a buyer must be found urgently. Qa was established through a £4m MBO in 1988 from the West Midland Reg. Health Authority and has made over 200 staff redundant since privatisation. The **Saville Group Ltd** has bought the order book of **Pennine Computer Ltd**, the AppleCentre which collapsed in Aug. 91. **Largotim** has acquired **Glynwed Computing**. The IT recruitment divisions of failed **Doctus Group** have been bought from the receiver. **Doctus Management Consultancy** has been bought by CRT for £100K. **Roevin**, which supplies IT staff, went in a £2.2m MBO as did Camberley based **Kramer Westfield International**. French **Alsys**, which was founded and lead by the inventor of the ADA programming language, collapsed with debts of £13m. Quite some going considering they only had annual revenues of £4m. **Adrian de Ferranti's** investment company has bought **Visual Business Systems** - a £2m revenue company producing Mac and PC graphics. **Fraser Associates** announced that it paid £88K for Apple dealer **Premier** in July this year. French **Omnilogic** has acquired the last 2% of **CPU Computers** for 19.5p per share in cash. They also announced that CPU continues to experience difficult trading conditions and would make a "substantial loss" in the first six months. **Hoskyns** has disposed of its Dublin based subsidiary **CBT Systems** to the **Thornton Group** for £3m. CBT made PBT of Ir£233K on revenues of Ir£3.19m in the year to 30th Oct. 90. UK **Third Wave** has acquired the Indian software house, **International Informatics Solutions** which has over 100 employees in Delhi.

Further proof that 1991 is destined to become "the year of the partnership".

BT and DEC

This month **BT** unveiled plans for a tie-up with **Digital** to establish direct interworking between their respective network management systems based on OSI standards.

IBM and Capita

IBM has joined forces with **Capita** to produce a "hardware independent" specification for software to operate the Council Tax. It will form the basis for IBM's RS6000 and AS/400 implementations.

Land of the rising Sun

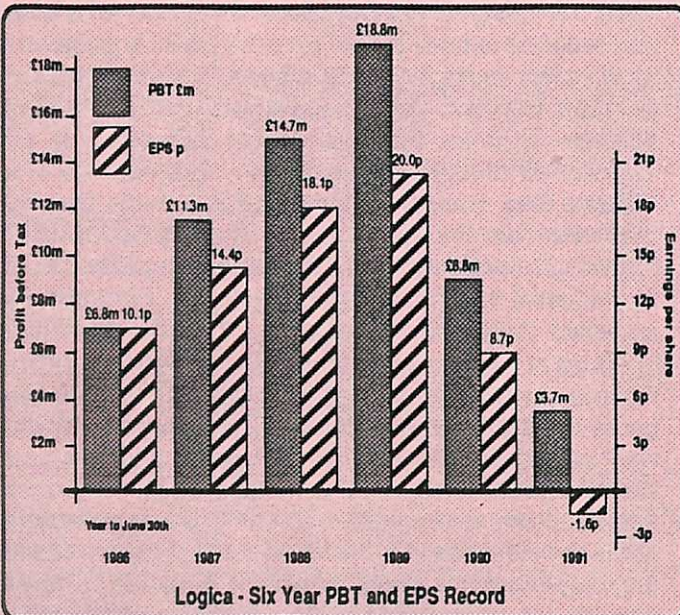
Sun Microsystems, in partnership with ICL (itself owned by Japanese **Fujitsu**), has announced new UNIX operating software to be known as **Solaris**. **Lotus**, **Oracle**, **Word Perfect** and **Software AG** have announced that they will develop software to run under the **Solaris**.

US losses continue to depress Logica

In March 88, Logica purchased Data Architects in the US for £26m. In the year to 30th June 89, Logica was the most profitable UK CSI company - making PBT of £18.8m of which Data Architects contributed £4m. The following year, however, saw that £4m profit turn into a £2m loss and Logica suffered with a halving of its profits to £8.8m.

