

System House

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

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When Richard Holway spoke at the opening session of the CSA annual conference this year, one of the

many points of contention was his inclusion of **BT Customer Systems** as the largest UK-owned supplier of computing services to the UK market.

After BT was privatised, several businesses were established in the IT sector. In 1988, these were put together as BT Customer Systems; not perhaps the most appropriate name and one that we expect (indeed hope) will change shortly. The **40 or so separate profit centres**, some of which were already undertaking some large projects for very sensitive customers, were run as a loose collection of businesses and, we understand, they didn't perform particularly well. In 1990, Bill Halbert joined from Software Sciences as MD. His role was to overhaul the business, which employs around 1800 staff headquartered in Fleet, Hampshire, and build a "tightly focused" systems integration business.

Indeed, BT Customer Systems could be described as the **classic systems integrator**. Its main activities are in project management and design. It puts together solutions from a variety of sources and owns very little product itself. This provides great opportunities for others in the industry to work *with* BT as partners. They have no hardware agency/distribution agreements and have a strong preference for open systems.

Customers, as one might expect, tend to be those that are "communications intense" - banking, airlines, transportation as well as Government, utilities and elements of manufacturing.

Of the £200m revenue recorded in the year to 30th Apr. 92 (about the same as in the previous year), 20% was earned outside the UK. £160m UK revenues still puts BT well ahead of any other UK owned CSI company.

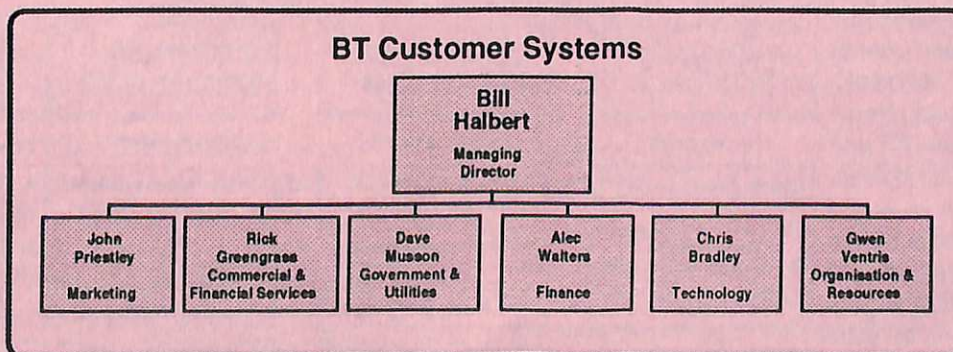


A "secret" MOD contract provides the largest single project but the much publicised, and delayed, Customs and Excise project is also significant. Revenues come

approximately 50:50 from the public and private sectors. Major projects/customers include Command & Control systems for fire brigades and other emergency services including BP. Banking contributes c£40m revenues where clients include Nat. West.. Their dealing room systems were originally known as City Business Products but have now been put together with BT Customer System's first and only acquisition to date. Dealing room systems operations - FTT - was purchased from Alphameric in June 91 for £1.85m. BT is also a major supplier of air cargo control systems and this month announced the launch of the CCS-UK network.

BT is known to have been at least "interested" in Hoskyns when the stake was put up for sale by GEC/Plessey. Recently, BT's name has been rumoured as a possible bidder for Logica. If you look at the CSI activities, and accompanying acquisitions, of the likes of AT&T, France Telecom, Nynex, etc., BT has a long way to go. £200m revenue out of a total of £13.4 billion is hardly substantial. Given that BT will face increased competition for its core business, it has to develop differentiating factors. One approach is the offer of network based FM as demonstrated by the contract awarded to Syncordia and Global Network Services (two other divisions of BT) by BP Chemicals for

the management of its pan-European network. But computing services is bound to increase in importance and we cannot see that their ambitions can



be met by organic growth alone.

We therefore expect BT's CSI activities to figure prominently in *System House* in the months to come. Perhaps, BT is the last remaining UK-owned operation which has the wherewithal to make it to the international CSI top league.

"Strong recovery" at Misys

"Trading conditions in the months ahead will worsen considerably and in consequence the outlook is cautious".

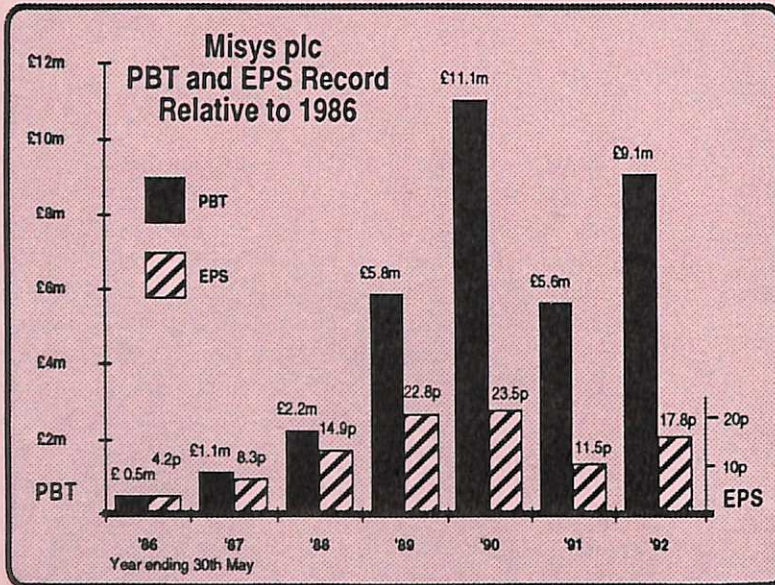
Before the Misys share price dives by 85% again, we should point out that this was Kevin Lomax's warning two and a half years ago in Jan 90. He was one of the first in the industry to warn of recession and was "rewarded" by a share price slump from 450p to 62p.

In retrospect, Misys' performance has been pretty good. Prior to the warning, the City had expected 1990 profits of £15m - in the event PBT of £11m was reported. As the share price fell, further acquisitions became difficult. Misys had to set about reducing its cost base to make profits rather than rely on ever increasing sales. 1991 results saw the first reversal in Misys' history. However, the latest results show a strong recovery with PBT up 62% at £9.1m on static revenues of £68m. This was better than the £8.5m expected by most analysts. EPS jumped 55%.

well as the smaller maintenance operations of Sign, Principality, CMS and AIM)

• "3% from a reduction in tax rates".

Misys reports "record profits" from Misys Computer Maintenance and Misys Financial Systems (the previously named Misys Dataller insurance activities). The acquisition of the remaining shares in Countrywide (considered as cheap by observers), can only strengthen Misys' dominate market position in the car insurance sector which some estimate at over 80%. However, Misys will have to spend heavily on R&D in the next few years to supply a more up to date replacement product. Indeed R&D is budgeted to rise from 8% to 15% of revenues. Only TIS Ltd. (the MIPS/CT hardware operation) reported losses for the year but managed to return to profit in the second half. Early sales of the new Strategix financial accounting product range are described as "encouraging".



Although order books are currently up by 10%, Lomax is still cautious and sees little evidence of recovery. He told us that when they set the latest budget they assumed zero growth - he now believes that is realistic rather than pessimistic as first hoped.

Misys was one of the first to recognise the recession, one of the first to cut costs and is now one of the first to show strong profits recovery. They will also be major beneficiaries of any upturn in the market "whenever that may come".

