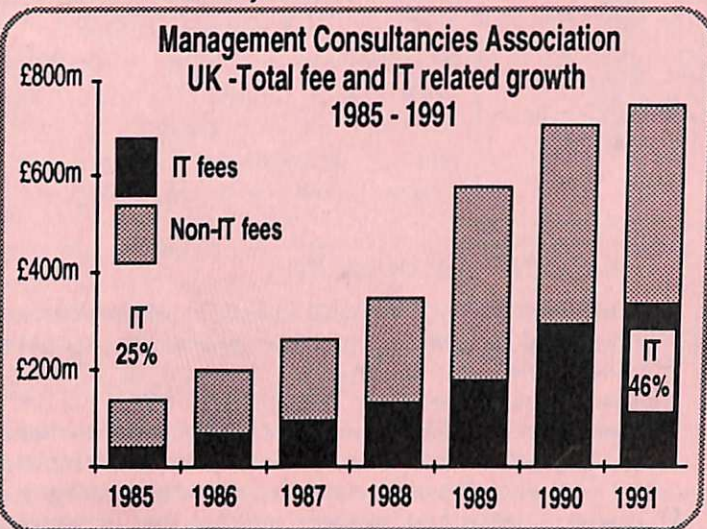


System House

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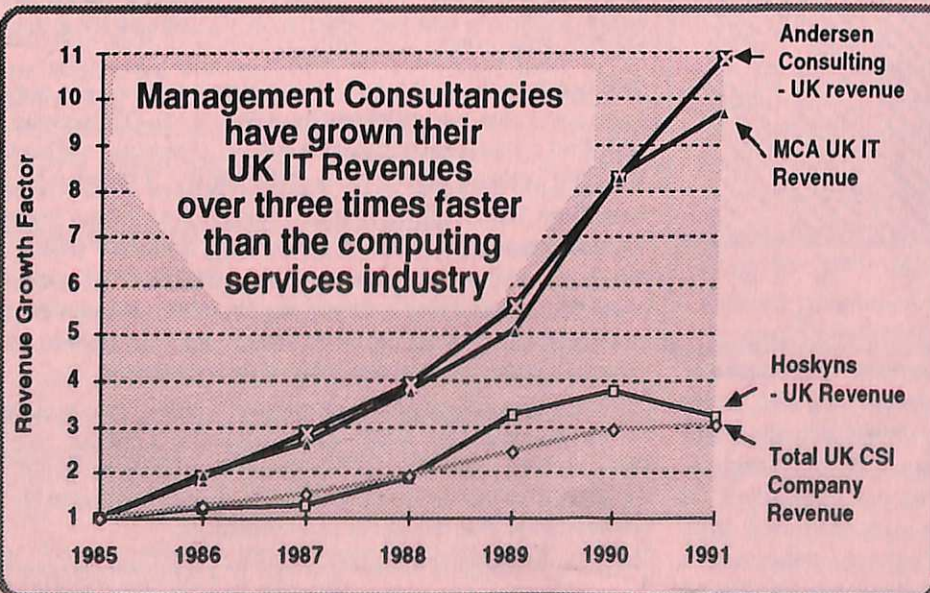
High IT growth for management consultancies

The **Management Consultancies Association (MCA)**, the trade association for almost all the leading UK consultancies like Andersen Consulting and KPMG, issued their 1991 review this month. This showed that IT and systems now represents 46% (£339m) of total UK fees of £732m. IT increased by 17% in the last year compared with an increase of just 3.7% in total UK fees.



MCA IT revenues have grown at a CAGR of around 50% pa. That's over three times the rate of growth of UK CSI companies on our database. In the last year the MCA growth rate (17%) was over four times the rate of growth for the whole UK computing services industry (4%).

According to the MCA "Another trend has been



consultancies diversifying their interests". In 1991 "some £62m was earned by members on Facilities Management". Indeed, one of the most successful management consultancies operating in the UK market is **Andersen Consulting**. They have grown UK IT revenues from £16m in 1985 to £172m in 1991; a 32% growth in the last year alone. That growth rate has put them into the Top Ten list of CSI suppliers to the UK market. By business profile, **Hoskyns** is their closest UK competitor; both have a high proportion of facilities management revenues. Since 1985 Hoskyns has tripled its UK revenues compared with a near elevenfold increase in Andersen's UK revenue. **Andersen now has a higher UK IT revenue than Hoskyns**, which was once considered to be the largest supplier to the UK market. Keith Burgess, managing partner at Andersen Consulting, said that margins had declined slightly in 1991. He expected further growth of 15% in 1992.

A similar picture of high growth emerged from **KPMG Management Consulting** where Patrick Whale says that IT fee revenues increased well in excess of 20% last year.

But the latest report from **INPUT** suggests that annual growth in the UK management consultancy market will slow - to 12% during the next five years. Peter Lines, INPUT's Managing Director, told us "Management consultancies have established a clear differentiation over traditional UK professional services vendors and they look set to continue winning market share. Their ability to focus on both business needs and IT needs allows them to be seen as delivering bottom line benefits rather than just IT products and services. Hoskyns' parent **Sogeti** has rapidly

established **Gemini Consulting** to balance the IT strength it has in CGS in Europe. We believe Gemini has aggressive plans for the UK market".

A 12% pa growth is still a lot higher than the single digit growth predicted for the total CSI market in the near term. So management consultancies are clearly set to increase market share.

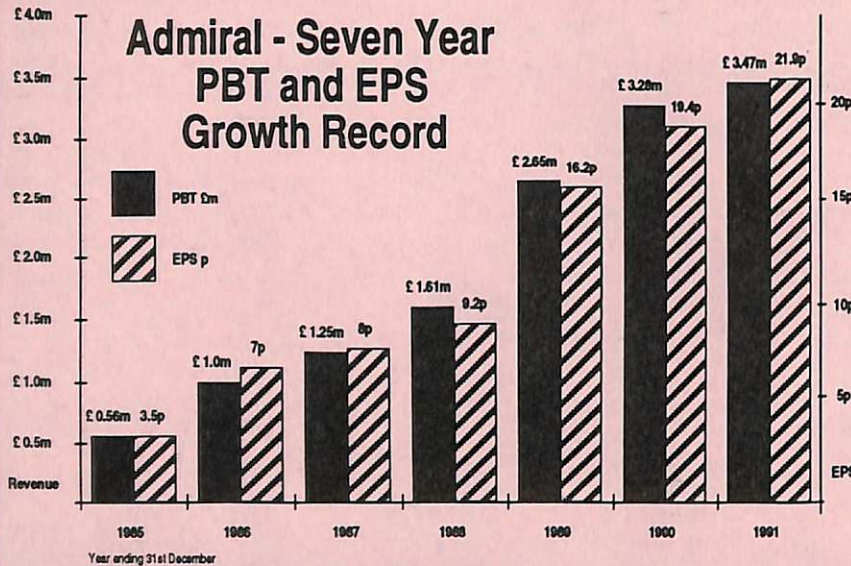
Free this month....
 We have great pleasure in enclosing a copy of the presentation given by Richard Holway - the editor of *System House* - to the CSA Annual Conference on 26th March 92.

Another boringly successful year at Admiral

"So tell me Clay, why are you so consistently successful when all around you are doing so badly?". "Well, Richard, we **manage** our business...we take the tablets before we get the headache". As the Foster's advert says "Don't you just hate it when"

Admiral is one of the UK's "Best of breed". Its performance, in a marketplace that its rivals have used as an excuse for poor performance, is nothing short of exemplary.

The latest results for the year to 31st Dec. 91, although not breathtaking, are superb in comparison to its competitors. PBT increased by 6% to £3.5m although revenues had grown by 23% to £26.1m - at least in part due to the couple of minor acquisitions undertaken in the last two years. They acquired Intra Systems and Mentor Interactive Training in 1990; both in the training arena. The resulting Admiral Training Ltd "made good progress and traded profitably for the year". EPS was up 13%.