Despite extensive staff cuts, US losses increased to £2.7m and Logica's PBT has plummeted by 58% to just £3.68m in the year to 30th June 91.

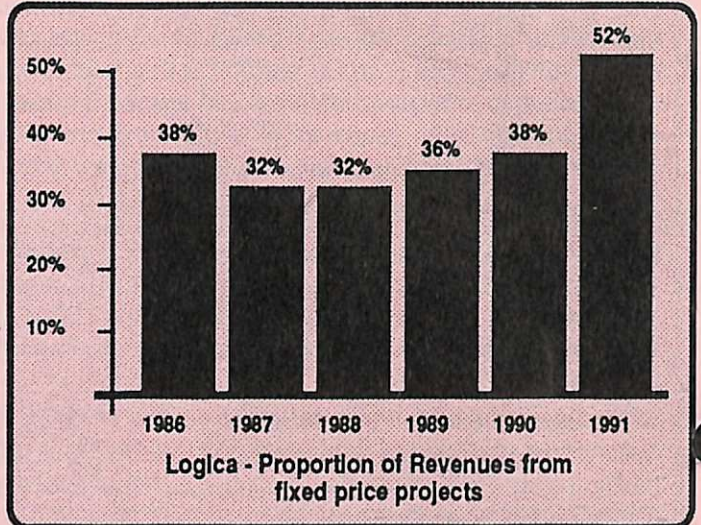
Last year when we interviewed Logica's MD, David Mann, he emphasised that a substantial proportion of his company's revenue had always come from fixed-price contracts. This year the proportion of revenue from fixed-price projects has increased to over 50%.



However, the results at the operating level were rather more respectable. Despite US problems, profit before exceptional items was down just 6.7%. Interest on net cash balances of £15m at year end (down from £18.6m on 30/6/90) contributed £2.3m (1990 £1.8m). Exceptional costs of £6.4m (1990 £2m) were higher than the £5m expected and resulted mainly from US restructuring made worse by additional redundancies in the UK and a provision for three year's costs relating to surplus London office space. Logica has shed 400 jobs in the last fifteen months.

Revenue has increased by 3.6% to £197.7m. However, UK revenue was up a very respectable 11% to £101m and Continental Europe operations grew 19.3% to £55.4m.

Logica still undertakes work for a wide spread of clients.



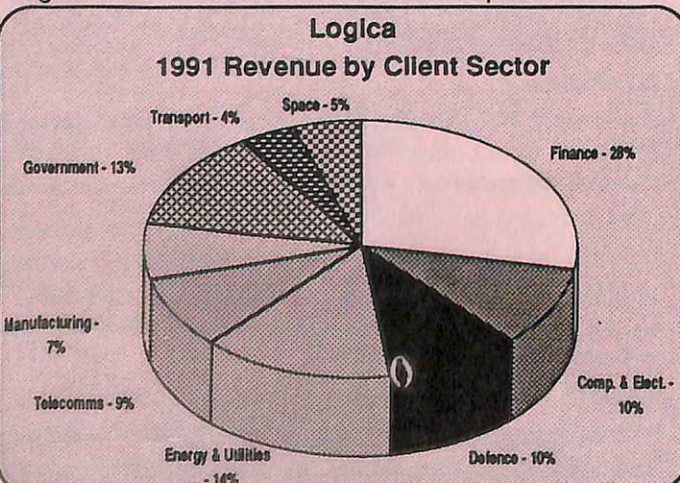
One of the reasons given for last year's profits reduction was "significant additional expenditure on some large fixed price contracts" but we understand that no part of this or last year's exceptional or extraordinary charges related to fixed-price business.

EPS was particularly badly effected. Because losses in some overseas operations, particularly the US, cannot be off-set against profits in other countries, particularly the UK, there was an exceptionally high tax charge which has led to a loss of 1.6p per share. Logica is not alone in suffering from this rather unfair tax rule.

