

System House

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

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July 1991

SD-Scicon - Countdown to a bid

Mar 1987 British Aerospace buys stake (which eventually reached 29%) in Systems Designers. Share price 89p at end April 87.

27th Jan 1988 Systems Designers announce that they are to acquire SCICON from BP for £82.5m. Systems Designers shares are suspended at 61p. SCICON had made losses every year since 1983. 1987 losses were c£11m (before tax and interest) on revenues of £175m. At the time of the bid, Systems Designers were capitalised at c£70m. *"The new company will have annual sales of about £230m; putting it number one in the UK and second only to CGS in Europe"*. Alan Cane - FT - 1st Feb 88. *"It's a very bold step. It's what the country needs"*. Analyst, Neil Barton, from Merrill Lynch.

23rd Mar 1988 Systems Designers announce PBT of £7.4m on revenues of £77.1m for 1987

16th Mar 1989 SD-Scicon (SD) announce PBT of £13.4m on revenues of £221m for 1988. Chairman, Philip Swinstead, says *"The merger of the two companies has proceeded most satisfactorily"*. SD-Scicon press release. *"Mr Swinstead is aiming to make a further large acquisition within two years"*. FT - 17th Mar 89. Share price 78p at end April 89.

22nd Mar 1990 SD announce a 46% decline in PBT to £7.2m on revenues of £283m in 1989. *"Mr Swinstead said the figures reflected the substantial costs involved in bringing together and restructuring the two companies; it included a £2.5m exceptional charge written off against a government project which had been mismanaged as a result of the merger. The group is abandoning its policy of acquisition in favour of organic growth...it was now time to consolidate and provide an adequate return to the shareholders"*. FT 23rd Mar 90.

25th Mar 1990 *"A sale by BAe of all or part of its 25% stake in SD is expected within the next few months. With SD at 80p, it could net BAe more than £50m"*. Sunday Times 25th Mar 90.

30th Apr 1990 *"Mr Swinstead feels that the worst is over and that an 8% return on turnover is possible in the not too distant future. That indicates profits well in excess of £20m...The chairman's view is supported by independent forecasts from brokers James Capel and County Nat West which see 1990 profits of £15m and £19m in 1991"*. Times - 30th Apr 90.

May 90. SD abandons talks with French Sligos. With the BAe stake "in play", takeover rumours grow. *"Analysts are*

7th Aug 1990 *suggesting a price for SD between 125p - 130p"*. FT - 16th May 90.

SD warns that it will make substantial losses in the first half and will do well to break even for the year. Shares drop to 55p.

19th Sept 1990 SD announces interim losses of £9.8m. £15m was set aside for fixed price project overruns. SD shares slip to 36p.

Mar 1991 John Jackson appointed as non-executive Chairman of SD. On 28th Mar, SD announces full year loss of £19.8m and £25m is set aside for fixed price project overruns. *"SD-Scicon retains its ability to astound the City...latest provisions stunned even seasoned SD-Scicon followers"*. Times 29th Mar 91. Shares slip to 29p.

23rd May 1991 **Cray Electronics** bids £111m (shares) for SD or 37.125p per share in cash. Cray says *"SD has no management, no strategy and no profits"*. BAe agrees *"irrevocably"* to accept the offer and to recompense Cray to the tune of £500K if a higher bid emerges. Shares rise from 36p to 40p on news.

10th June 1991 SD issues defence document rejecting Cray bid as *"ridiculously low"*. Chairman, John Jackson, forecasts interim profits (to 30th June 91) of not less than £4.5m. SD's French subsidiary, GFI, *"would realise £100m, which is more than the total cash value of the bid for the whole of*

SD. Cray would therefore be acquiring profitable US and UK operations with a turnover of over £160m for less than nothing". Jackson tells SD staff that BAe assured him of their support before he accepted the SD Chairman's position. SD *"requests contribution"* of £500K from BAe.

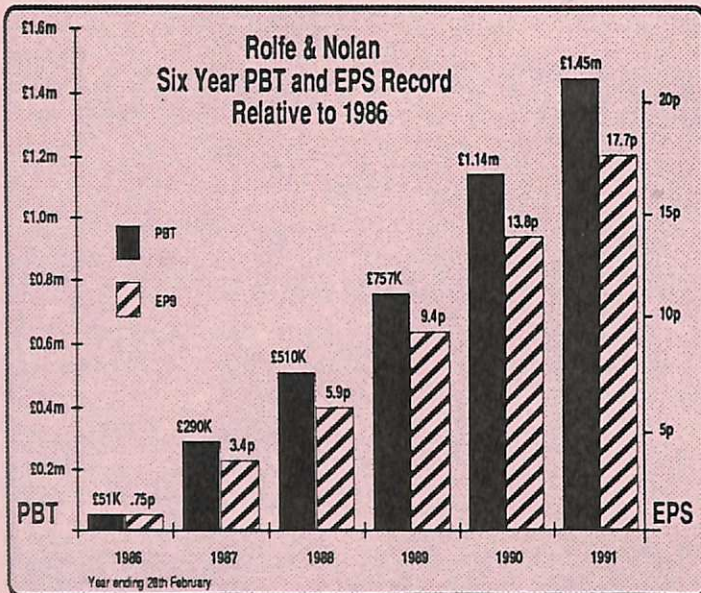
11th June 1991 **EDS**, the largest CSI operation in the world, 'phones Jackson at 11.50pm on the night of 10th requesting a meeting at 1.00am. At dawn, EDS enters the fray with £116.2m cash offer equivalent to 45p per share. *"Turning round the company will be harder than either Cray or SD anticipates"*. SD reject bid as *"unsolicited...and far too low"*. Shares rise to high of 61p but have now fallen to 49p.

At this point, we believe SD accepted that the end was nigh and went on to search for a "white knight". BT and Thompson are rumoured to have been approached.

As we went to press, Cray accepted that their bid was effectively dead as they now spoke for less than 0.5% of SD's shares. SD's defence to the EDS bid, which closes on 10th July, is due by 3rd July. *Further comment see p11.*

Difficult to fault Rolfe & Nolan

Re-reading everything we have written about Rolfe & Nolan in the last year, it would appear that we have never uttered a critical word. Well, the latest results justify our faith even though Mike Warburg would not have predicted such good results last autumn. For the year to 28th Feb 91, revenue is up 15% at £6.3m, PBT is up 27% at £1.45m and EPS is up 28%. In today's climate you would have difficulty finding a similarly good set of results. The six year record is equally impressive:-



It looks as though futures and options were the main contributors to the growth as bureau and FM operations in the UK rose by just 9% "despite the market for new UK customers remaining flat, with few new entrants and a number of withdrawals". Overseas licence orders seem to have been strong and six Benelux and two Austrian sales have been made since the year end. Indeed overseas revenues have grown by 37% in the last year to £1.8m and a phenomenal 850% in the last two years. Recurring revenue from software support has risen six-fold in the last two years. But cash and short term deposits seem to have decreased from £2.65m to £2.37m due to delayed payments for hardware last year and an increase in debtors this year as a result of the Austrian orders referred to above.

"The current year has started well. Though again substantially dependent on further Continental European licence sales, the prospects for further growth during the current year are good". Mike Warburg says that they plan to get the lion's share of the business around - but his fear is that the business just won't be around to get. Mr. Warburg always seems pessimistic whenever we talk to him - but the results he delivers always seem to be the opposite - if only there were more like him!