Further "selective acquisitions" are planned. Indeed, Misys announced the purchase of Specialist Computer Software Ltd., which sells software products for libraries, charities, membership systems and carpet manufacturers, and its sister maintenance company, for £2.87m just days after the results were announced in July. Specialist (no relation to Specialist Computer Centres) made

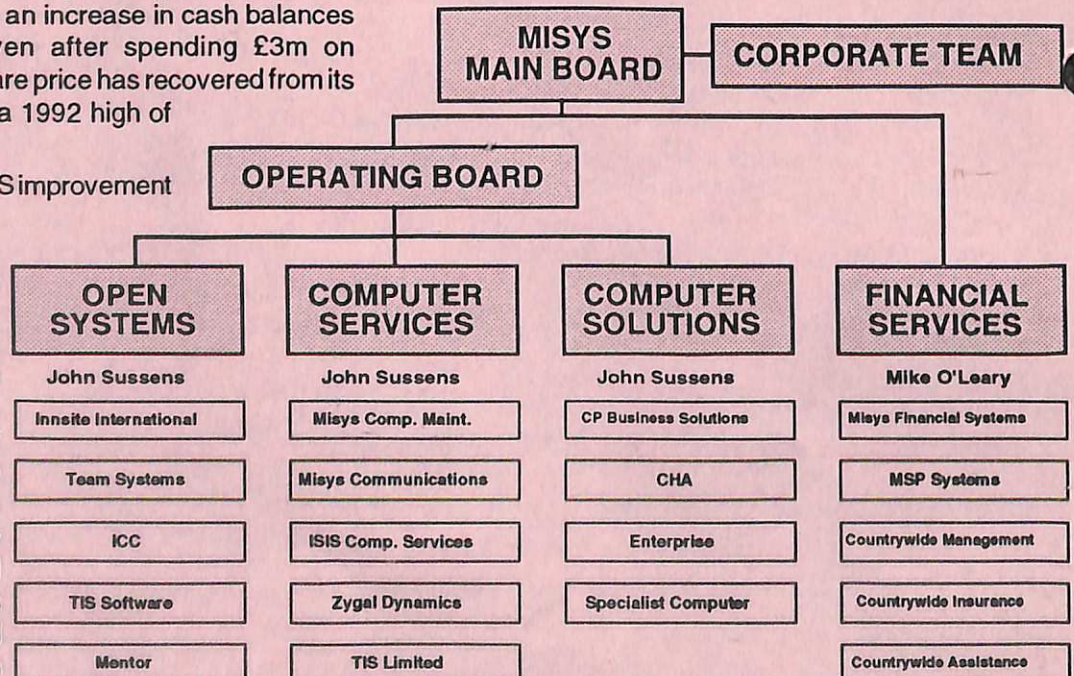
PBT of £760K last year, so the consideration looks cheap.

The legendary Misys cash management (debtor days now average 35) contributed to an increase in cash balances from £6.9m to £10m even after spending £3m on acquisitions. The Misys share price has recovered from its low of 62p in late 1990 to a 1992 high of 306p.

Misys analysed the 55% EPS improvement as follows:

• "38% from cost savings, better margins and control of working capital". Overheads have been reduced by between £7 and £8m since 1990. In addition, there has been a major switch away from hardware (where revenues fell 19% to £18.7m) to software (now £25.8m or 36% of total revenues) and services (now £26.7m or 38% of total revenue); both of which attract a much higher gross margin.

• "14% from acquisitions" (a full year for the Star maintenance operations and 6 months from INNSITE as



Misys, with current capitalisation of £108m, has already overtaken Logica. Analysts are forecasting profits of £13m in the current year.

Unacceptable face of free Enterprise

The Enterprise Computers story is one in which no-one in the industry can take pride. As readers will know, Enterprise (which was previously known as Systems Reliability) had been one of the most acquisitive companies around since Bob Evans joined as CEO from Hillsdowne to revitalise the telephone monitoring equipment supplier in late 1988. A long string of purchases was then followed by an equally long string of disposals from 1990.

Losses of £4.8m were announced for the six months to 30th Apr. 91. But as recently as March this year, Enterprise was signalling a return to profits - PBT of £1.7m in H2 1991. Then in June 92, US investment group, Hanna, bought a 13.2% stake; mainly from Bob Evans for 35p per share. Ex Guinness Shaun Dowling (note: no relation to Tetra), was appointed as CEO. The shares have slumped by 40% this month to a low of 14p.

Latest pronouncements for the 15 months to 31st Mar. 92 show why. A loss before tax of £8.3m (PBT £7.5m last time) was announced on revenues of £158m. If you think all that is bad enough, you need to read the rest of the announcement.

- the sale of **Corporate Computers** to Dutch VRG for "up to £13m" in 1990 resulted in further provisions of £172K.
- £731K was lost on the closure of **Chase Computers**.
- even though £12m was realised from the sale of the **communications and maintenance divisions** in June 91, the retention of a 25% stake meant that their share of an H1 loss of £555K and an H2 loss of £1.3m had to be consolidated into Enterprise's accounts.
- in June 91, a new Enterprise subsidiary, **Systems International**, was formed. Shaun Dowling now reports "I am sorry to inform shareholders that I have discovered that SI has never been a subsidiary and did not become an associate company until 17th Oct. 91 when Enterprise acquired a 50% interest". Even worse, it was discovered that Enterprise had to provide guarantees to SI suppliers. Dowling believes that the affairs surrounding Enterprise and SI "should have been approved by shareholders under the requirements of the Stock Exchange. No such approvals were sought or obtained". Enterprise believes it "should not continue to hold a major share in a very competitive business over which it has no effective control. Accordingly the board has decided to divest its holding in SI as soon as a suitable opportunity arises". Dowling described the whole situation as "very sloppy...I have seen 140-odd companies but this takes the biscuit".
- Enterprise was one of the only takers of a 4:1 rights issue in **Bleasdale** and thereby increased its stake to 78.8%. "This business does not form part of our core activities going forward" and this holding will also be sold.

Well, that's quite a catalogue of previously misleading statements. Indeed "the board is aware that credibility has been effected". It also believes that because of the new board and other changes "a new start can now be made". Enterprise intends to integrate its businesses into a "one-stop" full services company, which "works closely with its clients in planning their total IT requirements in the most efficient manner". This is about as bland and general a statement as you are ever likely to hear.

There are several high flying City folk who have tried to make it big in the CSI sector. Unfortunately the results of the majority have often brought the rest into disrepute.

September 1992

Question ... Who said the following?

"We have two very difficult sectors that we are not finding as difficult as they should be"

"Admiral is fit and lean"

"Well Richard...we manage our business, we take the tablets before we get the headache"

"It's hard to manage the unknown yet that is what we are having to do"

"It's taken us ten years to be an overnight success"

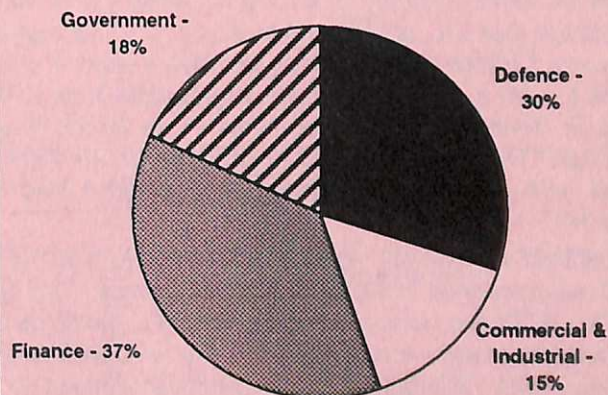
"Admiral continues to hold its own in difficult times".

These are all statements from Clay Brendish - the Chairman of **Admiral**. To this list of quotations can be added Alan Cane from the FT saying that Admiral has "a marked aversion to risk" and one of our own "Admiral is one of only three quoted CSI companies not to announce a reversal since 1986".

Latest results for the six months to 30th June 92 show PBT up 18% to £1.96m on revenues up 17% at £13.7m. EPS, however, increased by just 13%. Brendish remarked "the recession is still taking its toll of the computing services industry but Admiral continues to prosper". On top of this cash increased 36% to £1.7m, there is no real debt and Admiral has **increased** staff from 509 to 543 in the period.

Defence now accounts for only 30% of Admiral's revenue.

Admiral plc - Revenue by Market
Six months to 30th June 1992



For the future, Admiral is at least examining FM and management consultancy. With results like this we suggest they stick to the quality areas which have served them so well in the last few years. But even that is a bit unfair. It is not Admiral's markets, sectors or products which have led to their exemplary financial performance - it is strong and stable management. Brendish deserves his odd moments of gloating.

Political appointment?

Unlike today, back in 1981 - 1984, we had an IT minister who had some experience/knowledge of IT. Now that same minister, Kenneth Baker, has been appointed personal adviser to ICL's Peter Bonfield. With the explosion in Government outsourcing, that must be a good move.

Strong growth for Uniplex

Redwood International who trade as **Uniplex** were bought by IMI in Dec. 91 for an initial £15m and a further £8m based on future profits. Latest results to 31st Mar. 92 show sales grew 18% to £27.3m

EIT Group

EIT Group has *finally* got around to issuing its results for the year ending 31st Mar. 92. As EIT traded as Maxiprint, and had nothing to do with computing services in the previous year, comparisons are meaningless. The latest results show revenues of £7m, pre-tax losses of £190K and a loss per share of 1.3p. Chairman, Mike Dart thought that considering the significant restructuring costs taken in the year, the results were satisfactory and losses lower than expected.