On the surface, these results from Logica - the last remaining large quoted UK owned system house - appear depressing. Certainly they were lower than the worst that analysts had expected. But readers should not let the gloom last too long. The results in the UK - still Logica's largest market, representing 51% of turnover - were surprisingly good with revenues up 11% and operating margins at a respectable 7.7%. If the UK has any remaining chance of being a player on the international CSI scene, Logica must succeed with its US activities. Mann gets alarmed when anyone suggests he should dispose of them although he has withdrawn from an undisclosed "loss-making US activity". Although he could be criticised for delays in taking the required remedial action in the US, with a new president now in place at last we should be able to look forward to the elimination of losses from the US in the current year.

Although the City had its normal knee-jerk reaction to the figures in the first few hours, Logica's shares quickly recovered any losses. They show a 30% gain in 1991. "Analysts are suggesting PBT of £12.5m this year". Source - FT 20th Sept. 91. EDS paid £162m for SD-Scicon whereas Logica is currently capitalised at £134m. There were many who would not have touched SD-Scicon with a barge pole but it is difficult to name anyone who would not be interested in a go at Logica should such a bid be in play.

We, of course, hope that will never happen. Logica represents the UK's last chance to be on the international CSI top table. We hope they make it.



Government work has almost doubled in the year to £26m whereas revenue from finance, although still the largest sector, has fallen by £5.7m to £55.4m.

Computing Services Index

27th September 1991

April 15th 1989 = 1000

1046.03

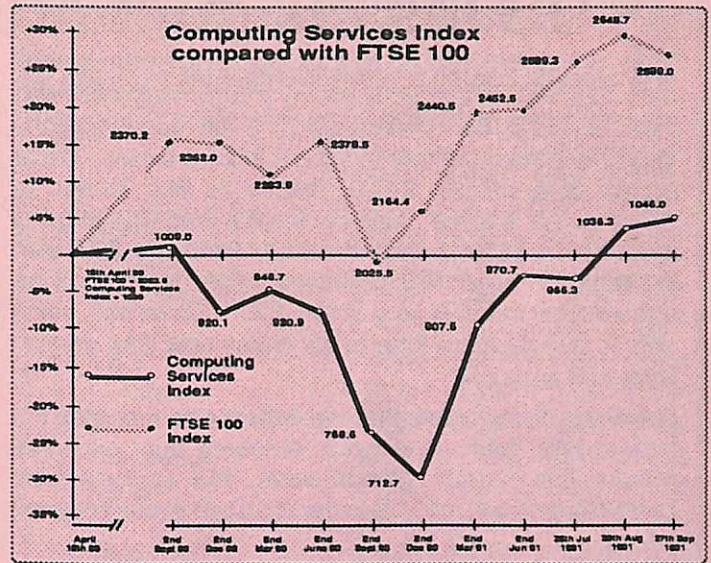
Changes in Indices	CSI Index	FTSE 100
Month 30th August 91 to 27th Sept. 91	+0.94%	-1.77%
29 months 15 Apr. 89 to 27th Sept. 91	+4.60%	+26.56%
1st Jan 90 to 27th Sept. 91	+13.69%	+10.03%
1st Jan 91 to 27th Sept. 91	+47.77%	+20.30%