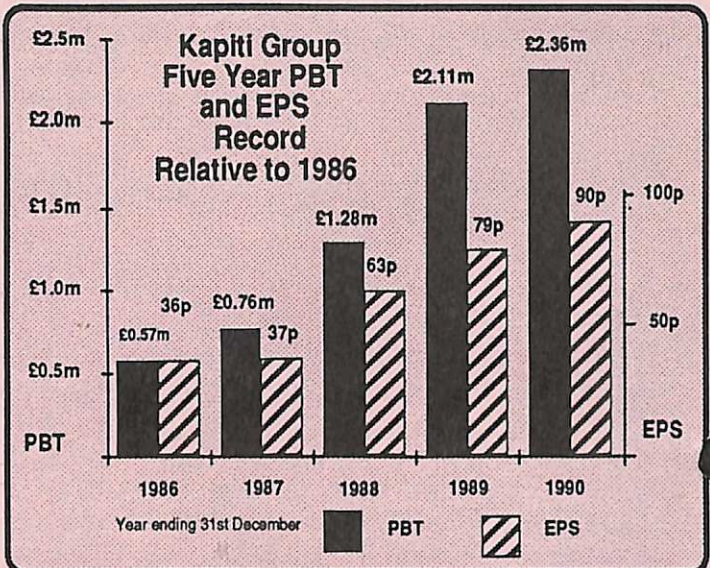
Given the remarkably high value put on Quotient by ACT last month, which has hardly had an exemplary record compared to R&N, and the fact that Mike Warburg is 62 and will surely wish to retire at some point soon, the next period could be interesting for R&N shareholders.

CA profits up

Computer Associates profits grew by 11%, to \$261m, in the year to Mar 91 but revenue was up just 4% at \$1.348 billion. CA(UK) had revenues of £48m - up 26%.

Profits growth at Kapiti

Kapiti's banking operations seem to have weathered the recession better than BIS (see *System House* June 91). Kapiti results for the year to December 1990 show revenues up 25% at £20.7m and PBT up 12% at £2.36m. EPS was up 14%. In contrast, BIS banking systems profits dived from £7.2m to £1m in 1990.



However, in January 1990, when Kapiti "merged" with dealing room experts, Aregon, the new organisation said it would "have a turnover in excess of £21m, generating PBT of £3.5m, and will be represented by 18 offices" throughout the world. So either the merger didn't go entirely as planned or the recession has had its effect. But as Kapiti says "We must be one of the few software companies with increased profits, no debt, cash positive and still recruiting".

Just no stopping Coda

As any avid reader will know we have been fans of financial accounting software developer, Coda since our very first issue. They prove that, like a small number of other UK CSI companies, it is possible to build international revenues and grow profits during a time of prolonged recession, a Gulf war and a strong dollar. Coda's latest interim results, for the six months to 30th April 1991, show revenues up 39% at £5.7m, PBT up 33% at £1m and EPS up 31%.

The DEC VAX version of the software still accounts for 72% of revenues; up a surprising 53% on last year. IBM revenues were up 64%. However, HP licence revenue was down 42%. 39% of revenue is generated from maintenance and services and 36%, or £2m, of revenues is generated from outside the UK.

The UNIX based product, which MD Rodney Potts hopes will be the last version, is due in 1992. A Dutch subsidiary was opened in Jan 91 and further expansion is planned in Europe and the Far East.

Potts forecasts profits of £2.7m - up nearly 30% - on revenues of £13m for the full year to April 1992; even after heavy development and expansion expenditure.

Potts says "I am confident we have the strength of management to control the anticipated growth and to apply prudent control over our costs to produce what will be an excellent result for the year". He has a pretty good record of getting his forecasts right.

If only there were more Codas.

Bonsai bucks trend

PC dealer, **Bonsai**, reported a 58% increase in PBT at £1.1m on revenues up 69% at £61.7m for the year to Dec 90. This is the ninth consecutive year of growth - impressive, particularly bearing in mind the recent fortunes of others in the PC sector. We understand that no more acquisitions are planned after three purchases in the last year.

Misys - bid or rerating?

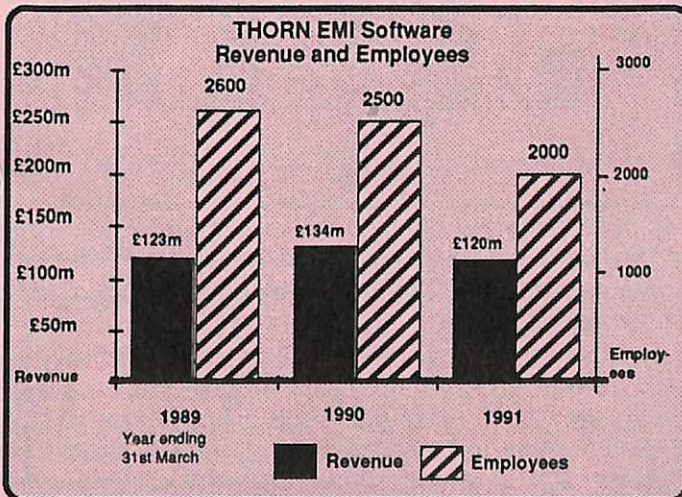
Misys's insurance subsidiary, **Misys Dataller**, has formed a joint venture with **IBM (UK)** to provide a network between the brokers and insurers.

Misys shares have performed really well this year rising by 132% from 76p to 172p - still down on their 460p all time high. Full year results are due in July with analysts expecting profits in excess of £5m. After investing over £80m in eight purchases in 1988/89, the only acquisition in nearly two years was the quite excellent purchase of **Star's** maintenance operations. We hope that the Misys management, which largely did not come from a CSI background, have spent the time gaining a better understanding of the industry. Latest rumours that **Cray** might be preparing a bid, after the failure of their bid for **SD-Scicon**, sent Misys shares up 35% this month.

For the record, Richard Holway, the editor of *System House*, now has no connection with Misys other than as an ordinary shareholder.

"Much improved results" at THORN EMI Software

We are grateful yet again to Bill Ellis, Marketing Director at **THORN EMI Software** for making available revenue figures for the year to 31st March 91. These show that the selling of **TECS** and **Datasolve Education**, the closing of **Micrologic** and the Australian business and "a few redundancies" resulted in a 10% reduction in revenues to £120m.

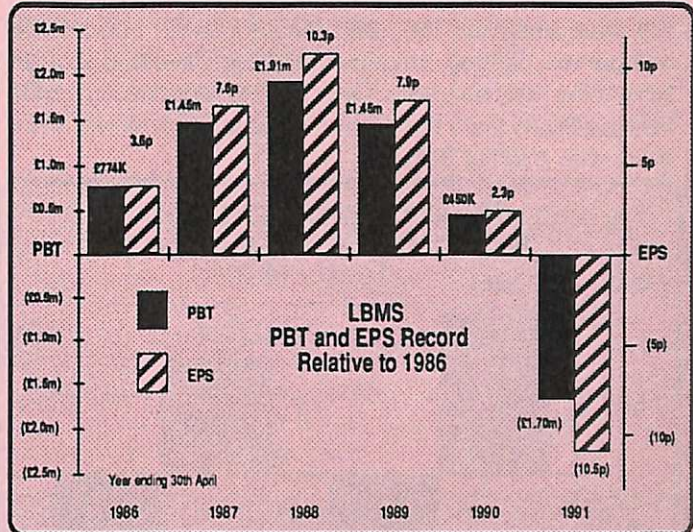


However this rationalisation programme, which had begun in 1989 after the appointment of Mike Smith as MD and has now been completed, seems to have improved performance. Basically, they now concentrate on **Systems Integration** and **Facilities Management** - two of the largest and fastest growing sectors of the industry. **THORN EMI Software** cannot issue separate profit figures but point to "much improved results in a difficult market". Indeed, **THORN EMI's** Technology activities, of which Software is a part, boosted profits by 35% to £73.3m.

We hope that this improved performance will enable **THORN EMI Software** to remain, with **Logica**, as one of the very few large UK owned **CSI** companies.

"Mixed Fortunes" at LBMS

Learmonth & Burchett (LBMS), the development methodology, tools and training operation, reported revenues up 5.5% at £19.5m for the year ending 30th Apr 91. However, a loss of £1.7m was reported against PBT of £450K last year.



Losses of £618K were reported in the interims which rather infers a worsening of the trading position in the last six months. Indeed Chairman, **Rainer Burchett**, admits that the results had fallen short of earlier estimates as "the recession is proving far deeper and longer than anticipated even as recently as when we published our interim results last December". At that time he admitted that **LBMS's** four acquisitions in the previous year (e.g. **Keith London** and **Michael Jackson**) had "diverted top management attention from our traditional core business". However, **LBMS** now say that they have "secured 4 times the number of new strategic accounts" because of the new products "brought to us by the acquisitions in 89/90".