The last year has been one of major transformation for EIT with a clutch of acquisitions, including **Intercom**, **Decisionware**, **Sintrom** and **ASL**, which add up to a base revenue of around £30m. In June they disposed of the loss-making Sintrom distribution business for £375K and this month have acquire "at no initial cost" the UK maintenance and support contracts of **Sequence Support Inc.**, a US based supplier of network systems.

CEO Mike Burden says that trading in "the first three months of the current financial year are encouraging... sales have increased and profitability improved over the comparable period last year. The directors anticipate a satisfactory outcome for the current year".

"Totally ruthless" Peter Bonfield

An excellent profile of ICL's CEO, Peter Bonfield, written by Carol Leonard recently appeared in the *The Times* (22nd Aug. 92). On joining ICL from Texas Instruments in 1981 Bonfield says "I saw my wife twice in the first year" as he spent his time reassuring customers who did not believe that ICL would survive. Even now "he regularly works 13-hour days, six or seven days a week and says he tries to avoid holidays". Dr. Nigel Horne from KPMG says Bonfield "is totally ruthless in an unsentimental sense". He says he does not have a best friend other than his wife. "After her, you would have to go a long way down".

Bonfield says he will retire once ICL is floated on the UK Stock Exchange in 1994/95 at £2.25 a share. "I've been the CEO since I was 39 and I don't want to block the way for all the young people in the company". He would only be 50 in 1994 - still making him about the youngest CEO of any major UK CSI company. As Bonfield says he wants "to prove that UK technology can be world class" perhaps he will continue to work for that goal post-retirement?

Continued recovery at Total

Total Systems was launched onto the USM in 1988 and then spent 3 years in the doldrums. However, they recently reported a recovery; making PBT of £757K on revenues of £2.8m in the year to 28th Feb. 92. At the AGM held this month, Chairman, Terry Bourne, told shareholders that revenues were up 11% in Q1 although he cautioned that, in making this comparison, the first three months of 1991 "were not of the best". However, assuming this improvement continued and, with the groups' strong cash resources, "a satisfactory return will be achieved".

Mounting problems for Northamber

The problems in the computer distributor channel were illustrated again this month with Northamber announcing losses of £2.7m (losses £1.6m in 1991) on revenues up 3% at £93.1m in the year to 30th June 92. But, remarkably, Northamber is still debt free with £1.3m cash in its coffers.

Whither Facilities Management?

In our July edition of *System House* we ran a feature contrasting the estimates and projections for the UK FM market from the major market researchers. The estimates ranged from "remaining constant until 1996 at least" from OTR-Pedder to an AAGR of >60% from Frost & Sullivan, with every other researcher disagreeing in between.

This month any follower of this market will have added to his confusion. Firstly, **Hoskyns** - for many years the largest supplier of FM services to the UK market - put out a press release stating that in the first seven months of 1992, they had signed 15 outsourcing deals worth £36m. "According to Hoskyns, this performance means that 1992 total market estimates for outsourcing in the finance sector from IDC are likely to be exceeded by an extremely wide margin". IDC had previously estimated that the total finance sector market for outsourcing in 1992 would be worth just £32m. Even given the inevitable argument about definitions that ensued, the difference between the two seems huge. Hoskyns go on to argue that the recession is a major catalyst for change in favour of outsourcing. Recent sales successes from other companies would seem to support that view.

But then we received an advance copy of the **CSA Annual Survey** of its members. As the CSA points out, the overall figures cannot be taken as representative of the growth of the CSI market as their membership list has increased significantly in the years being compared. However, we found it surprising that FM revenue from CSA members **dropped** by 7% from £330m to £307m in 1991; although the number of FM contracts increased. The major UK FM suppliers like Hoskyns, Andersen Consulting, ICL, Capita, Sema, Data Sciences and AT&T Istel were all respondents to the survey. Does this mean that non respondents, like EDS, IBM, CSC, are increasing market share? Or does it mean that the FM market pessimists were right?

Members of the CSA had combined revenues of £3998m in 1991. 42% of CSA members were divisions or subsidiaries of larger groups and 24% had overseas parents. "It is noteworthy that the majority of the top ten CSA companies now have ultimate ownership overseas". 12.6% of members reported a change of ownership in 1991.

The CSA Survey confirmed our own findings that although there has been a dramatic slow-down in the CSI growth rate, we have not seen a recession. A "like for like" comparison shows a CSA revenue growth of 7.25% in 1991 compared with the Holway Report figure of 6% and the DTI's 6.9%. A 1.25% spread is quite remarkably close.

Reductions in staff numbers had resulted in a major 10.5% increase in revenue per employee to £62,900 in 1991. The value of hardware sold by CSA members fell by 5.4% to £216m and now represents just 6.8% of CSA members revenues compared with 10.8% in 1990.

The largest single business sector is Software Products - which now represent 17% or £680m of CSA members revenues - up 33% on 1990. One of the new categories added to the CSA survey this year is Software Maintenance - a market that many have found to be particularly attractive in these difficult times. The market represents 6%, or £240m, of CSA member revenues.

The CSA concludes that their survey next year should "show positive growth and, hopefully, a return to the healthy growth rates which the industry has always enjoyed even if the industry itself has changed beyond all recognition".