Computing Services Share Price Index

27th Sept. 1991

Index Rank	15th April 1989 = 1000	Share Price 27/9/91	Index 27/9/91	
1	Micro Focus	•	18.78	9072.46
2	Admiral	•	3.38	2449.27
3	ACT	•	1.49	2384.95
4	Electronic Data Processing	•	2.28	2326.52
5	Capita	Outperformed	2.21	2210.00
6	Rolfe & Nolan	FTSE 100	1.87	2209.01
7	Sage Group	•	2.67	2053.84
8	Hoskyns	•	3.90	1902.43
9	Macro 4	•	3.75	1512.10
10	Proteus		1.03	1226.19
11	Kewill		2.84	1122.53
12	Kalamazoo		0.39	1114.29
13	Sherwood		1.25	1041.66
14	Sema Group		2.64	830.19
15	Microgen		1.83	782.05
16	INSTEM		0.78	780.00
17	SD-Scicon		0.60	769.23
18	P-E International		1.75	720.17
19	Learmonth & Burchett		0.78	650.00
20	EIT Group		0.16	640.00
21	Vistec		0.15	633.70
22	Logica		2.28	624.66
23	NMW		0.35	583.34
24	Computer People		1.40	576.13
25	Sanderson		1.30	553.19
26	P&P		1.21	542.60
27	MMT		0.86	511.91
28	Misys		1.90	472.64
29	Microvitec		0.17	414.63
30	Pegasus		1.46	397.82
31	Cray Electronics		0.67	391.81
32	Radius		0.48	347.82
33	Total		0.16	292.46
34	Star		0.25	208.33
35	Trace		0.23	184.00
36	Enterprise		0.14	108.00
37	Gresham Telecomputing		0.09	96.77

Note: Index set at 1000 on 15th April 1989. Any new entrants to the market are allocated an index of 1000 based on the issue price.



Acquisition problems at Gresham Telecomputing

Telecomputing has had a pretty sick few years. Losses of £777K in 1989, the problems with founder Bernard Panton who sold his shares to Ferrari, a further loss of £103K in 1990 and then the takeover by Gresham in a deal valuing Telecomputing at £3.35m announced in Feb. 91 and completed in April. Even Gresham have found affairs at Telecomputing not exactly what they expected. They have had to adjust prior year results by £299K because of liabilities and provisions not previously revealed.

They have also run into further problems with Telecomputing's involvement in Merrion Gates. As well as writing off amounts due from Merrion Gates of £346K in the 1989 accounts, Telecomputing had guaranteed grants from the Irish Development Authority - should they become repayable. They duly did, and Telecomputing initially had to pay IR£50K with a possibility that this might reach IR£220K. But Telecomputing did at least own a 45% stake in the operation. Gresham now report "contrary to previous understandings Telecomputing plc may not be the legal owner of any shares of Merrion Gates and the position regarding loan write-offs is being reassessed".

The last Telecomputing results for the six months to 31st Mar 91 show revenues down 41% at £732K and a loss of £80K. The recession was blamed for a substantial reduction in systems and programming revenue. "The prospects for *tp+*, Telecomputing's UNIX TP Monitor, remain good but the predicted market penetration during the period was not achieved".

Proforma accounts for Gresham Computer Holdings combined with Telecomputing would, however, show a revenue of £4.9m and PBT of £293K for the interim period - Gresham contributing profits of £372K. Gresham's Chairman says "sales of major development projects are at record levels" and he, like every other chairman, believes his company is well placed to meet the expected upturn in the economy.

Given the strengthened asset base, the availability of the UNIX product, the value of the current links with ICL and the maturity/experience of the Gresham management team, the future for Gresham Telecomputing could be bright. But it is going to take a mighty long time for shareholders like Singer and Friedlander to recoup their original Telecomputing investment.

Further dramatic share fluctuations

The CSI Index increased by a further 1% in a month when the FTSE 100 fell by nearly 2%. The largest increase was experienced by **Microvitec** - up 62% - on recovery hopes after the announcement of £2.2m interim losses. **Trace** gained 35% despite £471K losses as Bob Morton of Vistec builds a stake; they still have a long way to go to make up the 58% fall since the start of the year. **P&P** also increased 31% as UBS increases stake - or perhaps the rise was due to Sir Roland Smith, P&P's Chairman, being able to devote more time to his duties now BAe doesn't want him anymore.

Gresham Telecomputing and **Enterprise** recorded the largest falls; both as a result of worse than expected results this month. **MicroFocus**, the sector's best performing share, fell 11% in the month as a result of profit taking.