LBMS has made at least 30 staff redundant thereby creating an exceptional charge of £378K and reducing the cost base by "some £200,000 a month less than the start of FY 90/91".

£1.5m of new equity was injected by institutional investors in 1990 - clearly required as interest paid increased 19-fold to £415K. No final dividend is to be paid and, indeed, **Messrs. Burchett and Learmonth** had previously waived their right to the interim dividend.

Burchett now says if there is an upturn "at some point in the second half of 1991...the cost cutting measures already taken, the new clients won and the record prospect list indicate a return to profits in the year just begun".

IBM shares slumped on warnings that Q2 profits would be less than expected. In the UK, **Romtec** reported that for the first time **Compaq** (19.7%) had a larger share of the UK PC market in April than **IBM** (17.2%). **Apple** came third with a 14.7% share.

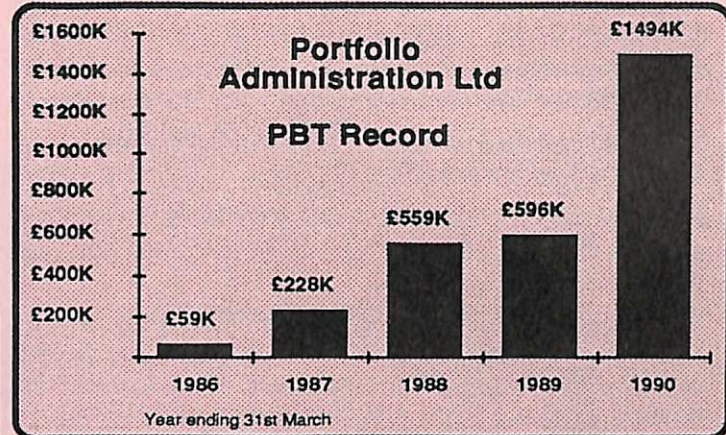
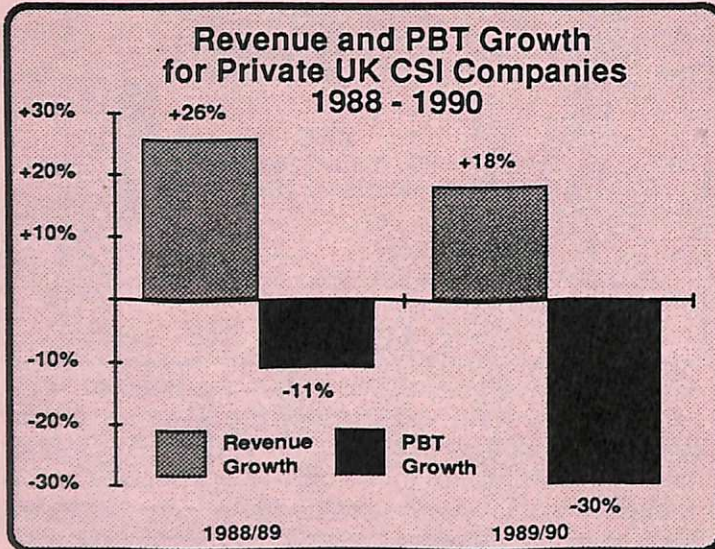
Two of **Apple's** directors left this month. Marketing Director, **John Leftwich**, joins **Microsoft**. **Peter Cousins**, who many *System House* readers will know as director responsible for strategic relationships, has also departed along with 17 other **Apple (UK)** staff.

Job losses at Bluebird - 40 jobs, or around 15% of the workforce, have gone at **Bluebird Software** - one of **IBM's** largest **AS/400** agents.

Best of the Privates

System House is full each month with the financial performance of the large and/or quoted computing services companies. This month we turn the spotlight on the best performing privately owned CSI companies in the UK.

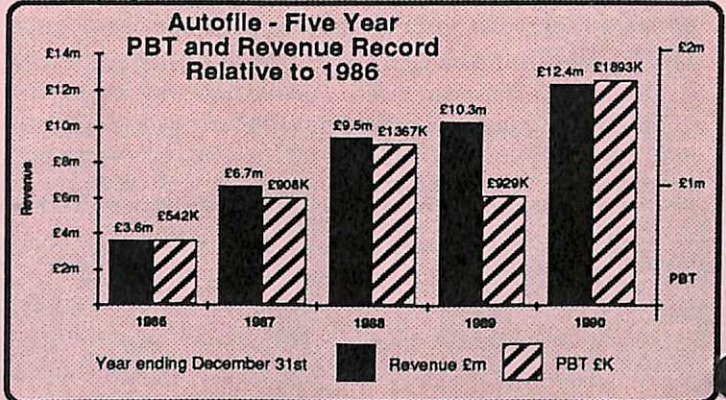
We have analysed the 1990 results of over 500 private companies. Overall, private companies have had a rough time in the last two years. Over the whole industry, profits fell by 17% in 1990 but private companies suffered even more with a fall of 30%.



Autofile. Autofile is a private UK CSI company specialising in systems for the travel market based on DEC VAX VMS kit. Their main claim to fame is their ATOP system "used by over 175 companies carrying some 7.2m passengers every year". Autofile Inc. operates in the US market; although 83% of Autofile's revenue still comes from the UK. The ATEL telephone management system has "been particularly successful" and the AMPS magazine publishing system is used by over 150 magazines. An FM operation has been established recently. Cash at bank increased by 87% to £2.2m. Chairman, Bob McPherson, owns 52% of the equity.

But there have also been some exemplary performances. In the following listings we have included only truly privately owned companies (ie unquoted companies majority owned by larger groups are excluded). We have also excluded companies with PBT less than £500K in 1989 and 1990. The Top Five private companies in 1990 by 1990 profits growth are as follows:

Rank	Company	1989	1990	Growth
1	Portfolio Administration	PBT - £596K Rev - £2.2m	PBT - £1.5m Rev - n/a	151% n/a
2	Autofile	PBT - £929K Rev - £10.3m	PBT - £1.9m Rev - £12.4m	104% 20%
3	Sapphire International	PBT - £1m Rev - £10.5m	PBT - £1.8m Rev - £12m	78% 14%
4	Specialist Comp. Centres	PBT - £2.2m Rev - £31.8m	PBT - £3.8m Rev - £48.2m	72% 52%
5	IPL	PBT - £523K Rev - £5.9m	PBT - £708K Rev - £6.7m	35% 14%



Sapphire International. Sapphire claims to be one of the "Top Five" UK PC software houses through their DataEase database product. Sharp Technology Fund has a 15% equity stake.

Specialist Computer Centres. SCC, a PC dealership, is the largest operating subsidiary of Specialist Computer Holdings (SCH). Other group companies include an IBM AS/400 agent, a payroll bureau and a PC distribution activity. SCH is owned by Peter Rigby who was said by the Sunday Times to be personally worth £70m - although this is probably an unrealistically high estimate. Group sales totalled £70m with PBT of £4.7m to March 1990 and sales in excess of £100m are forecast for 1991.

IPL - Information Processing Ltd. IPL was formed in the late 1970s and designs and implements complex real-time systems for aerospace, defence and industrial applications. Profits growth over the last five years has been both high and consistent. Retained profits have resulted in a net asset value of £2.8m - up 76% on 1989. Targets for the year ending Sept 1991 are for revenues in excess of £8.5m and a staff complement of 250. Three directors own 93% of the A shares.

The 1990 ranking table is headed by **Portfolio Administration Ltd.** Portfolio provides specialised bureau, administration and record keeping services to the securities industry. They have increased profits six-fold since 1987. They are in our Top Five list by PBT per employee - at £27.1K. The ultimate holding company is Cosima Investments Ltd (Channel Islands) but it appears that the majority of the shares are owned by the directors with the MD, T. Musgrave, owning the vast majority. As well as making the highest increase in PBT in 1990, they also ended the year with over £2.2m cash in the bank.