Richard Holway Results Service

ACT Group plc	Results Revenue PBT EPS	Final - Mar 91 £ 98,831,000 £ 12,706,000 9.5p		Final - Mar 92 £ 119,447,000 £ 17,020,000 10.83p	Final Comparison +20.9% +34.0% +14.0%
Admiral plc	Results Revenue PBT EPS	Interim - June 91 £ 11,686,000 £ 1,667,000 10.3p	Final - Dec 91 £ 26,104,000 £ 3,472,000 21.9p	Interim - Jun 92 £ 13,656,000 £ 1,960,000 11.6p	Interim Comparison +16.9% +17.6% +12.6%
Capita Group plc	Results Revenue PBT EPS	Interim - Jun 91 £ 11,104,000 £ 1,382,000 7.1p	Final - December 91 £ 24,711,830 £ 3,448,487 15.71p	Interim - Jun 92 £ 13,732,000 £ 1,769,000 7.6p	Interim Comparison +23.7% +28.0% +7.0%
Computer People Group plc	Results Revenue PBT EPS	Final - Dec 90 £ 76,170,000 £ 3,106,000 16.42p		Final - Dec 91 £ 67,700,000 £ 1,010,000 5.48p	Interim Comparison -11.2% -67.5% -66.6%
Cray Electronics Holding plc	Results Revenue PBT EPS	Final - Apr 91 £ 107,286,000 £ 3,509,000 2.5p		Final - Apr 92 £ 84,786,000 £ 4,787,000 3.2p	Final Comparison -21.0% +36.4% +28.0%
EIT Group plc	Results Revenue PBT EPS	Final - Mar 91 £ 485,000 (£ 246,000) (4.15p)		Final - Mar 92 £ 7,029,000 (£ 190,000) (1.3p)	Final Comparison +1349% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Interim - Mar 91 £ 8,654,000 £ 1,865,000 14.69p	Final - Sep 91 £ 17,420,000 £ 4,083,000 32.83p	Interim - Mar 92 £ 7,468,000 £ 2,407,000 18.83p	Interim Comparison -13.7% +29.1% +28.2%
Enterprise Computer Holdings plc	Results Revenue PBT EPS	Final (restated) - Dec 90 £ 183,149,000 £ 7,532,000 7.4p		Final - 15 mos to Mar 92 £ 157,857,000 (£ 8,330,000) (9.8p)	Final Comparison not comparable Profit to Loss Profit to Loss
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Mar 91 £ 732,000 (£ 79,000) (1.26p)	Final - Oct 91 £ 6,296,000 £ 355,000 1.0p	Interim - Apr 92 £ 3,954,000 £ 284,000 0.57p	Interim Comparison +440.2% Loss to Profit Loss to Profit
Hoskyns Group plc	Results Revenue PBT EPS	Interim - Apr 91 £ 102,800,000 £ 8,600,000 6.4p	Final - Oct 91 £ 200,663,000 £ 14,299,000 10.5p	Interim - Apr 92 £ 95,700,000 £ 5,600,000 3.9p	Interim Comparison -6.9% -34.9% -39.1%
INSTEM plc	Results Revenue PBT EPS	Final - Dec 90 £ 11,154,000 £ 1,005,000 14.0p		Final - Dec 91 £ 15,810,000 £ 1,010,000 15.2p	Final Comparison +41.7% +0.5% +8.6%
Kalamazoo Computer Group plc	Results Revenue PBT EPS	Final - 8 mos - Mar 91 £ 39,000,000 £ 2,300,000 4.1p	Final - Jul 91 £ 60,764,000 £ 3,660,000 7.0p	Final - 8 mos - Mar 92 £ 38,300,000 £ 600,000 Nil	Final Comparison -1.8% -73.9% n/a
Kewill Systems plc	Results Revenue PBT EPS	Final - Mar 91 £ 31,298,000 £ 3,731,000 31.2p		Final - Mar 92 £ 41,824,000 £ 2,421,000 19.91p	Final Comparison +33.6% -35.1% -36.2%
Learmonth & Burchett Management Systems plc	Results Revenue PBT EPS	Final - Apr 91 £ 19,485,000 (£ 1,701,000) (10.5p)		Final - Apr 92 £ 21,404,000 £ 303,000 0.7p	Final Comparison +9.8% Loss to Profit Loss to Profit
Logica plc	Results Revenue PBT EPS	Interim - Dec 90 £ 96,054,000 £ 4,671,000 4.4p	Final - Jun 91 £ 197,758,000 £ 3,676,000 (1.6p)	Interim - Dec 91 £ 98,575,000 £ 2,155,000 2.1p	Interim Comparison +2.6% -53.9% -52.3%
Macro 4 plc	Results Revenue PBT EPS	Interim - Dec 90 £ 8,100,000 £ 3,367,000 10.1p	Final - Jun 91 £ 18,028,000 £ 7,647,000 23.0p	Interim - Dec 91 £ 8,829,000 £ 3,828,000 11.5p	Interim Comparison +9.0% +13.7% +13.9%
Micro Focus plc	Results Revenue PBT EPS	Interim - Jul 91 £ 25,387,000 £ 8,961,000 43.1p	Final - Jan 92 £ 55,869,000 £ 18,146,000 83.1p	Interim - Jul 92 £ 30,053,000 £ 9,420,000 45.9p	Interim Comparison +18.4% +5.1% +6.5%
Microgen Holdings plc	Results Revenue PBT EPS	Interim - Apr 91 £ 24,604,000 £ 4,328,000 7.2p	Final - Oct 91 £ 47,735,000 £ 7,283,000 12.2p	Interim - Apr 92 £ 24,974,000 £ 4,368,000 7.2p	Interim Comparison +1.5% +0.9% Same
Microvitec plc	Results Revenue PBT EPS	Final - Dec 90 £ 23,444,000 (£ 2,415,000) (6.0p)		Final - Dec 91 £ 36,873,000 (£ 3,847,000) (5.3p)	Final Comparison +57.3% Loss both Loss both

Richard Holway Results Service

Misys plc	Results Revenue PBT EPS	Final - May 91 £ 67,253,000 £ 5,626,000 11.5p	Final - May 92 £ 68,023,000 £ 9,118,000 17.8p	Final Comparison +0.8% +62.1% +54.8%	
MMT Computing plc	Results Revenue PBT EPS	Interim - Feb 91 £ 3,100,000 £ 626,000 3.4p	Final - Aug 91 £ 5,920,484 £ 1,256,967 6.8p	Interim - Feb 92 £ 3,009,000 £ 712,000 3.9p	Interim Comparison -2.9% +13.7% +14.7%
NMW Computers plc	Results Revenue PBT EPS	Final - Dec 90 £ 8,726,000 £ 413,000 1.3p	Final - Dec 91 £ 10,588,000 (£ 207,000) (0.9p)	Final Comparison +21.3% Profit to Loss Profit to Loss	
P & P plc	Results Revenue PBT EPS	Interim - May 91 £ 120,700,000 £ 3,300,000 3.9p	Final - Nov 91 £ 228,324,000 £ 711,000 0.9p	Interim - May 92 £ 119,300,000 £ 1,000,000 1.0p	Interim Comparison -1.2% -69.7% -74.4%
P-E International plc	Results Revenue PBT EPS	Final - Dec 90 £ 65,013,000 £ 4,214,000 15.0p	Final - Dec 91 £ 68,750,000 £ 1,622,000 4.9p	Final Comparison +5.8% -61.5% -67.3%	
Pegasus Group plc	Results Revenue PBT EPS	Interim - Jan 91 £ 4,138,000 £ 774,000 8.9p	Final - Jul 91 £ 8,493,000 £ 1,669,000 19.9p	Interim - Jan 92 £ 3,367,000 £ 320,000 3.8p	Interim Comparison -18.6% -58.7% -57.3%
Proteus International plc	Results Revenue PBT EPS	Final - Mar 91 £ 7,000 (£ 1,502,000) (7.01p)	Final - Mar 92 £ 3,000 (£ 2,410,000) (11.05p)	Final Comparison -57.1% Loss both Loss both	
Radius plc	Results Revenue PBT EPS	Final - Nov 90 £29,902,000 £2,820,000 6.5p	Final - Nov 91 £ 28,115,000 £ 366,000 0.8p	Final Comparison -6.0% -87.0% -87.7%	
Real Time Control plc	Results Revenue PBT EPS	Final - Mar 91 £ 7,571,000 £ 1,199,000 10.9p	Final - Mar 92 £ 6,835,000 £ 1,192,000 11.1p	Final Comparison -9.7% -0.6% +1.8%	
Rolfe & Nolan Computer Services plc	Results Revenue PBT EPS	Final - Feb 91 £ 6,298,000 £ 1,446,000 17.7p	Final - Feb 92 £ 6,737,000 £ 1,390,000 15.9p	Final Comparison +7.0% -3.9% -10.2%	
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 91 £ 7,821,000 £ 3,024,000 11.61p	Final - Sep 91 £ 20,002,000 £ 6,638,000 25.5p	Interim - Mar 92 £ 14,489,000 £ 4,340,000 14.53p	Interim Comparison +85.3% +43.5% +25.2%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 91 £ 10,606,000 £ 1,501,000 11.0p	Final - Sep 91 £ 20,503,000 £ 2,403,000 19.2p	Interim - Mar 92 £ 10,610,000 £ 1,801,000 16.0p	Interim Comparison +0.0% +20.0% +45.5%
Sema Group plc	Results Revenue PBT EPS	Final - Dec 90 £375,410,000 £15,331,000 10.45p	Final - Dec 91 £ 412,501,000 £ 14,015,000 11.02p	Final Comparison +9.9% -8.6% +5.5%	
Sherwood Computer Services plc	Results Revenue PBT EPS	Final - Dec 90 £ 24,785,000 £ 1,992,000 15.5p	Final - Dec 91 £ 22,321,000 £ 2,446,000 19.6p	Final Comparison -10.0% +22.8% +26.5%	
Star Computer Group plc	Results Revenue PBT EPS	Interim - Dec 90 £ 8,037,000 (£ 253,000) (3.7p)	Final - Jun 91 £ 13,718,000 (£ 886,000) (12.6p)	Interim - Dec 91 £ 3,473,000 (£ 240,000) (3.5p)	Interim Comparison -56.8% Loss both Loss both
Total Systems plc	Results Revenue PBT EPS	Final - Mar 91 £ 2,041,384 £ 102,768 0.74p	Final - Mar 92 £ 2,796,777 £ 756,880 5.11p	Final Comparison +37.0% +636.5% +591.0%	
Trace Computers plc	Results Revenue PBT EPS	Interim - Nov 90 £ 9,946,000 £ 31,000 0.06p	Final - May 91 £ 19,698,904 (£ 471,377) (2.04p)	Interim - Nov 91 £ 9,715,000 £ 221,000 1.59p	Interim Comparison -2.3% +612.9% +2550.0%
Vega Group plc	Results Revenue PBT EPS	Final - Apr 91 £ 4,984,000 £ 1,243,000 6.19p	Final - Apr 92 £ 6,269,000 £ 1,433,000 7.23p	Final Comparison +25.8% +15.3% +16.8%	
Vistec Group plc	Results Revenue PBT EPS	Final - Apr 91 £ 31,005,000 £ 1,763,000 0.95p	Final - Apr 92 £ 32,287,000 £ 2,714,000 1.52p	Final Comparison +4.1% +53.9% +60.0%	

Acquisitions, disposals and liquidations

Following the bear

Bob Morton, Chairman of **Vistec**, has been nick named "the bear" by the City for his legendary pessimistic outlook. However, he has a canny investment nose. Of course, his investment in Vistec, which has had about the best trading record around since his arrival in the late 80s, has provided a decent return. He bought at 7p and the shares currently stand at 20p. But it is following his other investments in the industry which we find interesting. He bought into **Logitek** and saw the price triple on the **Microvitec** bid. He bought into **Trace** and saw the price treble again. Then he bought into **Pegasus** before the reorganisation.