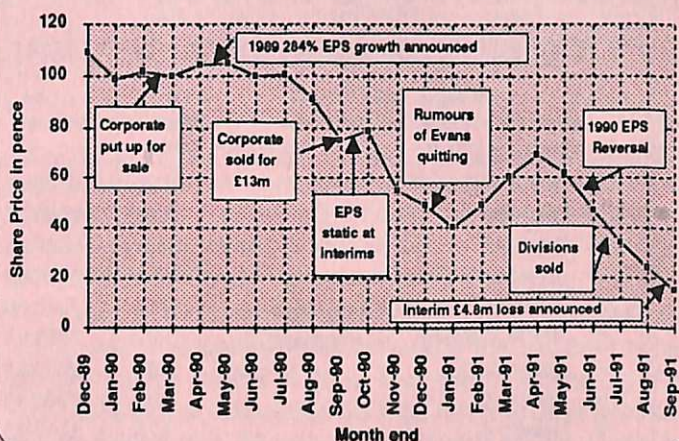
Computing Service Share Price Movements 30th Aug. 91 to 27th Sept. 91

Rank		% Change 30/8/91 to 27/9/91	% Change this year	Historic P/E
1	Microvitec	61.90%	3.03%	Loss
2	Trace	35.29%	-58.93%	Loss
3	P&P	31.52%	44.05%	6.54
4	Microgen	23.65%	50.00%	13.56
5	ACT	20.16%	96.05%	15.68
6	Macro 4	17.55%	59.57%	16.30
7	Learmonth & Burchett	14.71%	73.33%	Loss
8	EIT Group	14.29%	-36.00%	Loss
9	Computer People	12.90%	33.33%	8.53
10	Misys	12.43%	156.76%	16.52
11	Sherwood	8.70%	47.06%	7.35
12	Kewill	7.58%	45.64%	9.65
13	Rolle & Nolan	6.86%	26.35%	10.56
14	Radius	6.67%	0.00%	7.41
15	Cray Electronics	6.35%	19.64%	26.80
16	Logica	4.59%	36.53%	n/a
17	Star	4.17%	56.25%	Loss
18	Electronic Data Processing	4.11%	188.61%	13.12
19	Total	3.33%	55.00%	20.95
20	Sage Group	3.09%	36.22%	13.91
21	Admiral	3.05%	50.22%	17.42
22	Proteus	3.00%	13.19%	Loss
23	Sanderson	2.36%	8.33%	5.24
24	Capita	1.38%	38.99%	16.13
25	Hoskyns	0.26%	9.86%	30.00
26	INSTEM	0.00%	-11.36%	5.57
27	SD-Scicon	0.00%	130.77%	Loss
28	Vistec	0.00%	45.00%	15.26
29	Sema Group	-1.12%	-47.09%	25.14
30	MMT	-1.15%	-3.37%	8.27
31	Kalamazoo	-1.27%	36.84%	17.73
32	P-E International	-2.78%	26.81%	11.67
33	NMW	-2.78%	52.17%	26.92
34	Pegasus	-3.31%	-9.88%	4.80
35	Micro Focus	-11.12%	139.85%	29.57
36	Gresham Telecomputing	-18.18%	-55.00%	Loss
37	Enterprise	-43.75%	-71.88%	1.82

Disaster at Enterprise

Systems Reliability, under the leadership of Robert Evans, had looked likely, at one time, to be the only acquisitive company in the sector not to suffer a reversal. They spent £43m buying nine companies in 1989/90. In the year to 31st Dec. 90, they had PBT of £7.5m on revenues of £183m. However, by mid 1990 Systems Reliability had gone into reverse gear. They sold Corporate Computers to Dutch group VRG for £13m, Datawork to Kalamazoo for £2.1m and Strongyield went in an MBO for £12m. They also changed their name to **Enterprise** - the name of the IBM mainframe operation they purchased for £22m in March 89. Enterprise shares have been an unmitigated disaster for shareholders - the worst performing share in the sector if you exclude the companies which went broke. From a high of 110p at the start of 1990, they stand at just 16p now. Evans can't be too pleased at this either - he is reputed to have borrowed £1m to invest at £1 per share.