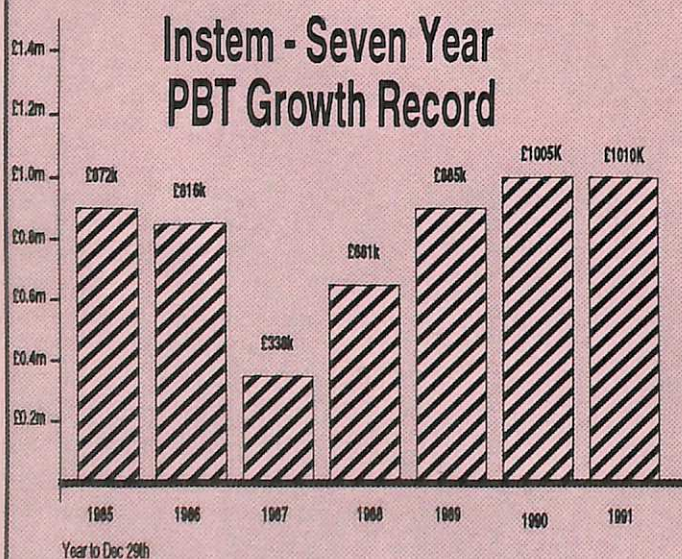
All of Admiral's subsidiaries "performed well" including, Brendish was keen to point out, the recent acquisitions. We should hope so as Admiral has always followed our **acquisition checklist** to the letter. The CBT joint venture in Singapore, ITEC, is singled out as a particularly successful diversification.

With a forward order book up from £16m to £20m, "cash in hand" of £3.8m and a pretty flawless financial record, Admiral deserves to be proud. Admiral's Executive Chairman and major shareholder, Clay Brendish, says that he detects signs of an upturn in the market and is stepping up recruitment in anticipation.

But he still wonders why "It's taken us ten years to be an overnight success".

Full marks for realism at INSTEM

INSTEM's Chairman, David Gare, put out several warnings in 1991 concerning current trading. Every other warning we have read has signalled, at best, a steep dive in profits. In the event INSTEM's results for the year to 27th Dec. 91 were quite good. Revenues were up 42% at £15.8m, PBT marginally improved at £1m and EPS was up 8%.



INSTEM focuses on computer systems for the control of power stations. Investment is, however, moving away from manufacturing processes towards infrastructure development, safety, quality and environmental issues. "Commercial pressures are causing our customers...to consider outsourcing complete elements of their operations". Seems like a great opportunity rather than a problem. "Further growth" is expected in the coming year.

Gresham Telecomputing

Let's at least start with the facts. In Feb. 91, Gresham Group announced a reverse takeover of the much-troubled Telecomputing plc. This put a value of £3.35m on Telecomputing. Gresham had made PBT of £270K on revenues of £9.2m in the year to 31st Oct. 90. From here on the story gets a bit confusing. Quite what Telecomputing's results were for the same period is beyond our intelligence to unravel - suffice it to say they made a loss of something between £103K and £257K.

The new combined group has, this month, reported PBT of £355K on revenues of £6.3m for the 13 months to 31st Oct. 91. But on a proforma basis ("if Gresham had been part of the group from 1st Nov. 90") the group would have reported PBT of £751K. "After years in the wilderness, the company returns to the dividend list". In addition, the previous negative net asset position is now reported to be a positive £1m and cash balances of £774K are reported.

The previous management, ie no current director is subject to any criticism, are currently the subject of a DTI enquiry. As reported on several occasions before, Gresham still believe they are legal owners of 45% of the equity of Merrion Gates.

Gresham Telecomputing has a range of activities but they centre around transaction processing software which has been expanded to embrace open systems. "We expect a new flow of revenues to come on stream from the granting of tp+ exploitation licences to package vendors, as well as the licensing of our client-server software systems".

As to the future "new revenues may not achieve full momentum in the current year, which promises to be a difficult year for almost any business...it would be foolhardy to claim that spectacular performance was likely. However, whatever the conditions the Group is well managed".

We are so pleased to hear that and any fears we had are now completely laid to rest.

Further woe at Logica

Logica, the largest UK owned CSI company, bought US Data Architects in 1988 for £26m and went on to announce its best ever results - PBT of £18.8m for the year to 30th June 89. Data Architects contributed profits of £4m to this total. Unfortunately, from then on it has been downwards all the way. Data Architects turned in losses which had a major effect on Logica's results.

In the latest results for the six months to 31st Dec. 91, the US operations have at last turned back to a PBT of £400K (loss £1.8m last time) on revenues down 18% at c£9m. UK revenues were up 6%. Strong performances in the Government, Defence and Energy & Utilities sectors was offset by weak demand in other areas. The Finance and Telecommunications operations seem to have been particularly badly hit. Fixed price contracts are becoming a larger part of Logica's activities representing 56% of revenues in the last six months compared to 32% in 88. But problems elsewhere contributed towards a reduction of 54% in PBT to £2.16m on revenues up just 3% at £98.6m. EPS is down 52%. Cash is unchanged at £14.9m.

The most significant part of the decline in profits was due, rather unexpectedly, to a decision to withdraw from the development of the *Playout* project which automates the operation of TV studios. This reduced profits by £1.6m.

Logica's MD, David Mann, says that "the economic climate in Continental Europe remains difficult but in the UK, North America and Asia Pacific we improved our forward order book during the first half". He believes that "the extensive restructuring undertaken in the last 18 months" means the company "is well placed to benefit from any improvement in the economic situation". We genuinely hope so.

Restructuring at Kode

Kode International has made major moves into the computing services arena from its previous printed circuit board manufacturing activities. The CSI division - Kode Computers - provides "a range of services encompassing maintenance, software support, training and consultancy". However, even in this division "turnover was lower than in the previous year". Overall, in the year to 31st Dec. 91, Kode reduced revenues marginally from £16m to £15.7m and PBT was down from £504K to £486K due to redundancy and compensation payments. EPS reduced from 5.8p to 4.3p.

We learn that in Dec. 91, Kode acquired **Casu Support Services** from the receivers for £305K in cash; buying contracted TPM revenues of £920K. Kode has taken the unusual step of reducing the final dividend from 7.5p to 4p but they should be able to ride out the current trading environment as the balance sheet remains strong.

Return to profits at Granada?

Chairman Alex Bernstein told shareholders at their AGM that **Granada Computer Services**, which lost £7.7m in 1991, "has traded profitably in each month of the current financial year" due to the "decisive actions" taken in 1991.

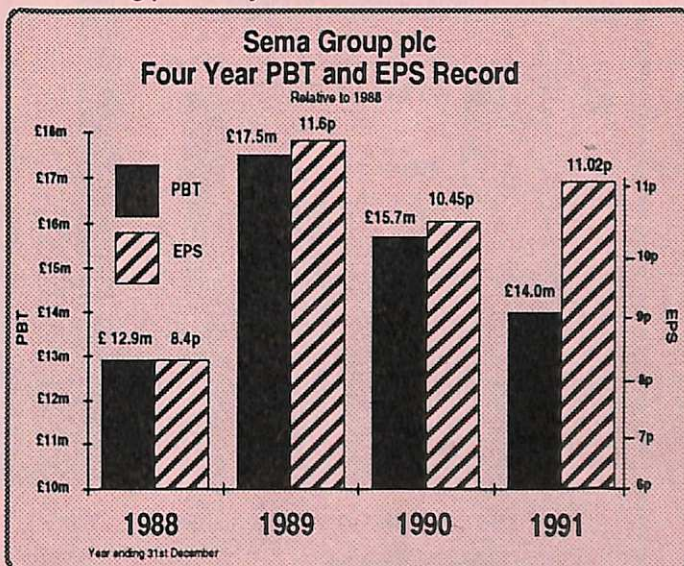
Gandalf blames losses on acquisition

Network specialist, **Gandalf** announced increased losses of £6.3m (£1.5m) in the six months to 25th Jan. 92 on revenues up 34% at £48.9m. One of the reasons given for the losses were "ongoing merger costs with *Infotron Systems*", acquired in May 91.

Profits hit at Sema

Sema Group was formed in June 1988 when the UK's CAP Group "acquired" French Sema Metra for £94m. At the time of the merger the shares were roughly held 55:45 by French and UK investors. Barney Gibbens became the non-executive Chairman and the UK's Mike Smith and French Pierre Bonelli shared the MD role. At that time profits of over £20m were forecast for 1988.

Four years on and almost all the previous CAP management has gone (Mike Smith is now CEO at Data Sciences and Barney Gibbens has a number of non executive posts) and the French own over 85% of the stock. Latest results to 31st Dec. 91 show PBT, at £14m, back within 10% of the 1988 results even though revenues have risen in the intervening period by 55% to £412m.



Back in 1990, when Pierre Bonelli took the helm, he said that "he saw no reason why a profit margin of 10% could not be achieved". He was commenting on the 6% margin achieved in 1989 - since then the margin has slipped each year to the present 3.4%. The "old" CAP had one of the lowest profit margins in the industry throughout the 80s.

In the last year, PBT has declined 8.6% whilst EPS has risen 5.5%, due to a much lower tax charge, on revenues 10% higher. "Following the recent sale of our market research group, *Sofres*, Sema has no net debt".