This month he has taken a stake at 5p a share, which could rise to 36.1%, in **MMI**; the troubled financial and corporate marketing group. Interestingly, **Stratagem**, which acquired **MBS/Touchstone/The Management Centre** (choose which you like, they are all the same), is taking an 11.2% stake in the restructured operation. Morton will become Chairman and announced that he intended to make **MMI** a shell company for his private interests. We suggest that other CSI companies who might become Morton targets should watch carefully.

Abtex buys Calibre

Abtex Computer Systems is a leading Scottish PC dealer which recorded record results in the year to 31st Dec. 91. Revenues grew 64% to £13.8m and PBT was up 62% at £811K. This month they have acquired a small Scottish Apple dealer - **Calibre Microsystems Ltd.** - which had revenues of around £750K. Abtex's Chairman, Brian Mills, anticipates rather more modest growth this year to sales revenues of around £16m for the combined group. Mills sees "the expanding Apple market" as a rather less troubled part of the micro market.

Learmonth & Burchett for sale?

Shares in **LBMS** have rocketed ahead in the last six weeks - at one stage reaching a high of 129p before profit taking reduced the price to 110p at the month end.

LBMS, the development methodology, tools and IT training operation, has had a rocky few years. Much of the problem seems to have been caused yet again by frenetic acquisition activity. Indeed a year ago the Chairman, Rainer Burchett, admitted that the purchase of Keith London and Michael Jackson "had diverted top management attention from our traditional core business". After declining profits in 1989 and 1990, a loss of £1.7m was reported in 1991. However, the latest results for the year to 30th Apr. 92 show a return to profits of £303K on revenues up 10% at £21.4m.

A bullish Chairman's statement, a favourable analyst's report and a series of share tips in *Techinvest*, *Penny Share Focus*, *Investors Chronicle* and the Sunday papers put a rocket under the share price. This was fuelled by persistent rumours that **LBMS** was for sale. "Possible buyers are said to include rival German software house, **Softlab**, **ICL** or a management consultancy". Source - *Computing* 20th Aug. 92. Burchett described the statement as "rumours put around by our rivals".

LBMS has a current capitalisation of c£15m. Together founders **Learmonth** and **Burchett** still hold over 50% of the equity with **CIN** as the largest institutional investor.

ICL buys MMC?

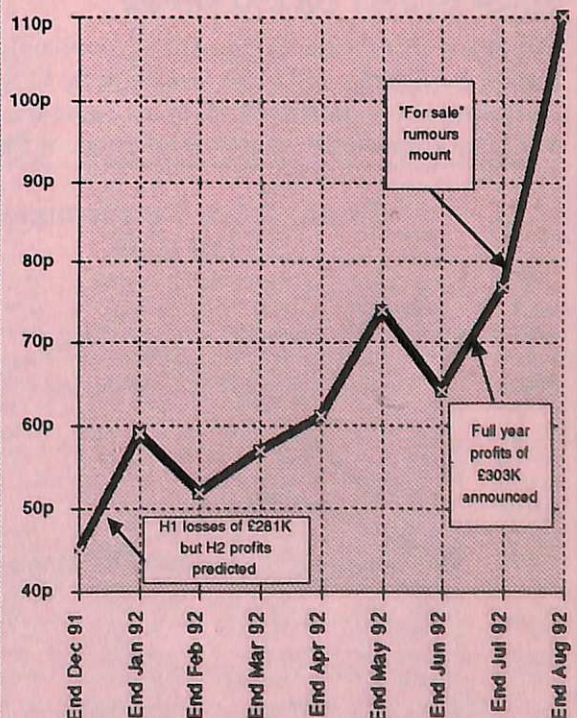
It is understood that **ICL**, via its FM subsidiary **CFM**, has been successful in acquiring **Municipal Mutual Computing (MMC)** from **Municipal Mutual Insurance** for a consideration of between £3.5m and £5m. However, it will not all be plain sailing as competitors (**Capita**, **McDonnell Douglas IS**, **Bull**, **ITnet** and **Hoskyns**) have complained to the Office of Fair Trading that **ICL** will now have over 50% of the local government FM contracts.

Hoskyns should remember that they once claimed over 50% of the total UK FM market. As only 40 councils out of over 500 currently use FM there would appear to be more than enough market potential to go around.

But the deal does reinforce, if such reinforcement is still necessary, that **ICL** is now a very major player in the CSI market.

The others...DEC has formed a joint venture company, **Bytel**, with **Autofile** (part of **Cray Electronics**) to sell applications to cable TV suppliers. **BP** is said to be "drawing up plans to sell its corporate data centre and networking operations as part of a £1b restructuring programme". Source - *Computing* 13th Aug. 92. **VARs Link Business Systems** and **Saffronrose** are merging to form **Meta Computer Systems**. Software authoring company, **Phoenix Technical Publications** of **Wokingham** has appointed the receivers. However, we know of several parties preparing bids. **Microlec** (itself acquired by **Meggitt** in June) has bought £300K revenue, **Forecourt Facts** - a specialist in petrol service station software. Peripherals distributor **PCML** has gone into voluntary liquidation. **British Data Management** has acquired the data storage business of **Exclusive Group** for £1.45m. **Microgen** has acquired, via its Danish subsidiary **Capella COM-Data A/S**, the electronic printing and COM business of **NCR - JDC Data** - for £1.07m in cash. **Bytech** managers have completed their £6.6m MBO from **Electron House**.

LBMS - Share Price Movements In 1992



Datastream sold for £100m

On 5th Mar. 1990, Dun & Bradstreet announced that Datastream (UK) and Interactive Data were up for sale with a rumoured price tag of \$350m. By Nov. 1991, there had been no takers and the operations were said to have been taken off the market. This month it was announced that Primark "a Virginia-based holding company", was to purchase just the Datastream operation for \$191m (c£100m). The deal will be financed, in part, by the issue of zero coupon notes which we thought were regarded as discredited junk bonds.

Datastream was set up by Hoare Govett in 1976 and has grown, for much of that time under the leadership of Tony Helman, to be a market leader in the provision of on-line financial investment information and portfolio accounting services. Datastream has been one of the most consistent high profit earners on the UK scene but, as we have said before, published results from UK subsidiaries of US companies must be regarded with some suspicion.

D&B bought Datastream in 1984 for \$102m, or c£74m at the time, and

sold it to Primark for \$191m, or £100m. Not the most exciting return in an eight year period. In addition, an historic P/E of 10.4 seems a steal given the very high prices paid for other computer based information providers recently. But a closer look at the accounts would show that D&B has taken out quite a lot in dividends over the years. In 1991, dividends of £6.95m were paid out of post tax profits of £9.5m and in 1990 dividends of £11.5m were paid out of post tax profits of £10.7m.

Primark, under the leadership of McGraw-Hill's ex acquisitions head, Joseph Kasputys, is being transformed into a major information services provider. Primark has recently purchased Wellmark which is a kind of Datastream for medical and insurance companies and The Analytic Sciences Corporation (TASC). Tony Helman told us that he was particularly interested in the benefits that TASC could provide to Datastream in expanding its operations in the US. He also told us that all the Datastream management had signed up to stay with the company - a necessary safeguard for both parties.