Richard Holway Results Service

Admiral plc	Results Revenue PBT EPS	Final - Dec 89 £15,971,000 £2,653,000 16.2p		Final - Dec 90 £21,207,000 £3,276,000 19.4p	Final Comparison +32.8% +23.5% +19.8%
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	Final - Dec 89 (amended) £8,707,000 £1,518,000 10.39p		Final - Dec 90 £20,072,000 £2,512,000 13.7p	Final Comparison +130.5% +65.5% +31.9%
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	Interim - Oct 89 £ 52,489,000 (£ 3,175,000) (2.28p)	Final - Apr 90 £ 117,133,000 (£ 2,795,000) (2.84p)	Interim - Oct 90 £ 53,406,000 £ 788,000 0.54p	Interim Comparison +1.7% Loss to profit Loss to profit
EIT Group plc (was Maxiprint)	Results Revenue PBT EPS	Final - May 89 £ 96,000 (£ 299,000) (2.54p)		Final - May 90 £ 368,000 (£ 882,000) (5.56p)	Final Comparison +283.3% 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%
Gresham Telecomputing plc	Results Revenue PBT EPS	Final - Sep 89 £ 2,519,080 (£ 777,000) (16.47p)		Final - Sep 90 £ 2,101,000 (£ 103,000) (1.99p)	Final Comparison -16.6% 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	Final - Dec 89 £8,003,000 £885,000 12.9p		Final - Dec 90 £11,154,000 £1,005,000 14.0p	Final Comparison +39.4% +13.6% +8.5%
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 25.01p		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 - April 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	Interim - Dec 89 £91,341,000 £6,022,000 6.2p	Final - June 90 £187,489,000 £9,011,000 9.0p	Interim - Dec 90 £95,490,000 £4,721,000 4.5p	Interim Comparison +4.5% -21.6% -27.4%
Logitek plc	Results Revenue PBT EPS	Interim - Sept 89 £18,723,000 £1,310,000 6.69p	Final - Mar 90 £59,580,000 £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	Interim - Dec 89 £6,947,000 £3,279,000 9.2p	Final - June 90 £14,775,000 £7,353,000 20.6p	Interim - Dec 90 £8,100,000 £3,367,000 9.5p	Interim Comparison +16.6% +2.7% +3.3%
Micro Focus plc	Results Revenue PBT EPS	Final - Jan 90 £35,639,000 £8,223,000 37.4p		Final - Jan 91 £ 46,382,000 £ 13,549,000 63.5p	Final Comparison +30.1% +64.8% +69.8%
Microgen plc	Results Revenue PBT EPS	Final - Oct 89 £45,071,000 £7,179,000 11.1p		Final - Oct 90 £47,115,000 £8,504,000 13.5p	Final Comparison +4.5% +18.5% +21.6%
Microvitec plc	Results Revenue PBT EPS	Final - Dec 89 £ 32,145,000 £ 1,276,000 3.1p		Final - Dec 90 £ 23,444,000 (£ 2,415,000) (6.2p)	Final Comparison -27.1% Profit to loss Profit to loss
Misys plc	Results Revenue PBT EPS	Interim - Nov 89 £38,383,000 £5,058,000 10.8p	Final - May 90 £76,741,000 £11,070,000 23.5p	Interim - Nov 90 £33,857,000 £1,521,000 3.1p	Interim Comparison -11.8% -69.9% -71.3%

Richard Holway Results Service

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	Final - Nov 89 £ 168,869,000 £ 11,066,000 20.0p		Final- Nov 90 £ 223,787,000 £ 13,117,000 18.5p	Final Comparison +32.5% +18.5% -7.5%
P-E International plc	Results Revenue PBT EPS	Final - Dec 89 £58,017,000 £5,622,000 21.1p		Final- Dec 90 £ 65,013,000 £ 4,214,000 15.0p	Final Comparison +12.1% -25.0% -28.9%
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	Final - Nov 89 £28,632,000 £2,003,000 4.74p		Final - Nov 90 £29,902,000 £2,820,000 6.48p	Final Comparison +4.4% +40.8% +36.7%
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	Final - Dec 89 (amended) £ 285,881,000 £ 3,615,000 (1.2p)		Final- Dec 90 £ 256,547,000 (£ 19,781,000) (12.42p)	Final Comparison -10.3% Profit to loss Loss both
Sema Group plc	Results Revenue PBT EPS	Final - Dec 89 £293,021,000 £17,457,000 11.6p		Final - Dec 90 £375,410,000 £15,331,000 10.5p	Final Comparison +28.1% -12.2% -9.5%
Sherwood Group plc	Results Revenue PBT EPS	Final - Dec 89 £25,397,000 £2,024,000 25.0p		Final- Dec 90 £ 24,785,000 £ 1,992,000 17.0p	Final Comparison -2.4% -1.6% -32.0%
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
Systems Reliability plc	Results Revenue PBT EPS	Final - Dec 89 £134,586,000 £7,863,000 12.76p		Final- Dec 90 £ 183,149,000 £ 7,532,000 7.4p	Final Comparison +36.1% -4.2% -42.0%
Total Systems plc	Results Revenue PBT EPS	Interim- Sept 89 £ 860,474 £ 39,865 0.29p	Final- Mar 90 £ 1,777,084 (£ 6,722) (0.08p)	Interim- Sep 90 £ 966,765 £ 19,949 0.13p	Interim Comparison +12.4% -50.0% -55.2%
Trace plc	Results Revenue PBT EPS	Interim - Nov 89 £5,796,000 £934,000 4.78p	Final - May 90 £13,933,504 £1,807,644 10.49p	Interim - Nov 90 £9,946,000 £31,000 0.06p	Interim Comparison +71.5% -96.7% -98.7%
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

Outside the UK...

JWP, the US water company, is to buy just over 50% of troubled US PC distributor, **Businessland**. The deal would value Businessland, which lost \$43m in Q3, at just \$45m.

Another currently troubled US company, **Oracle**, will be pleased to see the \$200m "long-term financing" that **Nippon Steel** will provide for a 49% interest in Oracle's Japanese subsidiary. As part of its diversification, Nippon Steel setup an Electronics and Information Systems Division which already has annual revenues exceeding \$740m and over 3,000 IT staff. The Japanese software market, which is expected to double in size to \$33 billion by 1995, is one of the fastest growing in the world.

The £230m deal for **ICL** to acquire the information systems operations of Finnish **Nokia Data** (\$1.3 billion annual revenues) would normally not feature in *System House*. However, readers should be aware that ICL made 50% or £800m of its revenues from software and services in 1990. Nokia Data is particularly strong in the retail, government and finance sectors.

Unisys has sold its LAN subsidiary, **Timeplex**, for \$207m cash to Swiss, **Ascom Holdings** and **MIT** of South Africa. Timeplex was acquired for \$300m in Unisys shares three years ago. The funds will help to reduce Unisys' \$3.9b debt mountain.

The others...Advance Computer Facilities Management, a PC dealer with revenues of £3.4m pa, appointed administrative receivers. **Synapse** has sold 81% of Synapse Italy to local management for £92K plus £53K to settle inter-company debt. For the seven months to July 90, Synapse Italy lost £58K on revenues of £36K and lost a further £186K in the eight months to Mar 91. **National Grid** has set up a commercial IT operation, **Gemstone**, offering open systems and support. **Servo Computer Services** has acquired Apple dealer, **Dewco**. **Alphameric** has sold its financial trading systems subsidiary, **FTT Alphameric**, to **BT**. FTT accounted for around half of Alphameric's £6.9m revenues. Yet another **Apple Centre (Chelsea)** has gone into liquidation. That's the second time in a year. Chelsea failed in 1990 when their parent CCA appointed receivers. Distributor, **Westcoast**, has organised an MBO from **British Technology Group (BTG)** involving a consideration of around £2.3m. By the way, it was reported that **Vistec's** Bob Morton had bought 2% of BTG. Morton has a canny knack of making money on the market (see p 10). **GFI (SD-Scicon's** French subsidiary) acquired 81% of **SA Informatique Proget** for £3.8m. Business services group, **ICD**, has bought **Limebrook Computers** for an initial consideration of £315K, plus £985K repayment of Limebrook loans and will provide a further £540K of working capital. ICD had been a major customer of Limebrook's direct marketing computer services; spending over £2m in its last FY. There were press reports that **Zellx** was selling its **Phoenix ICL VAR** division to **Vega** and that another ICL VAR, **AMP**, was "looking for a partner". **Devon Systems** has acquired **Softbridge Capital Markets**. French Ada specialist, **Alslys**, "is likely to be bought by **Thomson-CSF** in the next two weeks". CW 27/6/91.