The UK seems to have performed well in 1991 with a "wholly organic" 17% increase in revenue to £145m. Profitability, however, would have been hit by the start-up costs for the joint venture operation with BAe. Sema will receive a cash payment of £9.8m in 1993 for the scientific and YARD divisions of Sema transferred to the new venture, which concentrates on large defence contracts.

The French operations grew by 7% but revenues in Germany were static at £31.7m.

Bonelli described the economic climate in 1991 as "extremely difficult" and saw "little evidence of a tangible upturn in our markets".

At the time of the CAP/Sema Metra merger, Sema shares stood at around 210p. Then CGS launched a dawn raid in Aug. 88. Their subsequent stake building, and its associated bid speculation, pushed Sema shares to a high of 499p in 1991. But the bid premium suddenly evaporated in mid year and the shares plunged to a low of 180p before staging a modest recovery to their current 225p.

Radius

Radius had warned us back in mid 1991 that "Difficult trading conditions are anticipated for the remainder of the year". They, like many in the industry had seen a false dawn at the start of 1991 only to see "a marked deepening of the recession within our industry from April".

Latest results for the year to 30th Nov. 91 show PBT down 87% at just £366K on revenues down 6% at £28.1m. EPS dived by 88%. "Group trading showed marked deterioration in revenues during the year, with second half turnover

declining over the same period last year".

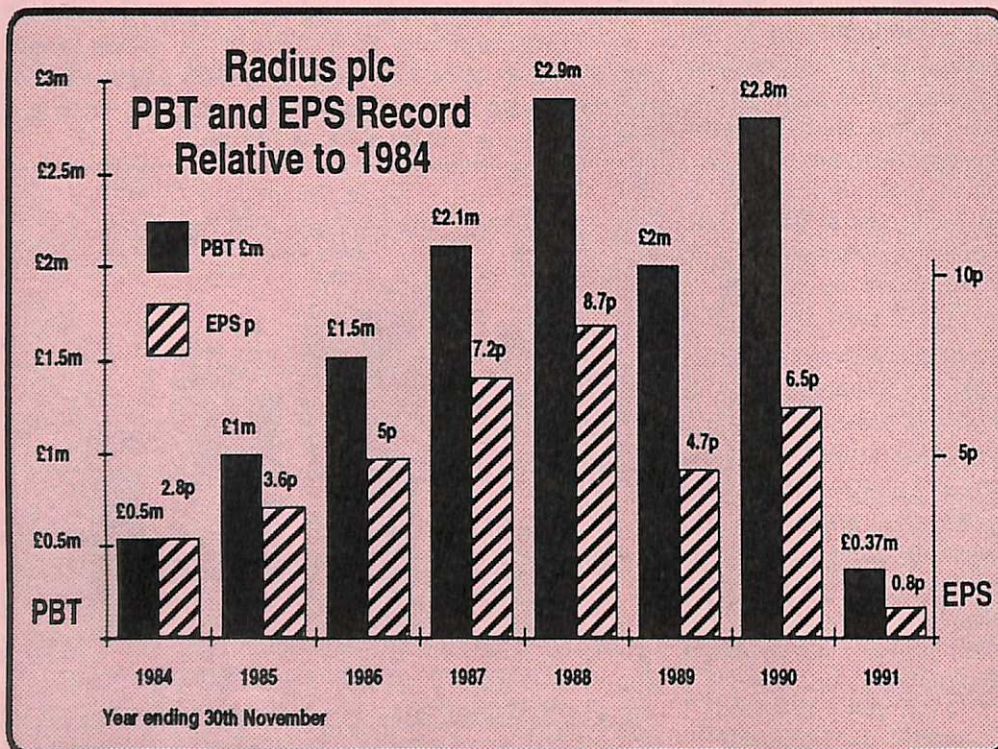
The Printing Division performed badly again but was joined by a poor performance from the Health Sector. Radius has found, along with others, the rich advantages of offering software maintenance where "revenues continued to improve while hardware associated income declined". "Restructuring" at Radius meant that staff numbers have been reduced from 641 to 531.

Radius blamed its current problems on recession and the move to Open systems causing hardware prices to fall by 40%.

"The undisciplined nature of the distribution channels also reduced percentage margins".

We, however, believe that the acquisitions binge of 88/89 is at the heart of many of the problems at Radius as the poor results started well before the current recession took effect. Stretched management resources also caused a major software contract to overrun.

At least Radius has increased cash from £2.48m to £3.13m. For the future the new Chairman Michael Roberts uses the often quoted phrase "when business confidence is restored, we are strategically placed to benefit and thereby return to profitable growth".



Difficult year at P-E International

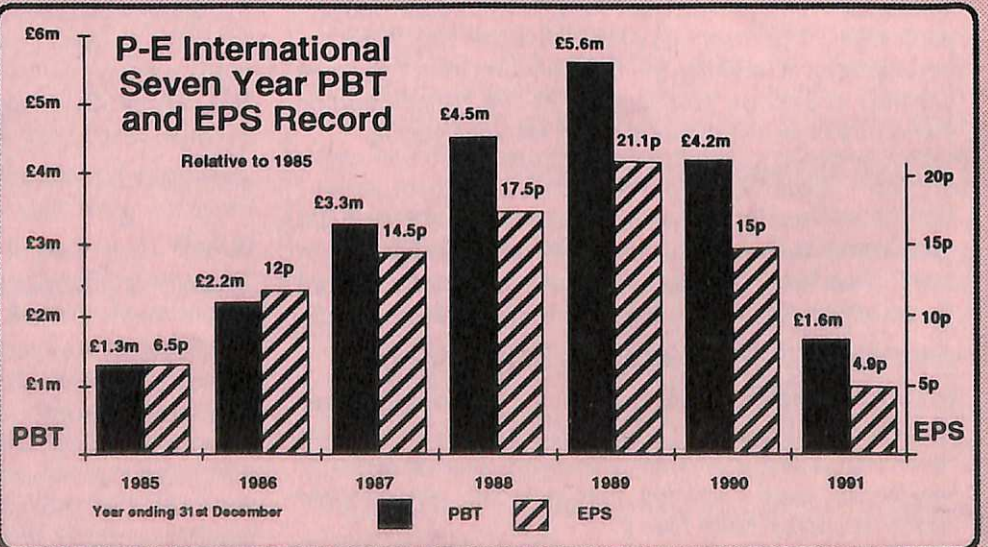
Revenues at management and IT consultancy, P-E International, grew by just 6% to £68.7m in the year to 31st Dec. 91. Even this included a £5.5m contribution from Handley-Walker which was acquired in Aug. 91 for £9.8m. P-E undertook two other acquisitions in 1991 - Dutch Fray Data Intersite in Apr. 91 for £314K and David Bellamy Associates in June for a performance related consideration of £1.5m. To these should be added a further five acquisitions in 1989/90. The departing Chairman, Hugh Lang, had announced after the disappointing interim results in Sept. 91 that "acquisitions and new ventures are likely to play a less prominent role" in 1992.

Full year results for 1991, described as "well below our mid year expectations", show that PBT has slumped by 62% to £1.62m. This was struck after higher interest charges of £404K, compared with £207K in 90, but £541K of exceptional costs, relating to redundancy costs, were lower than last year's £584K. Handley-Walker contributed only £325K to PBT for 5 months compared with a PBT of £1.4m in 1990.

Shareholders funds reduced from £13.8m to £13.2m "after a lower property valuation". P-E has had to reduce its costs considerably and staff levels are now some 15% lower. On a brighter note, overseas revenues contributed £13.1m and European revenues were up 15%.

"Our results for Q1 1992 have been better than in late 1991 due to a combination of improved sales and a reduced cost base...if this trend continues we shall be able to make progress as the year unfolds".

P-E has been hit harder than many other consultancies. Its previous acquisitions must be at least partly to blame.