Enterprise Share Price Movements



Latest results for the six months ending 30th June 91 show revenues down 6% at £90m and losses of £4.8m compared with PBT of £5m last time. Revenues from continuing activities (ie mainframe services and the integration activities of South East Computers and Systems International) grew by 20% to £73.5m. The continuing businesses lost £3.7m against a profit of £2.4m last time.

The main reasons given for the poor performance were:

- the rapid decline in mainframe services sales to leasing companies which "has taken us by surprise".
- £1m exceptional item for losses on current stock.
- £1m provision for litigation.
- losses on foreign exchange.

Enterprise still has a 25% stake in the MBO of the Comms. & Maintenance division. However, they too have suffered with orders running at under 50% of last year's level. No real contribution is expected in the full year. Indeed, it looks as if the other businesses that Enterprise disposed of have had an equally difficult year.

Evans says "The inability of the Group to react to events during the first six months clearly calls for changes to the holding company board". However, the main change proposed seems to be the appointment of a non-executive chairman with Evans continuing his role as Chief Executive.

Enterprise has a strong balance sheet with gearing of c25%. The majority of the interim losses are "one-offs". We can only assume that all the bad news is now out and that the future just must be brighter.

Capitalisation

This month ACT has increased its capitalisation by £27m to £159m and has overtaken Logica. P&P, as a result of share increases caused by the UBS buy, put on £16m in the month. Enterprise recorded the largest fall - down £8m at £10m as a result of losses at the interim stage (p 10).

Kalamazoo buys Microware's maintenance

As reported last month, Microware appointed the receivers after £260K of IBM kit went missing in a burglary. The kit was later found in a warehouse not too far from Microware's offices and a police investigation is underway.

This month, Kalamazoo has purchased the maintenance customer base of Microware; which supports IBM hardware and accounting software from Tetra and Pegasus.

IBM to sell PC software operations?

It was reported that IBM has put its PC applications software division up for sale. The divisions products include Hollywood, Storyboard, Signature, Platinum and Current. Lotus, Borland and Novell are rumoured as possible bidders.

Sapphire restructures

Sapphire International was the third best performing private CSI company in 1990 (see July 91's *System House*). They increased PBT by 78% to £1.8m on revenues of £12m in 1990. This month, in a move to help them retain their DataEase distributor agreement, Sapphire will split in two. The VAR business will transfer to Sapphire Holdings Ltd and the DataEase business will be transferred to a new company - Marchwell Ltd. Sapphire's 60+ shareholders will be awarded separate shares in each operation.

Profits decline at CGS

CGS, Europe's largest CSI company with a 70% stake in the UK market leader Hoskyns, increased revenues by 27% to FF£5b in the six months to 30th June 91. PBT, however, declined by 35% to FF£360m.

No recovery for Microvitec

Microvitec's losses for the six months to 30th June 91 were £2.21m, compared to £2.14m last year. Revenues increased by 11% to £12.5m. However, £2.49m of the revenue and £260K of the losses resulted from the acquisition of Logitek in May. The loss, before exceptional items of £267K, increased by 35% in the period.

Microvitec's performance has been "affected by the worst recession for a decade, particularly impacting key markets such as financial services and education" but steps already taken should "significantly improve the operating performance in the second half". Indeed, James Warburg of brokers Henry Cooke Lumsden told us that trading in July and Aug. had been profitable, as would be the second half, producing an estimated loss for the year of around £1m. New financing arrangements had been agreed with Logitek's bank - rather than Microvitec's current bankers. A deal has recently been signed with Electrohome to do all their manufacturing at Microvitec's Bradford factory. We understand that the Logitek acquisition is working well with the exception of the MS DOS division - Microvitec wants to concentrate on UNIX in the future and became an ICL UNIX distributor last month.