Major falls for US CSI Stocks

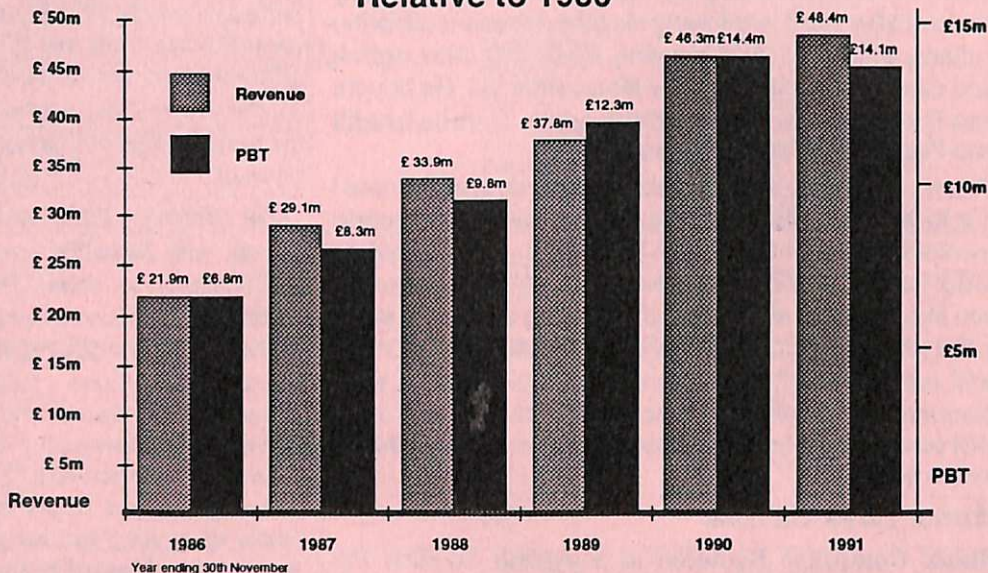
The falls in UK CSI stocks (see p 9) is as nothing compared with the "drubbing" given to US CSI stocks. The Donaldson, Lufkin & Jenrette CSI Index has fallen by 17.8% in June/July and their US CSI Index is now 12.5% off on the year compared with a gain of 29.1% in our index of UK CSI shares. Falls were recorded in all CSI sectors. The biggest fall in July was recorded by client-server company Easel - down 70% - after it surprised analysts by announcing that it would

report a loss in Q2. Symantec, which bought their UK distributor for £15.9m in Mar. 92 and UK Zortech for £7.6m in Aug. 91, also fell 57% as sales of their DOS software products "fell to the low end of expectations".

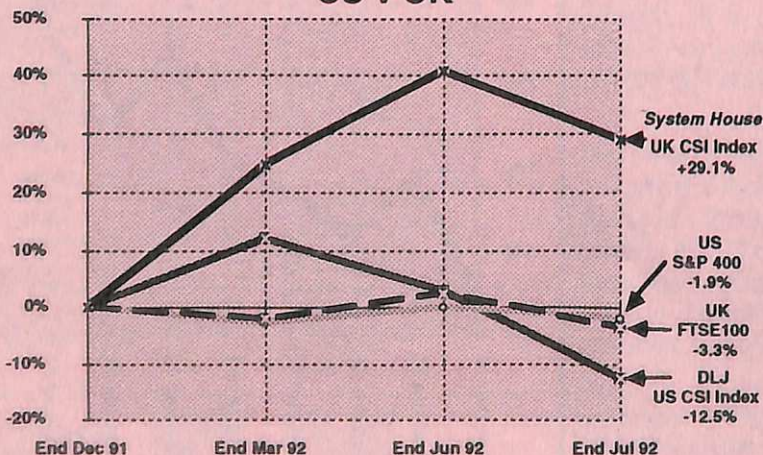
But share falls were also recorded by mainstream CSI companies. Systems Center reported a large loss in the last quarter "as sales of its UNIX and AS/400 products were weak" and their shares fell 39% in July. Computer Sciences fell 21.5% in July. CSC earnings are ahead of expectations due to US operations but "their European operations continue to operate at a loss". Even EDS, which this month reported record results, fell 17.8%.

On a brighter note, Oracle put on 23.5% in July as their strong full year results surprised analysts. DLJ is optimistic for the future for US CSI stocks.

Datastream International Six Year Revenue and PBT Record Relative to 1986



Share Price Performance US v UK



Source - Donaldson, Lufkin & Jenrette/Richard Holway Limited

Further month of falls

For the second month running the majority of stocks which constitute our CSI Index suffered falls. Although our Index fell by 2.5%, the FTSE 100 suffered even more, with a 4.2% decline as fears of an interest rate rise intensified.

The highest gain was achieved by **LBMS** - up 43% on the month at 110p; less than its 129p high due to profit taking. **LBMS** is currently subject to "for sale" rumours - see p 7.

Other winners this month were few and far between. **Enterprise Computers** was, not over surprisingly, the major loser - down 40% on the month as the new directors uncover more nasties. (see p 3). Our resolution not to mention **Star Computers** after Ron Blechner complained that *System House "accords our small company far more significance than we deserve"* did not last long. A number of parties have been stake building recently. We have already noted ex-TIS/Misys director Gordon Skinner's interest but, in the last month, Luke Johnson and Hugh Osmond have bought a 22% stake from Star's director shareholders. It hasn't done too much to help the share price though; which fell by 31% this month. **Computer People** fell 30% as the contract staff and recruitment markets take still more battering. **P&P** lost another 15% to 33p. **P&P** had been trading as high as 230p in 1990. **P&P** capitalisation is now just £18.3m - way below what **ICL** paid for the smaller **Technology plc**.

The capitalisation order has changed significantly. This month, due to the Dowty IT purchase, **Cray** has increased its capitalisation by £26m to £124m to make the #5 slot behind **Hoskyns** (£410m), **Sema** (£256m), **Micro Focus** (£226m) and **ACT** (£194m). On the other hand **Logica**, which had a capitalisation of over £200m at the start of 1990, lost a further £12m this month to end at just £86m. This must intensify takeover speculation. Interesting that **P&P** was at one time the third most valuable CSI company.

Computing Services Index 27th August 1992

April 15th 1989 = 1000

1315.18

Changes in Indices	CSI Index	FTSE 100
Month 30th July 92 to 27th August 92	-2.50%	-4.15%
40 months 15 April 89 to 27th August 92	+31.52%	+12.56%
1st Jan. 91 to 27th August 92	+85.79%	+7.00%
1st Jan. 92 to 27th August 92	+25.87%	-7.28%