Richard Holway Results Service

Admiral plc	Results Revenue PBT EPS	Final - Dec 90 £21,207,000 £3,276,000 19.4p	Final - Dec 91 £26,104,000 £3,472,000 21.8p	Final Comparison +23.1% +6.0% +12.9%	
ACT plc	Results Revenue PBT EPS	Interim - Sep 90 £46,162,000 £5,364,000 4.01p	Final - Mar 91 £98,831,000 £12,706,000 9.5p	Interim - Sep 91 £52,588,000 £7,648,000 5.13p	Interim Comparison +13.9% +42.6% +27.9%
Capita plc	Results Revenue PBT EPS	Final - Dec 90 £20,072,127 £2,511,995 13.7p	Final - December 91 £24,711,830 £3,448,487 15.71p	Final Comparison +23.1% +37.3% +14.7%	
Computer People plc	Results Revenue PBT EPS	Interim - Jun 90 £38,988,000 £2,138,000 11.25p	Final - Dec 90 £76,170,000 £3,106,000 16.42p	Interim - Jun 91 £34,834,000 £669,000 3.53p	Interim Comparison -10.7% -68.7% -68.6%
Cray Electronics Holding plc	Results Revenue PBT EPS	Interims - Oct 90 £53,406,000 £788,000 0.54p	Final - Apr 91 £107,286,000 £3,509,000 2.5p	Interims - Oct 91 £40,044,000 £1,261,000 0.83p	Interim Comparison -25.0% +60.0% +53.7%
EIT Group plc (was Maxiprint)	Results Revenue PBT EPS	Interim - Sep 90 £200,000 (£128,000) n/a	Final - Mar 91 £485,000 (£246,000) (0.83p)	Interim - Sep 91 £1,200,000 (£99,000) n/a	Interim Comparison +500.0% Loss both Loss both
Electronic Data Processing plc	Results Revenue PBT EPS	Final - Sept 90 £16,645,000 £2,100,000 17.38p	Final - Sep 91 £17,420,000 £4,083,000 32.83p	Final Comparison +4.7% +94.4% +88.9%	
Enterprise Computer plc (was Systems Reliability plc)	Results Revenue PBT EPS	2nd Interim - Dec 90 £87,804,000 £2,520,000 1.15p	Year to Dec 91 £152,496,000 (£3,043,000) (3.0p)	2nd Interim - Dec 91 £62,531,000 £1,732,000 3.59p	2nd Interim Comparison -28.8% -31.3% +212.2%
Gresham Telecomputing plc	Results Revenue PBT EPS	Final - Sept 90 £2,101,000 (£252,000) (4.74p)	Final - Oct 91 £6,296,000 £355,000 1.0p	Final Comparison +199.7% Loss to Profit Loss to Profit	
Hoskyns Group plc	Results Revenue PBT EPS	Final - Oct 90 £223,263,000 £17,253,000 13.0p	Final - Oct 91 £200,663,000 £14,299,000 10.5p	Final Comparison -10.1% -17.1% -19.2%	
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 plc	Results Revenue PBT EPS	Interim - Jan 91 £28,348,000 £1,025,000 1.8p	Final - Jul 91 £60,784,000 £3,660,000 7.0p	Interim - Jan 92 £28,382,000 (£212,000) Nil	Interim Comparison +0.1% Profit to Loss Profit to Loss
Kewill Systems plc	Results Revenue PBT EPS	Interim - Sept 90 £15,924,000 £1,513,000 11.38p	Final - Mar 91 £31,298,000 £3,731,000 29.43p	Interim - Sept 91 £21,459,000 £1,685,000 12.60p	Interim Comparison +34.8% +11.4% +10.7%
LBMS plc	Results Revenue PBT EPS	Interim - Oct 90 £9,643,000 (£618,000) (3.4p)	Final - Apr 91 £19,485,000 (£1,701,000) (10.5p)	Interim - Oct 91 £10,051,000 (£281,000) (1.7p)	Interim Comparison +4.2% Loss both Loss both
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	Final - Jan 91 (amended) £46,495,000 £14,775,000 65.9p	Final - Jan 92 £55,869,000 £18,146,000 83.1p	Final Comparison +20.2% +22.8% +26.1%	
Microgen plc	Results Revenue PBT EPS	Final - Oct 90 £47,115,000 £8,504,000 13.5p	Final - Oct 91 £47,735,000 £7,283,000 12.2p	Final Comparison +1.3% -14.4% -9.6%	
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	Interim - Nov 90 £ 33,091,000 £ 1,521,000 3.1p	Final - May 91 £ 67,253,000 £ 5,626,000 11.5p	Interim - Nov 91 £ 32,304,000 £ 3,585,000 7.0p	Interim Comparison -2.4% +135.7% +125.8%
MMT plc	Results Revenue PBT EPS	Final - Aug 90 £ 7,524,390 £ 1,865,165 10.4p		Final - Aug 91 £ 5,920,484 £ 1,256,967 6.8p	Final Comparison -21.3% -32.6% -34.6%
NMW Computers plc	Results Revenue PBT EPS	Interim - Jun 90 £ 4,423,000 £ 210,000 0.6p	Final - Dec 90 £ 8,726,000 £ 413,000 1.3p	Interim - Jun 91 £ 4,977,000 £ 278,000 0.9p	Interim Comparison +12.5% +32.4% +50.0%
P & P plc	Results Revenue PBT EPS	Final - Nov 90 £ 223,787,000 £ 13,117,000 18.5p		Final - Nov 91 £ 228,324,000 £ 711,000 0.9p	Final Comparison +2.0% -94.6% -95.1%
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 £ 1,620,000 4.9p	Final Comparison +5.8% -61.6% -67.3%
Pegasus plc	Results Revenue PBT EPS	Final - July 90 £13,039,000 £2,554,000 30.4p		Final - Jul 91 £ 8,493,000 £ 1,669,000 19.9p	Final Comparison -34.9% -34.7% -34.5%
Proteus plc	Results Revenue PBT EPS	Interim - Sep 90 £ 0 (£ 520,000) (2.44p)	Final - Mar 91 £ 7,000 (£ 1,502,000) (7.01p)	Interim - Sep 91 £ 2,000 (£ 1,273,000) (5.92p)	Interim Comparison n/a 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	Interim - Sep 90 £ 4,359,000 £ 661,000 6.1p	Final - Mar 91 £ 7,571,000 £ 1,199,000 10.9p	Interim - Sep 91 £ 3,002,000 £ 507,000 4.9p	Interim Comparison -31.1% -23.3% -19.7%
Rolfe & Nolan plc	Results Revenue PBT EPS	Interim - Aug 90 £ 2,969,000 £ 661,000 8.0p	Final - Feb 91 £ 6,298,000 £ 1,446,000 17.7p	Interim - Aug 91 £ 3,277,000 £ 704,000 8.5p	Interim Comparison +10.4% +6.5% +6.3%
Sage Group plc	Results Revenue PBT EPS	Final - Sept 90 £13,359,000 £4,731,000 18.6p		Final - Sep 91 £ 20,002,000 £ 6,638,000 25.5p	Final Comparison +49.7% +40.3% +37.1%
Sanderson Electronic plc	Results Revenue PBT EPS	Final - Sept 90 £14,259,000 £3,302,000 24.8p		Final - Sep 91 £ 20,503,000 £ 2,403,000 19.2p	Final Comparison +43.8% -27.2% -22.6%
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 Group plc	Results Revenue PBT EPS	Interim - Jun 90 £ 12,336,000 £ 850,000 8.7p	Final - Dec 90 £ 24,785,000 £ 1,992,000 17.0p	Interim - Jun 91 £ 12,139,000 £ 575,000 6.6p	Interim Comparison -1.6% -32.4% -24.1%
Star plc	Results Revenue PBT EPS	Final - June 90 £13,567,000 (£1,995,000) (27.2p)		Final - Jun 91 £ 13,718,000 (£ 886,000) (12.6p)	Final Comparison +1.1% Loss both Loss both
Total Systems plc	Results Revenue PBT EPS	Interim - Sep 90 £ 966,765 £ 19,949 0.13p	Final - Mar 91 £ 2,041,384 £ 102,768 0.74p	Interim - Sep 91 £ 1,285,264 £ 351,002 2.38p	Interim Comparison +32.9% +1659.5% +1730.8%
Trace 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%
Vistec Group plc	Results Revenue PBT EPS	Interim - Oct 90 £ 13,908,000 £ 78,000 0.04p	Final - Apr 91 £ 31,005,000 £ 1,763,000 0.95p	Interim - Oct 91 £ 14,271,000 £ 1,010,000 0.56p	Interim Comparison +2.6% +1194.9% +1300.0%

Acquisitions, disposals and liquidations

Specialist and NMW Computers....

Reporting on NMW Computers has become a minefield. Readers will know that Richard Holway is a non executive director of NMW and that its results are due days after the publication date of this edition of *System House*. This month **Specialist Computer Holdings** bought another 5% of NMW stock from Postel to take their stake to 24.7%. Peter Rigby, SCH's chairman, was reported as saying that he "had no immediate intention of launching a full bid for the company" but "thought it likely that SCH would be seeking representation on NMW's board". Source - FT 16th Mar. 92.

This month NMW announced a £2m order for its IBM AS/400 BROKER/400 software from Frizzells and an order from Eversheds, one of the largest solicitor's practices in the UK, for its TRIAL/400 system. These were just two of the products inherited on the acquisition of Charterhouse last year.

....after NMW buys BRS

NMW Computers has acquired Portsmouth based **Business Recovery Services** for up to £527K payable in a combination of cash, loan notes and shares.