EIT Group launched

On 10th June, **Maxiprint** shareholders agreed to change the name of the company to **European Information Technology** or **EIT**. Maxiprint started life selling photo processing labs. That did not work out too well as they lost £872K in the year to May 1990. The photo operations were sold to **Fototronic** for up to £183K in Jan 91.

Under the leadership of Chairman **Mike Dart**, who owns c17% of the ordinary shares and is a member of the **US Dart family** (of **Dart, Kraft, Tupperware** and **Duracell** fame), Maxiprint started their metamorphosis into a computing services company. In Nov 90 they purchased **Intercom** from the receivers. "Its principal product, the **Office Link office communications and messaging system**, has exciting sales prospects particularly in Germany". However, Maxiprint still forecasts a loss of £248K for the period ending 31st Mar 91.

Now **Michael Burden**, who "was employed between 1966 and 1980 by a number of major computer and business machine manufacturers - **Sperry Univac, General Electric, Singer and Nixdorf**", has been appointed as Chief Executive. A placing of 20m shares at 4p (or 20p after 1 for 5 consolidation) "raising an amount net of expenses of £650K" has been organised. The funds are, in part, to be used to fund the acquisition of **Decisionware**.

Decisionware, as many readers will know, is run by **Jennifer Levenson de Sanchez**. They employ 16 staff and have developed a **PICK**, and now **UNIX** based, **4GL** called **Dynamo**. **Decisionware** has reported losses in each of its last three financial years - their 1990 accounts were qualified:

Year to	Mar 88	Mar 89	Mar 90
Revenue	£376K	£385K	£559K
Loss BT	£81K	£28K	£183K

Decisionware has warranted PBT of £100K to Mar 91. "Management accounts for the 11 months to 28th Feb 91 showed turnover of £1.24m compared to just over £550K for the year to Mar 90". The **Decisionware** acquisition is one of the most interesting performance related deals we have ever encountered. Basically, the vendors will get £102K for 100% of the equity on day one. Then the performance related deal, which only relates to the vendors who remain as executives, could net a further £1.6m depending on profits for the years 1991 to 1996. For aficionados of such deals, **Decisionware's** executive shareholders get £5 worth of **Maxiprint** shares for each £1 they exceed £100K PBT in the financial year to Mar 92. This then becomes the base line profit for the next year when they get another £5 of shares for each £1 they exceed the base line profit and so on until 1996.

In addition, the **Decisionware** executive directors get annual salaries of £52K pa, a seven year contract and 30% of the pre-tax profits of **Decisionware** for each of those seven years. But there is more...**Jennifer Sanchez** is holding on to her 50% interest in **Inference Consultants** which will still get 60% of the **Dynamo** licence fees and 75% of its maintenance revenue. There is also a deal whereby the directors of **Decisionware Systems**, a PC subsidiary, can purchase a majority stake depending on future profits.

So far everyone who has tried the "let's build a UK computing services group by acquisitions" route has failed. **We wish the new EIT Group well but...**

Acquisitions, disposals and liquidations - continued

French acquire London Transport Network

Transpac, a subsidiary of France Telecom, has acquired the data communications network of London Regional Transport (LRT). Transpac intends to spend c£20m in the UK in the next three years. Fred Metzgen, DG of Transpac, was reported as saying "The UK market is significantly under-developed. In France, the largest VAN has 5.5m users - the largest in the UK currently has only 3,500 customers. We hope to have 2m customers within four years and a turnover of about £50m within eight years". Source - FT 8th June 91.

We can expect other acquisitions in, perhaps, yet another CSI area vulnerable to French takeover.

FI Group buys Kernel

The revitalised FI Group has made its second acquisition, buying the open systems companies - Kernel Technology and Kernel Training. To the year ending Mar 90, the Kernel Group had revenues of £4.5m but lost £1.84m. They then disposed of the Open Technology division in an MBO. Latest revenues for the remaining divisions, which employ 70 staff, are £3.6m and we would suspect they were still loss making.

Schroder Ventures was a major investor in Kernel. FI will not disclose the details of the deal. Chairman and founder of Kernel, Ian McNeill, has resigned.

"I have bought a suit" says Bellamy...

Size isn't everything. Certainly the acquisition of David Bellamy Associates by P-E International, for an initial £200K and a further £1.3m depending on performance, would not normally warrant the press coverage given. The Times gave the story 16 col. inches in the same issue as it gave the SD-Scicon defence to the Cray bid just 6 col. inches. Bellamy's environmental consultancy had PBT of £87K on revenues of £491K in the year to June 90.

As well as buying a suit so he can fit in at P-E, Bellamy said his main motivation was to give his "biological yuppies" a better career structure.

BAe and Sema in joint venture talks

British Aerospace is in talks with Sema over a "joint venture capable of taking prime contractor responsibility for large systems procurement projects." FT 19th June 91. The new company would embrace Sema's defence subsidiary Cap Scientific and Yard Systems. The move is said to be unconnected with BAe's sale of its 25% stake in SD-Scicon. However, there had been persistent rumours that BAe was interested in buying SD's systems integration activities if the Cray bid had been successful.

ACT axes 54 Quotient jobs

ACT acquired Quotient for £27.4m in May 91. They have since made 54 of Quotient's 350 employees redundant.

Total contract

We do not usually print order details but were pleasantly surprised this month to receive our first ever press release from Total Systems announcing the completion of a £1m UNIX based pensions system for Shell. Total is about the smallest CSI company on the USM, with a capitalisation of just £1.25m, and has had an abysmal record since its launch in Mar 88 at 85p. Shares now stand at just 13p.

"If you can keep your head when all about you are losing theirs...." Rudyard Kipling 1865-1936

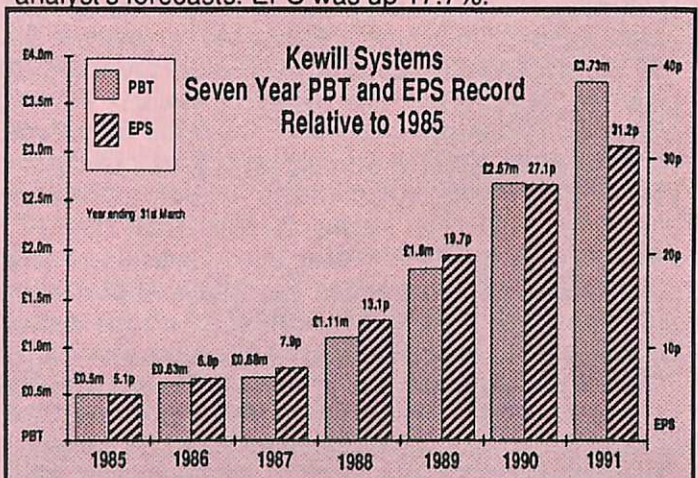
Lesson 1 - Hoskyns..

In comparison to all the other major UK CSI companies, the latest results for Hoskyns for the six months to 30th April 91 are pretty good. PBT is up 5% at £8.6m on revenues down 8% at £102.8m. EPS was up 2% and margins increased from 7.3% to 8.4%.