Chairman, James Bailey, looks "forward to an exciting and rewarding 1992 for both our employees and shareholders".

Computing Services Capitalisation - 27th Sept. 91

Rank		Capital -isation 27/9/91 £m	% Change since 15/4/89	% Change since 30/8/91	£m Change since 30/8/91
1	Hoskyns	£ 357.40	116.87%	0.31%	£ 1.10
2	Micro Focus	£ 255.89	891.83%	-11.12%	-£ 32.01
3	Sema Group	£ 239.94	-15.54%	-1.14%	-£ 2.76
4	ACT	£ 159.21	302.03%	20.16%	£ 26.71
5	Logica	£ 139.74	-36.71%	4.59%	£ 6.14
6	SD-Scicon	£ 121.20	-22.90%	0.00%	£ 0.00
7	Macro 4	£ 82.91	53.82%	17.44%	£ 12.31
8	Cray Electronics	£ 71.00	-52.32%	7.90%	£ 5.20
9	Microgen	£ 70.83	-19.87%	23.62%	£ 13.53
10	P&P	£ 67.10	-10.17%	31.57%	£ 16.10
11	Misys	£ 64.70	-14.65%	12.32%	£ 7.10
12	Sage Group	£ 52.69	148.53%	3.11%	£ 1.59
13	P-E International	£ 38.30	-3.28%	-2.79%	-£ 1.10
14	Admiral	£ 36.26	148.34%	3.01%	£ 1.06
15	Capita	£ 32.95	306.76%	1.38%	£ 0.45
16	Kewill	£ 27.00	60.71%	7.57%	£ 1.90
17	Proteus	£ 22.18	22.91%	3.18%	£ 0.68
18	Electronic Data Processing	£ 19.83	134.46%	4.39%	£ 0.83
19	Computer People	£ 19.38	-36.86%	12.70%	£ 2.18
20	Vistec	£ 16.47	191.47%	-0.19%	-£ 0.03
21	Radius	£ 13.10	-58.93%	7.38%	£ 0.90
22	Sanderson	£ 11.50	-41.62%	2.68%	£ 0.30
23	Microvitec	£ 10.51	-5.32%	61.43%	£ 4.00
24	Rolfe & Nolan	£ 10.50	140.27%	7.03%	£ 0.69
25	Leamonth & Burchett	£ 10.40	-28.77%	14.79%	£ 1.34
26	Enterprise	£ 9.87	-77.31%	-43.59%	-£ 7.63
27	MMT	£ 9.13	-47.23%	-1.08%	-£ 0.10
28	Pegasus	£ 8.93	-54.92%	-3.30%	-£ 0.30
29	NMW	£ 7.24	-41.17%	-2.73%	-£ 0.20
30	Kalamazoo	£ 7.19	11.44%	-1.27%	-£ 0.09
31	EIT Group	£ 7.17	94.84%	14.35%	£ 0.90
32	Sherwood	£ 6.56	6.45%	8.75%	£ 0.53
33	INSTEM	£ 3.51	-22.00%	0.00%	£ 0.00
34	Trace	£ 3.04	-81.10%	35.25%	£ 0.79
35	Gresham Telecomputing	£ 2.86	-35.40%	-18.23%	-£ 0.64
36	Star	£ 1.70	-79.06%	4.29%	£ 0.07
37	Total	£ 1.55	-70.75%	3.33%	£ 0.05