BRS was setup four years ago by the Portsmouth Building Society. In 1991, the society merged with the Cheltenham and Gloucester who did not wish to continue the external CSI activities and therefore sold the operation to its management. BRS provides ICL disaster recovery services to in excess of 40 clients. They have contracted 1992 revenues exceeding £650K. BRS's published results are meaningless as the company has not been operating for a full year as an independent entity. They were, however, clearly profitable and cash positive. The acquisition fits well with NMW's Fortress disaster recovery services, provides them with a southern operations base and now makes NMW a clear competitor to the ICL/Sherwood owned Guardian Services.

This is NMW's second acquisition in the last year. They acquired IBM AS/400 agent Charterhouse in 1991. This surely disproves the often-heard comment that Richard Holway is against *all* acquisitions? However even this is not a guarantee against future acquisition indigestion!

IBM forms FM business

IBM UK has formed **IBM Information Solutions**. Initially composed of IBM's near 2000 strong in-house computer department, it will offer FM services to external customers. IBM also announced the signing of the first FM contracts; with **Equifax Europe**; worth £20m over 5 years.

British Technology Group

We are pleased that the management have succeeded in securing BTG in a £27.8m MBO backed by a raft of investors including the much-respected CIN. The staff will hold 26% of the equity.

For Sale?

Synon is looking for a buyer for its AS/400 financial software and **Dun & Bradstreet Software** is said to have put its AS/400 application software business up for sale. Source - Computing 26th Mar. 92. Mind you, D&B put **Datastream** up for sale some time ago but nothing has been heard since.

The others.... Scottish Enterprise has backed the £500K MBO of the "world-famous" Turing Institute. **Pink Software (Europe)** has ceased trading. **Stratagem** has sold its LAN dealership, **Integrated Broadband Services**, to an MBO. IBS is reputed to have revenues of c£4.5m pa. No consideration was disclosed. Air reservations system suppliers, **Galileo** - based in Swindon - is to merge with **Apollo**. United Airlines (38%) and BA (15%) will be the major shareholders in the new operation. **Netwise Inc's** UK subsidiary has gone into liquidation. **ECSoft**, the French company which acquired **Synapse** last year, is reported to be on the brink of acquiring a 70-strong Italian IBM mainframe software house and raising a further \$10m funding. **Symantec UK**, which has traded for three years distributing the US software product, is to be bought by its US supplier, Symantec, in an all share deal. The receivers were appointed at PC dealer **Computerware** and **ACT** has since acquired the maintenance operations. **Computerware**, with revenues of £3.9m, had been bought in an MBO from **Systems Reliability** in 1989. **Radius plc** has sold **Radius Ireland** to its staff. £4m pa LAN system house, **Hill International**, which appointed the receivers last month, has been acquired by **Compel**. **MIPS**, which will go down in history as one of the pioneers of RISC architecture, has been bought by **Silicon Graphics** for \$406m in shares. That's \$16.25 per share - MIPS had closed at \$11 the night before the deal was announced. **Computer Search & Selection** (£34m revenues) is paying an undisclosed sum for **Trident** (£18m revenues). The receivers to **Maxwell Communications** have sold £4.6m revenue pa **QED**, the subsidiary which produces computer systems for publishers, to **Comas Trading** in the US. The receivers at **Systematica** (SH Feb. 92), where IBM had a 20% equity stake, have sold the business to **Mait Ltd** - a private systems consultancy company - "for an estimated £800K". Mait, backed by the National Provincial pension fund, has revenues of £1.7m and specialises in aerospace and military systems engineering. US leasing company **El Camino Resources** has purchased a majority stake in London based **Applied Technology Corp**. The new grouping has since bought **Bell Atlantic Financial GmbH**. **Computer Associates** has acquired **Scancom Europe**; which supplies PC audit software. **Microsoft** is buying PC database developer, **Fox**, for £118m in shares. Preston based Acorn dealer, **Orion Computers**, has been bought from the receivers by **David Atherton** for £50K. **WordStar** and **Delrina** are to merge in a 29:33 share swop.

Further CSI expansion for AT&T

On 1st Mar, **AT&T Co.** announced that it was to acquire French systems integrator **Dataid** for c£48m. Dataid has revenues of £71m and has c1,500 staff. Two weeks later its UK subsidiary, **AT&T Istel**, acquired **CAB Computeranwendungs-Beratungs GmbH**; a German UNIX software products house with c\$12m revenues. Istel is paying £3.1m in a two year profit related deal. It will be merged with **Infoplan**; acquired in 1991.

Capita buys again

Capita, one of the best performing quoted CSI companies, has purchased the business and assets of the international consultancy division of the **Royal Institute of Public Administration** for £430K in cash. The acquisition fits in well with Capita's public sector focus. RIPA was established in 1922 and international clients include the World Bank and the Overseas Development Agency.

Cray makes first acquisition

We seem to be getting a reputation for writing up private CSI companies only to find them acquired the following month. In March's *System House* we raved about the latest results for the year to 31st Dec. 91 from tour operator system supplier, **Autofile**. These showed PBT up 19% at £2.25m on revenues of £16.1m on top of a near perfect six year financial record.

This month, **Cray Electronics** announced its first acquisition since its "rescue" by the ex-Miles 33/UEI team which includes Sir Peter Michael (Chairman), Roger Holland (Dep. Chairman) and Jon Richards (Group MD). They are paying £16.8m for Autofile. £15.3m is in new Cray shares of which £12.5m have been placed for the vendors by SG Warburgs. So Autofile shareholders are taking 80% of the consideration in cash. Chairman, Bob McPherson, owned 52% and has signed a contract to stay on as MD for at least a further 2 years. The shareholders also get a special dividend of £1.5m. **Broadview** represented Autofile.

The P/E based on historic earnings is 10. This makes it substantially the lowest price paid in the last year for any acquisition with a consideration >£10m (eg ACT/both Kindle & Quotient, IMI/Uniplex).

We have gone on record as saying that Cray might just be the first company to avoid the dreaded "acquisition indigestion". We remind readers of the comment from Charterhouse Tilney "any team that was capable of saving Cray from extinction should be able to handle most eventualities".

"...they had so much money they didn't know what to do...."

Electronic Data Processing (EDP) finished their last financial year with over £8m cash in the bank and clearly little idea of what to do with it. So they have just bought a two stately homes - Beauchief Hall and Pegges House in Sheffield - from James Wilkes for £1.65m. The 18,000 sq ft will house EDP's R&D centre.

Property companies do not tend to attract the 15-25 type P/Es which are the norm in our industry. Surely EDP could have found a better use for money. Other CSI companies (eg Macro 4, MMT) that have followed the same route into property have not exactly sparked for shareholders.

Could have been worse....they could have acquired another systems company!

Risks payoff at Proteus

Proteus International might be the strangest company included in our CSI Index but it has been one of the best performers. According to recent reports, Proteus is about to announce a joint venture with a US biotechnology company which will give it access to a huge library of molecular structures for use with its Prometheus modelling software. Source - Mail on Sunday 8th March 92.

Volmac, currently in negotiation to merge its Benelux operations with **CGS** (SH Mar. 92), has reported 1991 revenues up just 3.5% at \$321.9m and profits down 7.1% at \$40.4m.

Iain Macdonald has been made a main board director of **SHL Systemhouse Inc**. Macdonald joined SHL in 1989 when it acquired ComputerGroup; "one of the largest workstation and network integrators in the UK.... revenues for 1992 are projected to be in excess of £100m".

Phoenix Soapbox again

If I was an MP for a day, with the chance of bringing in a private members bill, I would change the law to make it illegal for any director in a failed company to serve as a director, or become a shareholder, in any company formed to continue that business. We have written about this scurrilous practice many times before; most recently in connection with the failed IBM agent, **Bluebird**.



Now it is happening again. **Page Printer Applications Plc** appointed the receivers, Cork Gully, this month. They used various business names like PPA Group, PPA Training etc. and had 1990 revenues of £3.7m. Within a week the original directors were back in business as PPA Ltd; trading as Desktop Publishing Solutions. Trevor Wilson from Cork Gully said "As long as they are not using the previous customer base, they are within their legal rights". That may be, but it is small comfort to the previous members of staff owed money by PPA plc; not to mention the many creditors such as **IBM**.

Its all too easy to get rid of a debt millstone by appointing the receivers and then to rise, Phoenix like, the next day with a new company offering exactly the same services, sans debt. You can probably get the receiver to sell you the assets for next to nothing as well, just to assist your renaissance. If you want further support for the motion, speak to creditors such as **P&P** which has all seen hard trading conditions made worse by increasing bad debts.