As previously announced, the loss of the London Residuary Board and GEC's FM contracts were the main reasons for the revenue decrease. Chairman, Geoff Unwin, cites Hoskyns' "ability to react rapidly to the effects of the economic downturn on our business has enabled us to produce a strong half year performance". 330 jobs have been lost in the period and the Australian operations have been closed. But Unwin warns that "Users are on a spending strike, cutting back expenditure on hardware, on services and on their own staff.... We are in uncharted waters and the short-term outlook is not promising. There is no sign of an upturn in the marketit is unlikely that our profitability in the second half will match that in the first". That would imply that Hoskyns will suffer its first PBT and EPS reversal on record. This would make it extremely unlikely that Hoskyns will trigger a higher exit price in late 1992 than the 469p minimum on offer from CGS for the 30% of Hoskyns shares it currently does not own. Hoskyns closed the month unchanged at 365p.

Lesson 2 - Kewill...

Companies that expanded into Europe have really reaped their just rewards. None more than Kewill Systems. Latest results for the year to 31st Mar 91, show revenues up 83% at £31.3m and PBT up 40% at £3.73m - in excess of analyst's forecasts. EPS was up 17.7%.



In Mar 1990, Kewill acquired Han-Dataport for £8.4m. Kewill admitted that this acquisition "has enjoyed an excellent year in German speaking areas...its contribution to Kewill profits exceeded 50%". Margins in the UK came under increasing pressure as revenue fell from £16.3m to £13.3m and operating profit fell from £2.7m to £1.7m. "However both PSI and Kewill-Xetal achieved profit growth whilst Omicron successfully more than doubled profits". Even loss making Trifid is reported as making profits in the second half. In the USA "Micro-MRP produced a satisfactory result".

Kewill's Chairman, Kevin Overstall, is looking for further growth in the year ahead "Although UK sales may be fairly flat until the economy picks up, margins should be better following a cut back on costs".

Computing Services Index

27th June 1991

April 15th 1989 = 1000

970.68

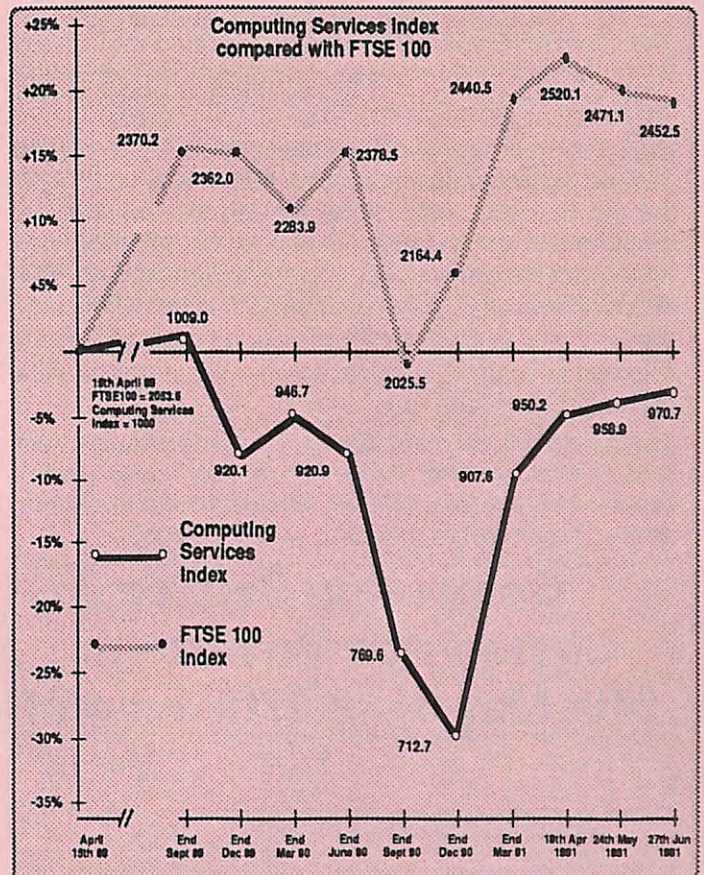
Changes in Indices	CSI Index	FTSE 100
Month 24th May 91 to 27th June 91	+1.23%	-0.75%
26 months 15 Apr 89 to 27th June 91	-2.93%	+19.42%
1st Jan 90 to 27th June 91	+5.50%	+3.83%
1st Jan 91 to 27th June 91	+37.13%	+13.52%

Computing Services Share Price Index

27th June 1991

Index Rank	15th April 1989 = 1000	Share Price 27/6/91	Index 27/6/91
1	Micro Focus	17.00	8212.55
2	Admiral	3.18	2304.34
3	Rolfe & Nolan	1.80	2126.32
4	Capita	2.00	2000.00
5	Sage Group	2.51	1930.76
6	Hoskyns	3.65	1780.48
7	ACT	1.11	1776.71
8	Quotient	2.03	1765.21
9	Electronic Data Processing	1.52	1551.01
10	Butler Cox	2.42	1382.85
11	Proteus	1.11	1321.42
12	Macro 4	3.02	1217.74
13	Kalamazoo	0.43	1214.29
14	Kewill	2.87	1134.39
15	Sherwood	1.18	983.33
16	Sema Group	2.78	874.21
17	P-E International	1.93	794.24
18	Microgen	1.63	696.58
19	NMW	0.41	683.34
20	EIT Group (Was Maxiprint)	0.17	680.00
21	SD-Scicon	0.50	634.62
22	Vistec	0.15	633.70
23	INSTEM	0.60	600.00
24	Logica	2.13	583.56
25	Sanderson	1.34	570.21
26	Computer People	1.31	539.09
27	Pegasus	1.80	490.47
28	MMT	0.82	488.10
29	Misys	1.72	427.86
30	Cray Electronics	0.73	426.90
31	Learmonth & Burchett	0.51	425.00
32	P&P	0.91	408.07
33	Radius	0.56	405.79
34	Systems Reliability	0.47	376.00
35	Microvitec	0.15	353.66
36	Synapse	0.77	265.52
37	Total	0.13	235.85
38	Trace	0.21	168.00
39	Gresham Telecomputing	0.15	161.29
40	Star	0.15	125.00
41	Logitek	0.15	86.62

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.



Rewards at SD-Scicon

Last month we carried a review of director's pay where the remuneration of SD-Scicon's CEO, Philip Swinstead, was found to have increased by 43% to £159K in a year when losses of £19.8m were reported. Mr. Swinstead earned more than his opposite numbers at Sema, Hoskyns or Logica - all of which made profits in 1990. Amongst CEO's of quoted CSI companies, only Terry Kelly at Macro 4 (£179K) and Roger Foster at ACT (£177K) earned more than Mr. Swinstead - and they had both produced impressive results. In fact, Mr. Swinstead's salary for 1991 had been increased even further to £180K "plus a bonus payment of up to 50% of annual salary....subject to the attainment of an annual budget target..." in a new 36 month notice contract signed on 15th March 1991.

Mr. Swinstead was not exactly happy with the pre-publication copy of our article sent to him on 14th May. We can only speculate on the reasons, but on 21st May 1991, the day of SD-Scicon's AGM, "It was agreed...between the Remuneration Committee and Mr. Swinstead that..Mr. Swinstead's service contract be amended to incorporate a lower salary of £125K plus an increased proportion of performance related bonus...the intended amendment would result in no increase in total remuneration for 1991 over that for 1990 unless SD-Scicon's PBT exceeds £10m". However, the amendment will only be implemented when the Cray offer lapses.

The SD-Scicon defence document for the Cray bid revealed that SD's FD, David Smith, was voted a 22% salary hike to £110K plus a bonus of up to 50% wef from 1st Jan 91. The document also stated that non-executive chairman, John Jackson, was on £50K pa plus £15K expenses. In addition, he was granted an option over 300K shares at 34p - on our calculations he's earned over £60,000 in his first three hectic months.

CSI Index rises again

The CSI Index rose 1.2% in June compared with a fall of 0.75% in the FTSE 100 Index. THE CSI Index is now at its highest point since Black Monday #2 in Oct 89.