System House CSI Share Prices and Capitalisation

	Share Price 27/8/1992 (£p)	Capitalisation 27/8/1992 (£m)	Historic P/E	CSI Index 27/8/92	Share price % move since 30/7/92	Share price % move this year	Capitalisation move (£m) since 30/7/92	Capitalisation move (£m) this year
ACT	£ 1.46	£ 193.60m	14.04	2336.93	-3.95%	-3.95%	-£ 8.00m	£ 7.70m
Admiral	£ 3.61	£ 38.70m	15.57	2615.94	5.87%	20.74%	£ 2.10m	£ 6.40m
Capita	£ 3.31	£ 49.80m	23.81	3310.00	-11.50%	26.34%	-£ 6.50m	£ 10.50m
Computer People	£ 0.72	£ 9.99m	18.80	296.30	-30.10%	-37.39%	-£ 4.31m	-£ 6.01m
Cray Electronics	£ 0.62	£ 123.90m	22.66	359.65	-15.17%	-5.38%	£ 26.50m	£ 56.00m
EIT Group	£ 0.21	£ 7.16m	Loss	840.00	5.00%	75.00%	£ 0.46m	£ 1.78m
Electronic Data Processing	£ 4.13	£ 36.00m	13.71	4214.26	-8.22%	42.91%	-£ 3.20m	£ 11.00m
Enterprise	£ 0.15	£ 10.70m	Loss	116.00	-39.58%	-9.38%	-£ 6.80m	-£ 1.70m
Gresham Telecomputing	£ 0.29	£ 9.24m	40.00	311.82	-27.50%	222.22%	-£ 3.46m	£ 6.37m
Hoskyns	£ 4.40	£ 410.30m	41.71	2146.34	0.46%	11.39%	£ 2.00m	£ 50.80m
INSTEM	£ 0.95	£ 4.27m	6.45	950.00	-3.06%	26.67%	-£ 0.14m	£ 0.90m
Kalamazoo	£ 0.35	£ 6.36m	n/a	345.00	-4.17%	-27.37%	-£ 0.27m	-£ 2.02m
Kewill	£ 0.95	£ 11.30m	5.07	375.49	-5.94%	-69.84%	£ 1.69m	-£ 18.80m
Learmonth & Burchett	£ 1.10	£ 14.70m	110.00	916.67	42.86%	89.66%	£ 4.40m	£ 6.97m
Logica	£ 1.41	£ 86.40m	Loss	386.30	-11.88%	-26.94%	-£ 11.70m	-£ 31.90m
Macro 4	£ 4.45	£ 99.70m	19.04	1794.36	1.60%	17.41%	£ 1.80m	£ 16.20m
Micro Focus	£ 16.53	£ 225.70m	20.64	7985.50	-3.62%	6.78%	-£ 8.50m	£ 23.30m
Microgen	£ 1.45	£ 56.10m	12.54	619.66	-5.23%	-9.94%	-£ 3.10m	-£ 6.20m
Microvittec	£ 0.26	£ 16.70m	Loss	621.95	-7.27%	75.86%	-£ 1.30m	£ 7.72m
Misys	£ 2.80	£ 108.10m	17.08	696.52	-7.89%	37.93%	-£ 7.30m	£ 38.90m
MMT	£ 1.11	£ 11.80m	15.88	660.72	2.78%	33.73%	£ 0.30m	£ 2.99m
NMW	£ 0.45	£ 9.39m	Loss	741.67	-15.24%	17.11%	-£ 1.71m	£ 1.74m
P&P	£ 0.33	£ 18.30m	43.33	147.98	-15.38%	-17.50%	-£ 3.30m	-£ 3.30m
P-E International	£ 0.58	£ 12.70m	13.27	238.68	-10.77%	-53.60%	-£ 1.50m	-£ 14.60m
Pegasus	£ 1.47	£ 9.34m	7.74	400.55	-4.55%	-2.00%	-£ 0.44m	£ 0.17m
Proteus	£ 3.37	£ 90.50m	Loss	4011.89	6.65%	98.24%	£ 5.60m	£ 52.40m
Radius	£ 0.45	£ 12.30m	5.75	326.08	-2.17%	15.38%	-£ 0.20m	£ 1.70m
Real Time Control	£ 0.71	£ 4.97m	7.21	1448.98	-11.25%	-31.07%	-£ 0.63m	-£ 2.24m
Rolfe & Nolan	£ 2.24	£ 12.60m	14.65	2646.08	-3.86%	16.67%	-£ 0.50m	£ 1.70m
Sage Group	£ 3.33	£ 66.70m	14.39	2561.53	-9.26%	0.00%	-£ 6.80m	£ 0.80m
Sanderson	£ 2.20	£ 19.40m	10.68	936.17	7.32%	78.86%	£ 1.30m	£ 8.60m
Sema Group	£ 2.82	£ 256.40m	25.59	886.79	0.00%	29.95%	£ 0.00m	£ 58.20m
Sherwood	£ 2.20	£ 13.50m	11.73	1833.33	-4.35%	64.18%	-£ 0.60m	£ 6.57m
Star	£ 0.33	£ 2.25m	Loss	275.00	-31.25%	43.48%	-£ 1.02m	£ 0.68m
Total	£ 0.45	£ 4.50m	9.00	849.07	-2.17%	32.35%	-£ 0.10m	£ 1.10m
Trace	£ 0.25	£ 3.42m	Loss	200.00	-10.71%	-30.56%	-£ 0.41m	-£ 1.45m
Vega Group	£ 1.25	£ 17.60m	19.55	1024.59	-3.85%	2.46%	-£ 0.74m	£ 0.39m
Vistec	£ 0.20	£ 22.70m	14.80	874.07	-11.11%	48.15%	-£ 2.80m	£ 7.40m

Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; a change in the share price of the largest company has the same effect as a similar change for the smallest company.

Rigby bucks the trend

The appearance of Peter Rigby's **Specialist Computer Holdings** in our Top Five "Best of the Privates" review (*SystemHouse* July 1991) drew the response from several readers "Yes, but wait for next year's results - his PC business is being hit hard". In the event, the actual results do not support the pessimistic rumours.

Latest results for the year to 31st Mar. 92 show revenues up 7.4% at £83.2m and PBT down a marginal 4.2% to £5.03m. However, profits at the PC dealerships - **Specialist Computer Centres** - fell by 15% from £4.8m to £4.1m. Specialist is the UK's 2nd largest IBM dealer and the 3rd largest Compaq dealer. They have also recently added Apple to their shelves. Much of this shortfall was made up by profit increases from the computer and peripherals

Rigby is justified in being pleased, describing the performance as "sound and impressive". The PC market is in considerable turmoil as we have seen from the results of almost all the main players - be they manufacturers, distributors or dealers. As Rigby says "Prices of computer hardware have virtually halved due to over-capacity from computer manufacturers, reduction in demand, some degree of market saturation as well as the opening up of new channels of distribution such as mail order and computer superstores". This is demonstrated at Specialist Computer Centres which increased volume by an impressive 20% without advancing revenue. Rigby expects PC hardware prices to fall a further 20% this year.

Rigby's answer to the turmoil in the channel is to "increase the provision of value-added services such as technical support and systems consultancy". As P&P have found (see August *System House*), this increases overheads significantly ahead of the profit rewards.

But Rigby believes that Specialist is "one of a very small number of long-term players in the industry". He claims "the company is the most profitable among its principal competitors with a profit margin of 6% net before tax".

Rigby and his wife own or control 100% of Specialist's equity and are therefore in the

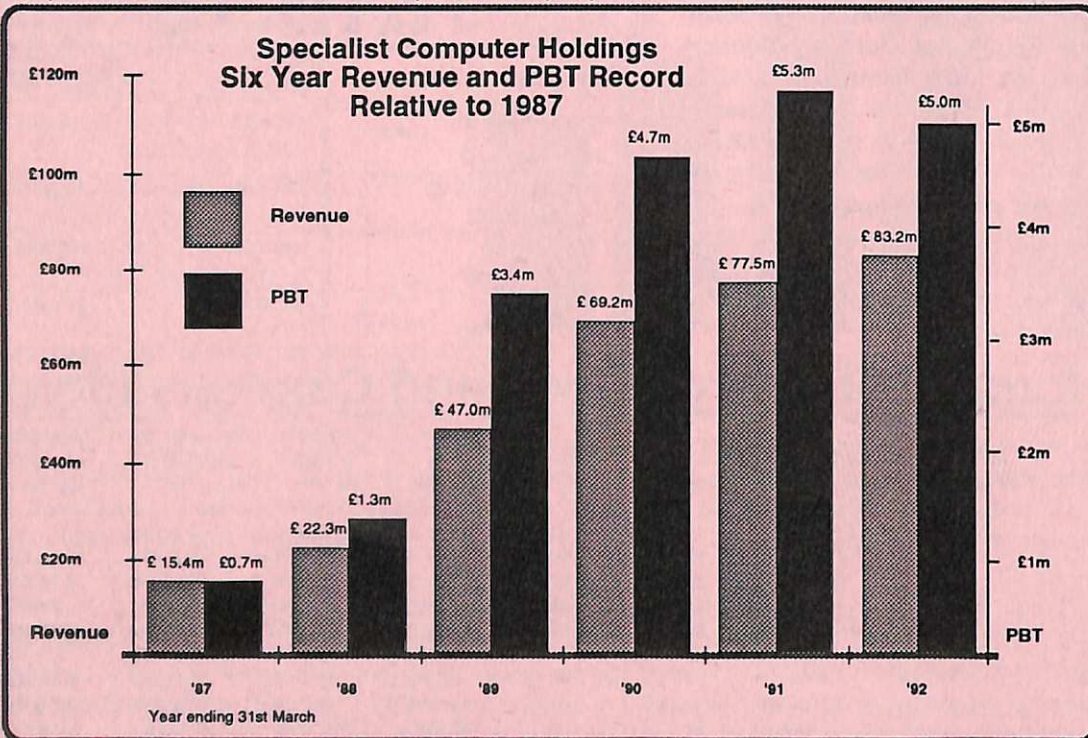
operation, **Enhancement Technologies**, which more than doubled profits to £892K in the year.

The only subsidiary to report a loss was **Specialist Computer Education**; affected by loss-making **Applied Training** (part of the IBM RS/6000 UNIX house, **Applied Group Ltd.**, acquired in Aug. 91 for £500K).