Goodbye Monotype

Monotype Corporation will be well known to many in the computing services industry - particularly those involved with publishing systems. It is therefore with great sadness that we read that the receivers were appointed on 5th Mar. 92. Monotype had floated onto the Stock Exchange in 1986 and had revenues of £30m. They were acquired by a US based investor - King Black Associates - in 1990 for £34.2m.

Goodbye Rosalind

Rosalind Hill was the Director of Corporate Finance at **P&P** and therefore a person with whom we had much contact. This month she lost her job. P&P has also closed its Geneva office run by Christian Hubeaux who was responsible for European acquisitions. It seems that such corporate activity is a little "over ambitious" in these difficult times. Shame, as European expansion seemed a sensible ambition to us (and, dare we say it, David Southworth) at the time.

Sage = "A man revered for his profound wisdom"

Its been quite a year for Alan Goldman, Chairman at **Sage Group**. First he gets an MBE in the New Year's Honours. Then he sees Sage shares rise by 31% in Q1 (that's a mere 234% since Sage floated onto the USM at 130p in 1989). Then, this month, he gets the prestigious Coopers Deloitte PLC "Entrepreneur of the Year Award". Panelists described him as "an entrepreneur in the classical mould". The **DacEasy** acquisition even got one of the rare *System House* seals of approval. The 11.3% stake Goldman has left in Sage is currently worth c£10m. We can certainly revere an entrepreneur with that kind of profound wisdom.

Stock Market

There seems every reason to believe that a combination of the cost cutting undertaken in the last year, and the start of the recovery from the recession in the second half of 1992, will contribute to a significant recovery in the profits for CSI companies. We believe that and it certainly seems that the Stock Market does too. Our CSI Index rose another 5% in March, compared with a fall of 4.5% in the FTSE 100. That makes a quite remarkable 84% rise in our index since 1st Jan. 91 and 25% this year so far.

Top performer this month was **Enterprise Computers** - up 37% on a major return to profits in the second half of 1991 (see p 10). Chairman Bob Evans had been a buyer earlier in the year and has seen his shares rise 75% in 1992 so far. But the best performer in 1992 is **Microvitec** - up a massive 138%; 35% in the last month alone. This is a little difficult to explain as Microvitec has just announced increased losses of £3.8m for 1991 (see p 10). **INSTEM's** 28% share price rise in March is easier to understand as latest results (see p 2) were much better than the previous profits warnings had lead us to expect. Expectations that the problems at Telecomputing may at last be behind them caused a 27% rise at **Gresham Telecomputing** (see p 2). That still doesn't stop them retaining the CSI Index wooden spoon. But with a further 7% decline this month, **P&P** looks set to pick up this dubious honour. Their shares are down 83% since our index started in Apr. 89.

The 1992 share price recovery at **Vistec** went into reverse - down 10% this month - despite Bob Morton's unusually optimistic outlook. Profit taking at **MicroFocus** caused a £22m decline in capitalisation to £302m. A bullish Chairman's statement (see p 11) and the forthcoming NASDAQ listing means that this decline is unlikely to be repeated! **Star** takes the capitalisation booby prize again at just £1.43m.

We wonder what effect the election will have on CSI stocks?

Computing Services Index

27th March 1992

April 15th 1989 = 1000

1304.12

Changes in Indices	CSI Index	FTSE 100
Month 28th Feb. 92 to 27th Mar. 92	+4.92%	-4.46%
35 months 15 Apr. 89 to 27th Mar. 92	+30.41%	+19.20%
1st Jan 91 to 27th Mar. 92	+84.23%	+13.31%
1st Jan 92 to 27th Mar. 92	+24.81%	-1.81%

System House CSI Share Prices and Capitalisation

	Share Price 27/3/1992 (£p)	Capitalisation 27/3/1992 (£m)	Historic P/E	CSI Index 27/3/92	Share price % move since 28/2/92	Share price % move this year	Capitalisation move (£m) since 28/2/92	Capitalisation move (£m) this year
ACT	£ 1.65	£ 214.50m	18.84	2641.05	-7.82%	8.55%	-£ 18.20m	£ 28.60m
Admiral	£ 3.20	£ 34.31m	13.70	2318.84	6.67%	7.02%	£ 2.11m	£ 2.01m
Capita	£ 2.94	£ 43.90m	19.48	2940.00	-3.92%	12.21%	-£ 1.75m	£ 4.60m
Computer People	£ 0.95	£ 13.20m	5.48	390.95	5.56%	-17.39%	£ 0.70m	-£ 2.80m
Cray Electronics	£ 0.63	£ 66.29m	26.80	365.50	-6.72%	-3.85%	-£ 4.77m	-£ 1.61m
EIT Group	£ 0.15	£ 4.86m	Loss	600.00	-6.25%	25.00%	-£ 0.30m	-£ 0.52m
Electronic Data Processing	£ 4.10	£ 35.73m	13.49	4183.65	-7.45%	41.87%	-£ 2.93m	£ 10.73m
Enterprise	£ 0.28	£ 20.34m	Loss	224.00	36.59%	75.00%	£ 5.35m	£ 7.94m
Gresham Telecomputing	£ 0.14	£ 4.46m	11.00	150.54	27.27%	55.56%	£ 0.96m	£ 1.59m
Hoskyns	£ 4.19	£ 384.57m	39.24	2043.90	1.70%	6.08%	£ 6.75m	£ 25.07m
INSTEM	£ 0.96	£ 4.32m	4.93	960.00	28.00%	28.00%	£ 0.95m	£ 0.95m
Kalamazoo	£ 0.44	£ 8.11m	6.43	440.00	-2.22%	-7.37%	-£ 0.19m	-£ 0.27m
Kewill	£ 1.64	£ 15.57m	4.72	648.22	17.99%	-47.94%	£ 2.36m	-£ 14.53m
Learmonth & Burchett	£ 0.57	£ 7.60m	Loss	475.00	9.62%	-1.72%	£ 0.67m	-£ 0.13m
Logica	£ 1.85	£ 113.40m	Loss	506.85	0.00%	-4.15%	£ 0.03m	-£ 4.90m
Macro 4	£ 4.25	£ 94.69m	19.13	1713.71	-3.41%	12.14%	-£ 3.27m	£ 11.19m
Micro Focus	£ 22.15	£ 301.82m	28.58	10700.47	-6.74%	43.09%	-£ 21.78m	£ 99.42m
Microgen	£ 1.39	£ 53.77m	12.13	594.01	-6.08%	-13.66%	-£ 3.53m	-£ 8.53m
Microvitec	£ 0.35	£ 22.59m	Loss	841.46	35.29%	137.93%	£ 6.27m	£ 13.61m
Misys	£ 2.21	£ 79.88m	18.78	549.75	2.31%	8.87%	£ 1.82m	£ 10.68m
MMT	£ 0.88	£ 9.34m	13.97	523.81	-7.37%	6.02%	-£ 0.75m	£ 0.53m
NMW	£ 0.33	£ 6.86m	25.38	541.67	-1.52%	-14.47%	£ 0.04m	-£ 0.79m
P&P	£ 0.38	£ 21.04m	45.56	170.40	-7.32%	-5.00%	-£ 1.66m	-£ 0.56m
P-E International	£ 0.85	£ 18.60m	17.55	349.80	-1.16%	-32.00%	-£ 0.22m	-£ 8.70m
Pegasus	£ 1.59	£ 10.14m	7.99	433.25	0.00%	6.00%	£ 0.04m	£ 0.97m
Proteus	£ 2.95	£ 66.01m	Loss	3511.89	18.00%	73.53%	£ 10.09m	£ 27.91m
Radius	£ 0.34	£ 9.26m	4.00	246.37	6.25%	-12.82%	£ 0.55m	-£ 1.34m
Real Time Control	£ 0.81	£ 5.67m	7.61	1653.06	-2.41%	-21.36%	-£ 0.14m	-£ 1.54m
Rolfe & Nolan	£ 1.95	£ 10.92m	11.58	2303.51	-4.88%	1.56%	-£ 0.58m	£ 0.02m
Sage Group	£ 4.35	£ 87.10m	17.45	3346.14	-2.25%	30.63%	-£ 2.00m	£ 21.20m
Sanderson	£ 1.15	£ 10.10m	6.41	489.36	-6.50%	-6.50%	-£ 0.74m	-£ 0.70m
Sema Group	£ 2.25	£ 204.55m	21.23	707.55	-3.85%	3.69%	-£ 8.20m	£ 6.35m
Sherwood	£ 1.94	£ 10.15m	11.47	1616.66	-0.51%	44.78%	-£ 0.06m	£ 3.22m
Star	£ 0.21	£ 1.43m	Loss	175.00	-4.55%	-8.70%	-£ 0.07m	-£ 0.14m
Total	£ 0.37	£ 3.70m	5.14	698.12	-2.63%	8.82%	-£ 0.10m	£ 0.30m
Trace	£ 0.31	£ 4.22m	Loss	248.00	-8.82%	-13.89%	-£ 0.41m	-£ 0.65m
Vistec	£ 0.13	£ 14.73m	15.26	568.15	-10.34%	-3.70%	-£ 1.76m	-£ 0.57m