EDP (see opposite) was the major gainer - up a massive 53% on excellent interim results. Misys was up 35% for the month - and 132% since 1st Jan 91 - on Cray bid rumours and latest results out in July (see p3). For once, the rise seems to have been volume driven with over 800K Misys shares changing hands on 25th June. SD-Scicon were up 24% as the Cray/EDS bid saga continues. Rolfe & Nolan were up 16% on yet another set of superb trend bucking results (see p2).

Trace lost 51%. Director, Zig Levy, says few shares were sold but accept that Trace faced very tough trading conditions at present. EIT (nee Maxiprint) shares fell 24% as the Decisionware purchase was concluded.

Computing Service Share Price Movements 24th May 91 to 27th June 91

Rank		% Change 24/5/91 to 27/6/91	% Change this year	Historic P/E
1	Electronic Data Processing	53.54%	92.41%	8.75
2	Misys	35.43%	132.43%	7.32
3	SD-Scicon	23.75%	90.38%	Loss
4	Rolfe & Nolan	16.13%	21.62%	13.04
5	ACT	14.43%	46.05%	15.70
6	Quotient	9.14%	275.93%	50.75
7	Micro Focus	6.25%	117.11%	26.77
8	Radius	5.66%	16.67%	8.64
9	Kewill	5.13%	47.18%	9.75
10	Macro 4	4.50%	28.51%	14.66
11	Sage Group	4.15%	28.06%	13.07
12	Logica	2.40%	27.54%	23.67
13	Cray Electronics	1.39%	30.36%	Loss
14	Sema Group	1.09%	-44.29%	26.48
15	Admiral	0.95%	41.33%	16.39
16	Sherwood	0.85%	38.82%	6.94
17	Hoskyns	0.27%	2.82%	28.08
18	Gresham Telecomputing	0.00%	-25.00%	Loss
19	MMT	0.00%	-7.87%	7.88
20	Star	0.00%	-6.25%	Loss
21	Butler Cox	-0.41%	126.17%	38.35
22	P-E International	-0.52%	39.86%	12.87
23	Sanderson	-0.74%	11.67%	5.40
24	Kalamazoo	-2.30%	49.12%	19.32
25	Capita	-2.91%	25.79%	14.60
26	Microgen	-2.98%	33.61%	12.07
27	Vistec	-3.33%	45.00%	15.26
28	Synapse	-3.75%	-28.04%	Loss
29	Total	-3.85%	25.00%	Loss
30	Proteus	-4.31%	21.98%	Loss
31	Pegasus	-8.63%	11.11%	5.92
32	NMW	-8.89%	78.26%	31.54
33	Logitek	-9.09%	-34.78%	0.92
34	Microvitec	-14.71%	-12.12%	Loss
35	Computer People	-16.03%	24.76%	7.98
36	P&P	-19.47%	8.33%	4.92
37	Learmonth & Burchett	-21.54%	13.33%	22.17
38	Systems Reliability	-24.19%	-2.08%	3.68
39	EIT Group (Was Maxiprint)	-24.44%	-32.00%	Loss
40	INSTEM	-27.71%	-31.82%	4.29
41	Trace	-51.16%	-62.50%	2.00

"Excellent" results from EDP

As most readers will know, we have been an admirer of **Electronic Data Processing (EDP)** since our first edition. Latest results for the six months to 31st Mar 91 show PBT up a massive 127% at £1.87m on revenues up just 3.9% at £8.65m. EPS was up 106%.

EDP distributes the Mentor range from EDP and is particularly strong in PICK based solutions. Indeed, their Mentor Merchant retailing system was a particularly strong performer. EDP has moved towards the higher end system; selling direct to the end user where margins are higher. Their MIX product has moved them into the UNIX environment.

As FD, Jeff Green, says "We don't consider ourselves as flame-proof to the recession...EDP is considered as cautious - we won't go anywhere unless we know where we are going". Not a bad maxim. Now EDP is "interested in acquiring compatible software solution based companies that will also expand the existing customer base". In other words they want to buy existing software products rather than develop their own. Results for the full year will be substantially ahead of the £2.1m PBT for the year to 30th Sept 90; although no-one can expect such "dramatic" growth in the second half.

Proteus misses placing projections by a mile

When **Proteus International** was launched onto the USM in May 91 at 84p per share, they projected revenues of £5.1m for the year to Mar 91. In the event, they achieved just £7K of revenue which resulted in a loss of £1.5m. R&D expenditure was £1.66m - £750K less than projected but interest receivable - at £334K - was spot on.

Proteus specialise in advanced computer-aided molecular modelling and design techniques. Live tests are currently taking place on HIV(AIDS) and LHRH (which controls fertilisation in animals and fish). Proteus is, perhaps, the strangest company in our lists. They could generate very high income from licence fees if they make a break through. Although revenues are not as forecast, the board wishes to stick to their policies rather than engage in "the premature marketing of our proprietary products or the carrying out of short term design contracts". They still have £2.1m cash left to assist in meeting this objective.

The results have not depressed Chairman, Kevin Gilmore, who looks "forward to the future with increased confidence". Shares are up just 6% on the launch price at 105p.

Vistec recovery

In Dec 90, **Vistec** declared drastically reduced interim profits. Chairman Bob Morton immediately bought more shares at 7p boosting his holding to 17%. He also told shareholders that "current performance is beginning to show an encouraging improvement". And so it came to pass. Results for the full year to 30th April 91 show PBT up 11% at £1.76m on revenues down 14% at £31m. EPS was up 3%. Even more impressive was the elimination of gearing - Vistec ended the year with net cash of £1.7m. Morton's purchase of Vistec shares have shown a profit of more than 100% - they are now quoted at 15p.

The second half performance is clearly impressive and resulted from "firm management action". Morton, who some in the City have nicknamed "the bear", is surprisingly confident for the future "tempered only by the current economic and political uncertainties which affect all of us".

CSI Capitalisation £1,782m

EIT was the highest % gainer in the month as a result of their rights issue. EDP also gained 53% due to excellent interim results.

ACT was the major capitalisation gainer - up £27m to £119m - as Quotient was reflected and the share price moved upwards. SD-Scicon put on £19m to £100m and Misys gained £15m to £59m - both in part due to Cray who stayed static at £76m.

P&P, where results are due next month, fell a further £12m to £50m. P&P was capitalised at over £90m in June 90. SRH also shed a further £11m after the EPS reversal announced last month.

"Straight in at number one"

Advance orders for Microsoft's MS-DOS 5 are higher than for any software product in history, adding \$200m to Microsoft's revenues which are expected to exceed \$1.8 billion this year. Potentially the new version could be used on an installed base of 60m PCs.

"If you've got a job, don't leave"

The national turnover of computer staff has reduced from 12.6% in 1989 to 7.6% in 1990 and from 13.9% to 6.8% in Central London. The redundancy rate is 2.2% and growing. "The fashion for changing jobs regularly to increase experience and salary has been put in abeyance by the recession" says Peter Stevens of Computer Economics who produced the survey.

Overseas job cuts at Logica....

Logica announced that 120 jobs were to go "principally in the US and Australia". Logica's US subsidiary "will report operating losses in the second half broadly comparable to those in the first half". This infers US losses of around £1m in the six months to June 91.

£5-6m reorganisation costs are likely in this year's accounts on revenues up 10% - ie c£206m. Logica shares rose on the news.

... and a clarification

Logica's David Mann has pointed out to us that the simple reason his board costs more than any other CSI company is that he has more executive directors. "If the executive directors were not members of the board, they would still receive their same salaries as managers and the net cost to the company of their participation is therefore very marginal". The point is well taken. The Highest Paid Director at Logica earned £116K in 1990 and ranked 31st on our lists. Around the same as the HPD at Hoskyns and Sema, but over £60k less than the HPD at SD-Scicon.

Andersen powers ahead in FM

Andersen Consulting reported income up 41.3% to £134m for the year to 31st March. In the "league tables" only Coopers & Lybrand Deloitte had higher revenues from management consultancy - at £142m - but we suspect that Andersen would be #1 by IT related revenue. Andersen Consulting has just been awarded a £55m 4 year FM contract by BP.