In addition Specialist has no net borrowings, cash reserves of £5m and gearing of just 3%.

enviable position of having to answer to no-one. Last year he paid out £350K in dividends. This year he says only 9% of profits will be paid in dividends but, on our calculations, that's still c£280K. With such an excellent performance in such a difficult trading environment, we would say good luck to him.

Specialist is clearly in an excellent position to take advantage of increased future acquisition opportunities.



Specialist Computer Holdings



Continued good fortune for Triad

In Oct. 88, Triad Computing Systems called in the receivers. In Nov. 88 Triad Special Systems bought one of the divisions from the receiver for c£53K. Original shareholders were John Rigg (of Marcol and Vega fame) and Dill Faulkes who each still own c46% of the equity. A loss of £128K was reported in the first trading year (to 31st Mar. 90) but since then the results have been exemplary.

Latest figures for the year to 31st Mar. 92 show revenues up 28% at £3.2m and PBT up 30% at £411K. The balance sheet shows cash of £252K and an unused £225K overdraft facility. That is after the repayment of £125K of preference shares to Rigg and Faulkes in the year. Dividends of £112K have been paid this year. *Now that's what we call a return on investment.* Rigg and Faulkes clearly deserve their *golden boy* reputations.

Triad provides IT consultancy and develops bespoke software; with a particular bias towards UNIX. 75% of revenues come from the Government sector. When we asked how Triad had done so well in a market which has been particularly depressed in 1991, we were told *"We provide a quality service, producing technically viable systems at realistic prices. Once we get our people through the door, they tend to stay there"*.

Standard Platforms

Standard Platforms is quoted on the USM and supplies hardware and software in the document image processing and archival storage market. Latest results for the year to 31st Mar. 92 show increased losses of £847K (£584K) on static revenues of £1.61m. To raise more working capital, equity is to be increased by 5% which will be placed with institutional shareholders.

Travellog

We have written often about the superb trading results from Autofile - now part of Cray Electronics. This lead David Stern, CEO and 60% equity owner at competitor Phoenix Systems and Software plc which trades as Travellog Systems, to point out to us that his company may be smaller but its recent results have been no less impressive. In the year to 28th Feb. 92 revenues increased 66% to £1.35m and PBT was up 142% at £81.4K. The balance sheet is impressively strong with cash of £352K at the year end, after paying a dividend of £21K.

Travellog, like Autofile, supplies computer systems to tour operators but claims market leadership *"in the provision of on-line reservation systems to motor inclusive tour operators and cross channel operators"*. Their customer list includes blue chip organisations like the AA, RAC, Eurotunnel, Sally Line and Keycamp. In the last year a joint venture with AT&T Istel has established a *"generic ferry booking service"* which will generate significant recurring revenue in future years.

With record order books of £1.5m at the year end *"the directors believe that the prospects for further significant growth in turnover for 1992/93 are excellent"*. We have a healthy scepticism of the motive of those who desire exposure in our organ. We will watch developments with the greatest of interest.

£1 = \$2.... As we went to press, the dollar had weakened to within a whisker of \$2 to the £. Bad news for major \$ earners like Micro Focus, Sage and Macro 4.

Micro Focus at top end of expectations

To investors who thought that the only way was up for Micro Focus share price, the last few months must have been unnerving. Micro Focus shares had fallen to 1453p from a high of 2378p. The reason, apart from sensible profit taking, was persistent analysts' forecasts of poor H1 performance. In the event, the analysts were confounded.

Micro Focus results for the six months to 31st July (and announced just 18 days after the period end!) showed revenue up 18% at £30.1m, PBT up 5.1% at £9.42m and EPS up 6.5%. Not startling in comparison to previous results, but much better than previously expected. The cash mountain increased by £1.8m to £32.7m. Micro Focus now earns 59% of its revenues in the US and the weakening of the \$ by c7% in the period affected on the £ results. Restated in \$, for the ever growing band of US NASDAQ investors, shows net profits increasing by 11.6% to \$17.3m.

Direct sales grew by 30% and now represent 79% of revenues. But the company was pleasantly surprised with a 9%, unexpected increase, in its OEM revenues as well.

Micro Focus made over 20 separate product announcements at its user conference in May and expects the impact of these to be felt in H2. Chairman, Paul O'Grady expects to achieve his financial targets for the full year. The share price rose 92p on the day of the announcement.

Kode strengthens CSI activities

Kode International seems to be on the road to recovery. Latest results for the six months to 26th June 92 show PBT of £330K (1991 - £126K) on revenues up 29% at £9.64m. EPS was 2.7p (1991 - 0.6p). This was about 10% better than analysts' expected. The purchase of PC maintenance operation DCM for £3.2m in July means that computing services will represent c40% of Kode revenues. Integration should be completed by the start of 1993 when the first profits can be expected.

Kode recently dropped its computer distribution operations although it still retains its printed circuit board activities. Indeed Kam Circuits boosted revenues by £1.5m to £5m at the half way point.

Off-shore developer reaps benefits

Third Wave Network plc has made something of a name for itself in its pioneering off-shore development activities in India, Ireland and more recently with its purchase of a systems developer in Moscow. Latest results for the year to 31st Mar. 92 are excellent. Revenues increased 51% to £8.5m and PBT was up 22% at £613K. Chairman, Bill Murphy, said *"Committed order books at 31st March stood at 42% of last year's turnover, so further growth is confidently expected"*.

No organic growth for CGS

Cap Gemini Sogeti has given prior notice that revenues grew by 17.5%, to \$1,073m, in the first half but that this was not organic. Full H1 results are due in early Sept. CGS was also hit this month by an Evening Standard report that it was reviewing the purchase of the remaining 30% of Hoskyns equity. Michel Jalabert immediately issued a statement saying that CGS had *"every intention"* of honouring its offer of not less than 469p per share.

Records broken at EDS....EDS has announced record profits of \$290m, 17% up on last year, for the six months to 30th June. Revenues were up 21% to \$4b.

...but still no data from EDS-Scicon....We would have liked to have brought you similar details for **EDS-Scicon** or even the full year details for 1991. SD-Scicon plc has complied with the law and submitted a set of accounts to Companies House dated 24th July 92; ie within 7 months of the year end. But due to many acquisitions and disposals of subsidiaries and the lack of a consolidated P&L account, the figures throw little light on trading performance. We would be happy to provide edited highlights to any interested reader. We await the EDS (UK) Ltd. accounts, but expect they will be equally unenlightening.

Can we make a personal plea to our valued *System House* readers at EDS-Scicon? Your company is now second only to ICL in the supply of CSI services to the UK market. You depend on accurate market information but seem unwilling to provide even the most basic financial information on your own UK operations. We know how keen you are to play your part on the UK scene, so can we suggest that you start by issuing meaningful and timely UK financial data?

...as Perot Systems storms ahead...."Ross for Boss" Perot is not on the road to the White House, but he is certainly on the road to yet another fortune. After selling EDS to GM in 1984 for \$2.6b, he launched **Perot Systems** only four years ago. He has landed \$1b worth of new FM and outsourcing business in the last six months. These include a 12 year FM contract with the East Midlands Electricity worth over £300m and a 10 year £200m+ contract with Paris-based Eurocar. Revenues are projected to hit \$200m this year. Perot plans a public offering next year; by which time Merrill Lynch calculate that his 40% stake in the company will be worth \$300m. Source - Business Week 10th Aug. 92.

"What could the Government do to help the industry?"
"Some new legislation, like decimalisation, would help."

Exchange during the Q&A session following Richard Holway's recent presentation to CSA members.

From 1st Jan. 92 new VAT legislation requires the production of a series of reports; including comprehensive statistical records of the movement of goods and lists of sales to companies in the EEC. But, as Alan Cane wrote in the FT on 24th Aug. 92, "most companies have yet to take steps to change business systems to satisfy the requirements". 140,000 UK companies trade with the EEC "yet most have not started to modify their *c o m p u t e r* systems...software specialists are warning that they may have underestimated the time need to make the changes"



"Compiling the information manually would be expensive and time-consuming"

the **Holway Report**

Just a reminder that the latest edition of the Holway Report was published in June. The 1100 page report now contains financial details of 750 companies with combined revenues in excess of £7b - at least five times more than the first edition.

New customers pay £1,750....but **all existing Richard Holway Limited customers, and that includes System House subscribers, can purchase the 1992 Holway Report for £1,250; using the special order form below.**

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