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; in other words a change in the share price of the largest company has the same effect on the index as a similar change in the share price of the smallest company

Enterprise returns to profit

Robert Evans, ex-Hillsdowne, took on **Systems Reliability** in late 1988. He borrowed £1m to fund his stake at £1 a share and set about transforming the group; best known then for its telephone monitoring systems. He went on a massive buying spree, spending at least £70m on the likes of **Fletcher Dennys**, **Optim**, **Enterprise** and **Chase International**. Everything looked rosy. PBT rose to £7.8m in 89. Then, like every acquisitive company, things started to go wrong. The response was to put the company into reverse gear. They sold their PC dealership, **Corporate Computers**, to Dutch VRG, their motor trade software products division to **Kalamazoo**, and the telephone

monitoring operation went in an MBO. There were many other smaller disposals.

The nadir was the announcement of losses of £4.8m for the six months to 30th June 91, compared with profits of £5m in 90. At that point the name was changed to **Enterprise Computers**, reflecting the remaining IBM mainframe operations. Shares had fallen to a low of 10p.

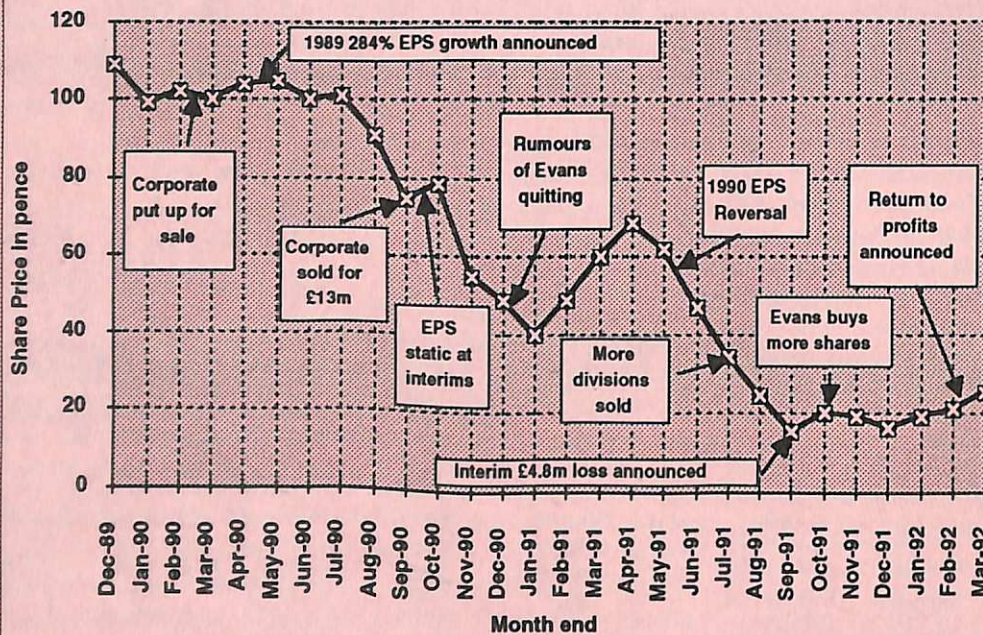
Latest results show that Enterprise has returned to PBT of £1.73m in the second half of 91. They have also changed the year end to 31st March but the equivalent full year figures for 1991(90) were revenue £152.5m (£183.2) and a loss of £3m (PBT £7.5m).

Revenues for mainframe services were slightly down (c£113m pa) in the second half of 91 but the new Enterprise Digital operation "performed well". Integration services, undertaken under the name of **Systems International**, "performed very strongly" although still representing revenues of only £10m pa.

A new FM and disaster recovery operation in Feltham is planned for 1992. "Trading since December has been reasonable.... We have a strong balance sheet with net cash in hand".

City analysts are suggesting PBT in excess of £5m for the year to March 93. Past performance does not generate confidence, but Evans now has £1.5m of his own money riding on a recovery.

Enterprise Share Price Movements



"Considerable achievement" = £3.8m loss

Even **Microvitec's** brokers Henry Cooke Lumsden seem to have difficulty keeping up with the depths to which their losses will plunge. Last Sept. they predicted losses of just £1m for the year. In the event losses increased from £2.4m in 1990 to £3.8m this year on revenues up 57% at £36.9m.

Chairman James Pickup describes this as a "considerable achievement despite difficult trading conditions". Microvitec acquired Logitek in a £3.5m hostile (to say the least) takeover battle in May 91. The integration of Logitek is described as "successful" and losses have been reduced "substantially". We do hear on the old boy network that **Azlan**, which Logitek ejected in a £4.3m MBO immediately prior to the Microvitec takeover, is making rather good profits. It seems to be yet another case of the baby going in the same direction as the bathwater.

But look at the results another way. Interest payable has increased from £196K to a massive £747K, gearing is 84%, the US operations have "traded unprofitably in 1991".

But if you believe these things, and we must admit to having become a little jaundiced, Microvitec "enters 1992 in a strong position...we have a substantially improved order book". We do however agree that "1992 will be an exciting year for Microvitec" but perhaps not for the reasons the board currently anticipates.

Election 92

We really thought we might become the only journal this month not to mention the election. But the antics of **Logica's** ex-Chairman, **Philip Hughes**, supporting the Labour party on TV, in the press and at the Hilton Hotel Labour jamboree have forced our hand. At the CSA Conference one delegate said "The only reason Philip Hughes can be a Labour supporter is that he's rich enough already".

Hughes was able to realise his investment in Logica during the Thatcher years. The latest exhibition of his paintings opens this week. At c£3,000 each, they tend to sell to his CSI friends who have also done quite well since 1979. Perhaps Hughes wants the IT post in the Labour Government? Mind you he couldn't do worse than the current incumbent, Lord Reay, if his speech to the CSA conference is anything to go by.

All a question of definition

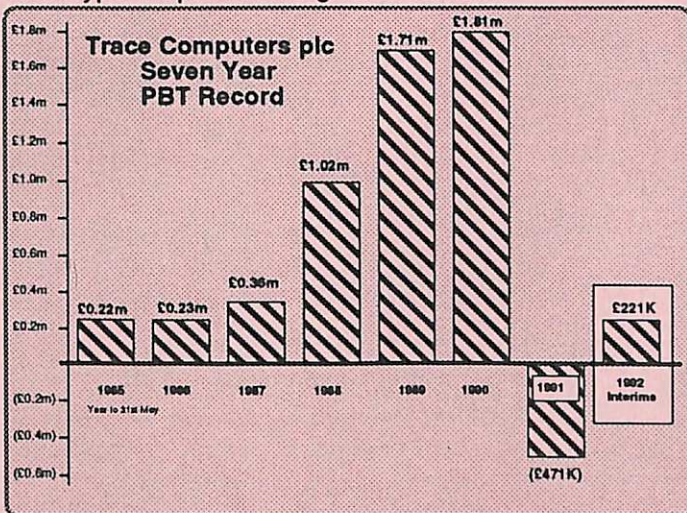
Many of the speakers at the CSA conference tried to define the word "restructuring". We used the term as in "My car has been restructured by a foreign juggernaut".

We were reminded of CAP's "merger" with Sema Metra in 1988 when the BBC's Weekending radio program defined the verb "to merge" as used in the sentence "Poland merged with Germany in 1939".

Recovery continues at Trace

Successfully predicting the winner of the Grand National after the race is over somehow doesn't rank with us as being that notable an achievement. **Trace Computers'** chairman, Robert Careful, told shareholders in **Nov. 91** at the AGM that he expected a return to "a modest level of profitability". Latest results for the six months to 30th Nov. 91 show PBT of £221K, compared with just £31K last time and a loss for the full year of £471K. Revenues were marginally down at £9.71m and EPS was 1.59p(0.06p). Interest payable was a massive £302K for the six months; up from £211K last time.

Trace was doing well until they launched onto the USM in June 89 at 125p. Buying companies with their new found paper then went to their heads and they became the archetypal acquisition indigestion sufferer.