IDC's latest survey indicates that the UK FM market was worth £310m in 1990 and is set to be one of the most important markets of the 1990s; one of the few areas which is currently benefiting from the recession.

Computing Services Capitalisation - 27th June 91

Rank		Capitalisation 27/6/91 £m	% Change since 15/4/89	% Change since 24/5/91	£m Change 24/5/91
1	Hoskyns	£ 332.59	101.81%	0.27%	£ 0.89
2	Sema Group	£ 252.70	-11.05%	1.08%	£ 2.70
3	Micro Focus	£ 218.52	746.96%	6.28%	£ 12.92
4	Logica	£ 129.45	-41.37%	2.41%	£ 3.05
5	ACT	£ 118.60	199.49%	29.05%	£ 26.70
6	SD-Scicon	£ 99.92	-36.44%	23.66%	£ 19.12
7	Cray Electronics	£ 76.21	-48.82%	1.35%	£ 1.01
8	Macro 4	£ 66.78	23.89%	4.51%	£ 2.88
9	Microgen	£ 63.13	-28.59%	-2.88%	-£ 1.87
10	Misys	£ 58.65	-22.63%	35.44%	£ 15.35
11	P&P	£ 50.49	-32.41%	-19.47%	-£ 12.21
12	Sage Group	£ 49.60	133.96%	4.20%	£ 2.00
13	Systems Reliability	£ 34.22	-21.34%	-24.30%	-£ 10.98
14	Admiral	£ 34.10	133.56%	0.89%	£ 0.30
15	P-E International	£ 32.00	-19.19%	-0.62%	-£ 0.20
16	Quotient	£ 27.80	78.21%	9.02%	£ 2.30
17	Kewill	£ 27.32	62.64%	5.09%	£ 1.32
18	Capita	£ 25.40	213.58%	-3.05%	-£ 0.80
19	Proteus	£ 23.90	32.41%	-4.02%	-£ 1.00
20	Computer People	£ 17.80	-42.03%	-16.05%	-£ 3.40
21	Vistec	£ 16.43	190.86%	-3.33%	-£ 0.57
22	Electronic Data Processing	£ 13.10	54.85%	53.22%	£ 4.55
23	Radius	£ 12.97	-59.35%	6.30%	£ 0.77
24	Butler Cox	£ 12.90	38.41%	-0.77%	-£ 0.10
25	Sanderson	£ 11.81	-40.04%	-0.74%	-£ 0.09
26	Pegasus	£ 10.97	-44.58%	-8.56%	-£ 1.03
27	Rolle & Nolan	£ 9.71	122.24%	16.17%	£ 1.35
28	Microvitec	£ 9.00	-18.92%	22.62%	£ 1.66
29	MMT	£ 8.70	-49.72%	0.32%	£ 0.03
30	NMW	£ 8.47	-31.11%	-8.40%	-£ 0.78
31	Kalamazoo	£ 7.83	21.36%	-2.40%	-£ 0.19
32	EIT Group (Was Maxiprint)	£ 7.62	106.96%	397.78%	£ 6.09
33	Learmonth & Burchett	£ 6.79	-53.46%	-21.54%	-£ 1.87
34	Sherwood	£ 6.19	0.49%	0.81%	£ 0.05
35	Gresham Telecomputing	£ 4.78	7.90%	0.00%	£ 0.00
36	Synapse	£ 4.27	-58.14%	-3.83%	-£ 0.17
37	Trace	£ 2.77	-82.77%	-51.17%	-£ 2.91
38	INSTEM	£ 2.70	-40.00%	-27.61%	-£ 1.03
39	Logitek	£ 2.53	-91.43%	-9.32%	-£ 0.26
40	Total	£ 1.25	-76.42%	-3.85%	-£ 0.05
41	Star	£ 1.02	-87.44%	0.00%	£ 0.00

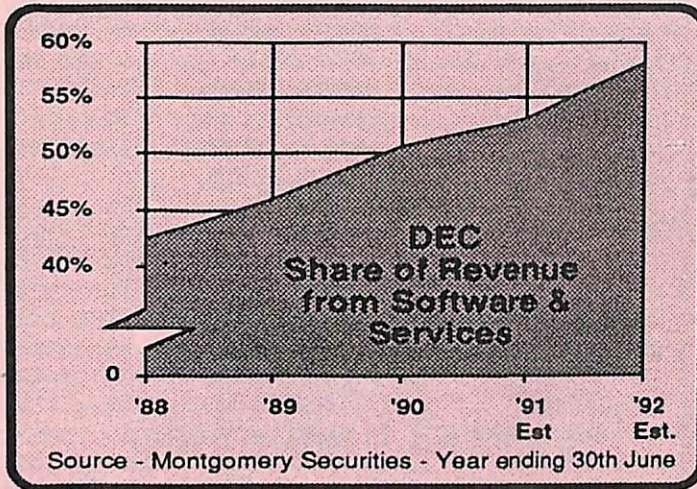
SD-Scicon - continued from p1

As we go to press, the SD saga is still unresolved. The Cray bid is now dead - indeed there are rumours that they have switched their attentions to Misys. SD shares have slipped from a high of 61p to 49p - quite close to the EDS cash bid of 45p. No "white knight" has so far emerged and SD have not issued a profit forecast for the year. Many believe that the first six months will be substantially better than the whole year; which is the reason for SD's reticence.

There seems to be no love lost between SD staff and its top management so the loyalty card is difficult to play. SD's shareholders seem willing to accept the best deal - rather than fight for independence to the bitter end. SD's protestations that recent acquisitions have valued companies in excess of revenue do not stack up with our findings. As EDS point out, SD itself only paid 47% of revenue for loss-making SCICON. We doubt if SD, with its abysmal trading record and current problems, is worth much more than its current capitalisation.

Everyone wants to be in computing services

Latest research from Montgomery Securities, as reported in Businessweek on 24th June 91, predicts that DEC will earn over half its revenues from computing services and software in the year ending 30th June 91.



"IDC estimates that industrywide pre-tax profit margins last year averaged 18% on software and 12.5% on computer services - much higher than the 4% yield on minicomputers". Our researches support these figures except that we would put the margins on services a few points lower in the UK.

Jane Tozer MBE



Congratulations to Jane Tozer - the current President of the CSA and Chief Executive of **Softwright Systems** - for her MBE in the Queen's Birthday Honours. Jane was also awarded the IDC Computer Person of the Year award in June. Tom McCafferty of Fraser Williams - another CSA ex-President - was awarded an MBE last year. Will Patrick Whale from KPMG be next?

McDonnell Douglas IS suffers profits fall

PBT at McDonnell Douglas Information Systems (MDIS) fell 30.9% to £16.5m for the year to Dec 31st '90 on revenues up 8% at £155m. The major reason was an unexplained decrease of £7.5m in interest receivable; even though "Cash at Bank" increased from £757K to £4.85m. Operating profits dipped by only 14%. Great care should be taken in reading too much into the UK accounts of an overseas subsidiary.

MDIS is a member of the CSA and the UK operation had figured as the most profitable UK CSI company in both 1988 and 1989. However, MDIS has slipped to the #2 position in 1990. MDIS's results had not been declared at the time of publication of the 1991 Holway Report. The definitive "Top Five" UK CSI companies by 1990 PBT is therefore as follows:

Rank		1990 PBT	1990 Revenue	Profit Margin
1	Hoskyns	£17.3m	£223.3m	7.7%
2	McDonnell Douglas IS	£16.5m	£155.0m	10.6%
3	Sema	£15.3m	£375.4m	4.1%
4	Datastream	£14.4m	£46.3m	31.2%
5	Micro Focus	£13.5m	£46.4m	29.2%

the Holway Report

The latest edition of the 1000 page Holway Report was published in June and the many *System House* subscribers who have ordered the report should have received their copies by now. We must be doing something right as both press coverage and, surprisingly in these difficult times, sales are three times higher than last year.

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