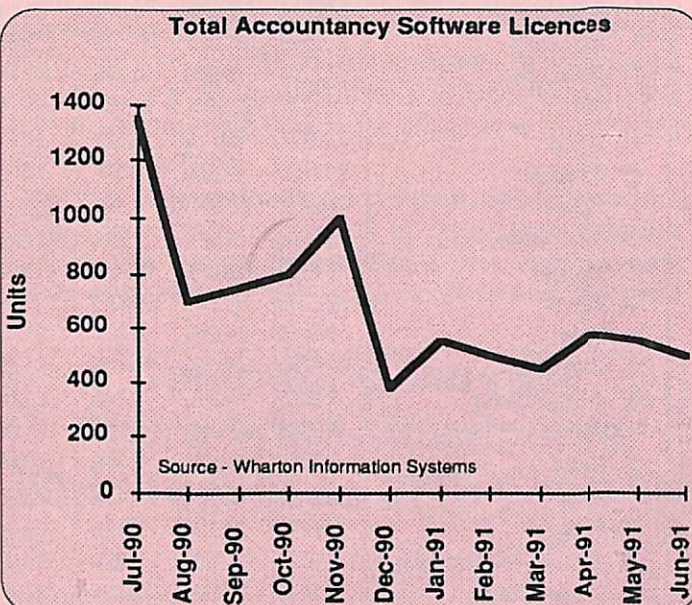
Acquisitions cause losses for Trace

Although revenues at Trace Computers increased by 41% to £19.7m in the year to 31st May 91, largely as a result of their previous frenetic acquisition activity, the group has reported its first loss of £471K against a PBT of £1.8m in 1990. The core business of insurance broking, property management and bespoke development were all profitable. However, the acquisitions - Micrologic, Gordon & Gotch, Wespac and Proteus - did not fair so well. Indeed "the financial software division incurred a substantial loss compared with good profits last year". Proteus has continued to incur losses and we understand this division has been up for sale for some time even though Trace say now that they "remain committed to this market sector which we believe has great potential". Losses were also incurred in the supplies divisions.

Trace made its debut on the USM in June 1989 at 125p - the shares now stand at 23p. They hit a low of 15p before stakebuilding by Vistec's Bob Morton. *More next month.*

Accountancy software sales suffer

Reports released this month demonstrate that the accounting software products market has been hit badly by recession in the first half of 1991. Figures from Wharton (Tel: 081 891 6197) show that the number of software licences sold in the first half of 1991 were almost 40% lower than in the last six months of 1990.



At least the downturn in the market is one area of agreement amongst the researchers active in the sector. We have been deluged this month with claim and counterclaim over which supplier leads the ranking tables. Romtec claim that Multisoft's market share of the PC accounting software market has declined dramatically between March and June 91. These figures are not borne out by Context which shows Multisoft growing their share (by value) of the total accounts software market from 11.2% in the year to June 91, to 14.9% in the three months Apr - June 91.

By value, Context's Top Five for the year to 30th June 1991 is as follows:

1	Tetra	31.4%
2	Pegasus	18.5%
3	Multisoft	11.2%
4	Sage	11.1%
5	BOS	1.9%

However, Wharton claims that in the UNIX market "in terms of revenue, Tetra still dominates the market with 49% of total licence revenues, but they have fallen 7% since the year ending March 91, with both Multisoft and other vendors gaining some ground".

Both Tetra and Multisoft have had an eventful year. In June 90, Schroder Ventures invested £2m in Tetra in return for a 10% stake and Sean Dowling returned to lead the firm. They had a very impressive 1990 with PBT of £1.3m on revenues of £17.7m. But the events at Tetra pale into insignificance compared to the last couple of years at Multisoft. You may remember that Headland bought Multisoft in a deal worth £11m in Nov. 89. Then Headland was placed in the hands of the receiver in July 90, Tony Nicolls bought his old company from the receiver for £2.2m - £1.7m of which was for their Alton property. In Multisoft's financial year to 30th June 91 (11 months), PBT of £270K is shown on revenues of £4.15m. In characteristic fashion, Nicolls says the first year has been "bloody hard work" and he contends that the next 12 months will be equally tough. He believes that sales will not automatically pick up as the recession ends as so many companies are laden with too much debt to embark on the capital investment which normally accompanies a new accounting system. However, he hopes for a 20% revenue growth in the period. Nicolls points out that he only sells via resellers - which has been particularly badly hit in 1991. His rival, Tetra, has an active direct sales activity.

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