We are told that Trace's insurance broker and property management systems, together with the **Proteus** software distribution activities, have held up well. But bespoke software development and the financial systems activities "remain extremely difficult". Their **Prospect** management consultancy "incurred a setback resulting from the failure of an important client". Recruitment and supplies have also been hit hard.

The "future prospects" section of the Chairman's statement was not exactly bullish. We share the caution. Trace is known to want to divest itself of certain parts of its business in order to reduce its horrendous borrowings. We don't see any major improvement until Trace reduces to the size that its current directors are capable of managing.

Reversals at Kalamazoo

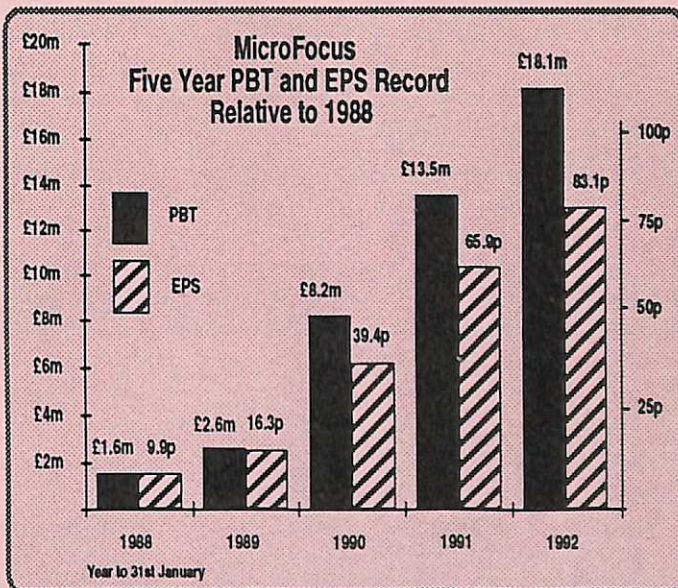
The recent recovery record at **Kalamazoo** was worthy of the textbooks - a loss of £4.1m in 1989 was translated into profits of £3.7m in the year ending 31st July 91. But the latest interims to 31st Jan. 92 show a pre-tax loss of £212K (PBT £1m last time) on revenues static at £19m.

However, the major reason for this loss was their US subsidiary, **Great American Software**, which made losses of £1.1m and was sold in Jan. 92 creating an extraordinary gain of £720K.

The CSI activities increased revenues by 6.6% and profit contribution was up 14%. Although CSI activities represent only 65% of revenues (£17.7m) they contribute nearly 100% of the operating profits. Kalamazoo's other (rather less profitable) operations are the printed forms activities where profits have dived from £671K to just £37K.

Choosing the plaudit for MicroFocus gets difficult

Writing about the consistently superb financial results from **MicroFocus** over the last three years has meant that we have run out superlatives. The facts are that, in the year to 31st Jan. 92, MicroFocus has boosted revenue by 20.2% to £55.9m, PBT went up 22.8% to £18.1m and EPS increased by 26.1%. **This makes MicroFocus the most profitable UK CSI company in the last year.** 88% of MicroFocus revenues are now made outside the UK.



In Apr. 88 MicroFocus was capitalised at just £17m - they closed this month worth £302m. On top of all this, MicroFocus has increased their cash balances from £20m to £31m in the year. They can't even give it away, as investigation has shown that both UK and US investors are not too interested in a dividend - not overly surprising when the share price has gone up over eleven-fold since Apr. 89!

Criticising MicroFocus is not easy, but....

- founder **Brian Reynolds** is to retire. He will serve as a non executive for a while. Reynolds is highly regarded as a major driving force behind MicroFocus. However, he has significant property interests in the West Indies which, we guess, might now have stronger attractions.

- we have stated our unease about MicroFocus capitalising their software R&D before. They are about the only quoted company left which does so. When we tackled MicroFocus in the past on this issue they said that, as development costs approx. equalled depreciation, it was an historic non-problem. Well, this year development costs exceeded depreciation and the "software product assets" total has risen from £7.9m to £11.1m.

- "the economic upturn anticipated in the second half of last year did not materialise and achieving our sales targets was difficult". But PBT still rose by 23%!

MicroFocus is currently nearly 40% US owned. They are now set for a full NASDAQ listing which can only boost the shares (and US ownership) still further. Chairman Paul O'Grady has an impeccable record for realistic projections. He predicts "continued growth" and in the event of an upturn in the economy, which we now firmly believe will occur in the second half of 1992, "we would hope to achieve substantial earnings growth for the year as a whole".

Analysts are predicting PBT of £22m for 1992. **Perhaps the only way for MicroFocus really is up.**

A new order....

Richard Holway's presentation to the CSA Conference on 26th Mar. 92 described a new order. The Top Ten suppliers of computing services to the UK market are no longer the old established, UK owned CSI companies. Instead the list is headed by **ICL** and **EDS**; both with UK CSI revenues in the £225-£250m bracket.

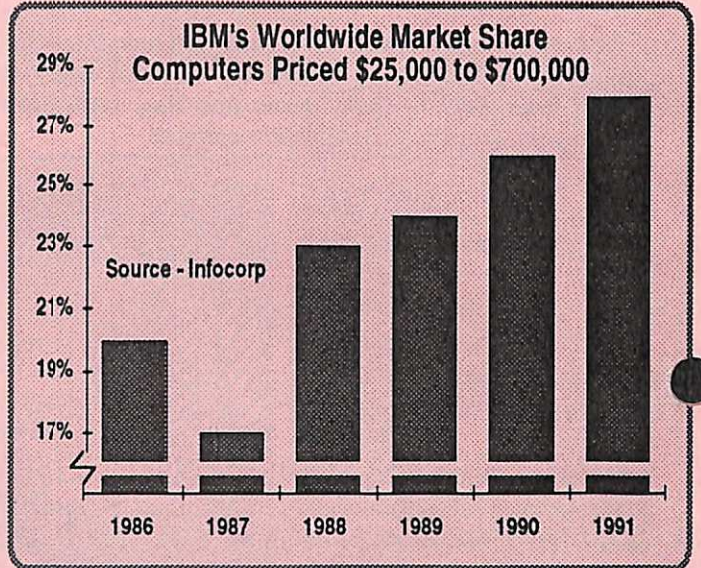
What really surprised us was the c£200m 1991 revenue from **BT Customer Systems**, now based in Fleet, Hants. We suspected that their claim was invalid due to a high proportion of captive BT business. This is not the case - over 94% of revenues are generated outside BT and all the very minor 6% BT business has to be undertaken on an "arms-length" basis. The rise of **Andersen Consulting** to 6th place, ahead of **Hoskyns**, also surprised us (see page 1). Hoskyns had previously claimed to be the leading supplier to the UK CSI market. They are now in 7th place. The UK owned CSI companies, **Logica** and **Data Sciences**, slip in at 9th and 10th places respectively. We wonder just how long they can both remain in UK ownership. Predictably Holway was criticised as being a "Little Englander", "the new Nicholas Ridley" and a "Thatcher supporter". Only when Geoff Unwin is the CEO at CGS, when EDS has a UK national on their main board, when just one internationally sized CSI company is UK owned...will the campaign stop. It really does matter. If the UK gets even further from the heart of IT decision making, what hope for our kids, employment and the UK CSI industry?

....but an old problem

Gathering the information on UK CSI revenues proved harder than even we expected. With an increasing number of overseas owned players, UK figures can only be obtained with the cooperation of the companies concerned. **ICL**, **BT**, **AT&T Istel** and **Andersen Consulting** could not have been more helpful. But the problems we had with **EDS** and **IBM** tried our patience to the extreme. If both these companies want acceptance in the CSI industry they must be a little more open. In the case of EDS, the information must by law be put into the public domain within 10 months of their financial year end. So why can't they divulge, in a timely fashion, the information they all too readily expect to be available from others?



In our business the most important attribute is the humility to admit that you may have been wrong. Well not completely wrong - just a little wrong. When all about us were confidently predicting that UNIX would inherit the earth, the IBM AS/400 has been increasing its market share of the midground. That's if you believe the latest research from **Infocorp** which shows the AS/400 helping to boost IBM's midrange market share from 17% in 1987 to 28% in 1991.



IBM says that the major reason for the success of the AS/400 is the amount of application software available - 9,000 such products apparently.

We have to say that the AS/400 systems companies with which we are involved are doing surprisingly well. There seems to be little of the feared "We won't buy it if it's not UNIX". IBM's announcements for the range seem to come faster than Kylie Minogue's new releases. The AS/400 now spans a wide range; from the humble desktop to a near mainframe equivalent.

"Who knows? At this rate, Big Blue one day may be known as the AS/400 company, not the one that makes mainframes or PCs". Source - Business Week - 16th March 92.

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