

System House

The monthly review of the financial performance of the UK computing services industry
Volume 3 Number 9 Available by subscription only July 1992

UK CSI Stocks outperform FTSE100

There must be many UK CSI shareholders who just cannot believe their good fortune in the first half of 1992. Our CSI Index has risen by a massive 40.8% compared with a modest 2.6% rise in the FTSE 100. However in the last month, when post-election blues hit the major stocks, the FTSE 100 lost 5%, but computing services companies' stock fell by only 3.8%.

But these gains are as nothing compared with the leaders. A record four stocks have more than doubled their share price in the first six months:

Rank	Company	% share price rise
1	Gresham Telecomputing	+222%
2	Proteus International	+156%
3	Microvitec	+117%
4	EIT	+108%

Gresham Telecomputing has had a tough few years what with founder Bernard Panton leaving, the Ferrari involvement, the Gresham "merger", DTI enquiries and a raft of unfavourable press comment. Gresham valued

Telecomputing at 11p per share in Feb. 91 and subsequently the shares fell to just 8p. But in May 92, Gresham announced that Dun & Bradstreet would market their UNIX TP+ product and expected 20% of their 14,000 customers to downsize to UNIX. This put a rocket under the share price, now up over 300% on the 1991 low and 222% this year so far. **Proteus International** is up 156% this year

and shows a 417% gain since their float in May 91. Shareholders are already showing a 55% gain on last month's rights issue. They have still to announce a profit or any revenue but the prospects for the drugs developed using their modelling software are enormous.

On the other hand there have only been seven stocks that have fallen in the period. Indeed there was only one significant fall - **Kewill Systems** down 58% as recession and problems with their recent German acquisition mount.

We have discussed the reasons for this on many occasions. The joint effects of previous cost cutting, particularly job losses, and an anticipated recovery from recession will result in increased profitability in H2 1992; becoming more pronounced in 1993.

On the other side of the Atlantic however, it is a very different picture. New York-based securities house, Donaldson, Lufkin & Jenrette (DLJ) maintains a very similar index of UK software and computing services stocks. The 26 stocks in the index range from PC software products (eg Microsoft), corporate applications (eg Oracle), systems house (eg Computer Associates) and services suppliers (eg EDS and Computer Sciences). The DLJ Index had risen by just 4% to end Apr. 92; albeit slightly more than the more general S&P400.

The only really star US CSI stock this year has been

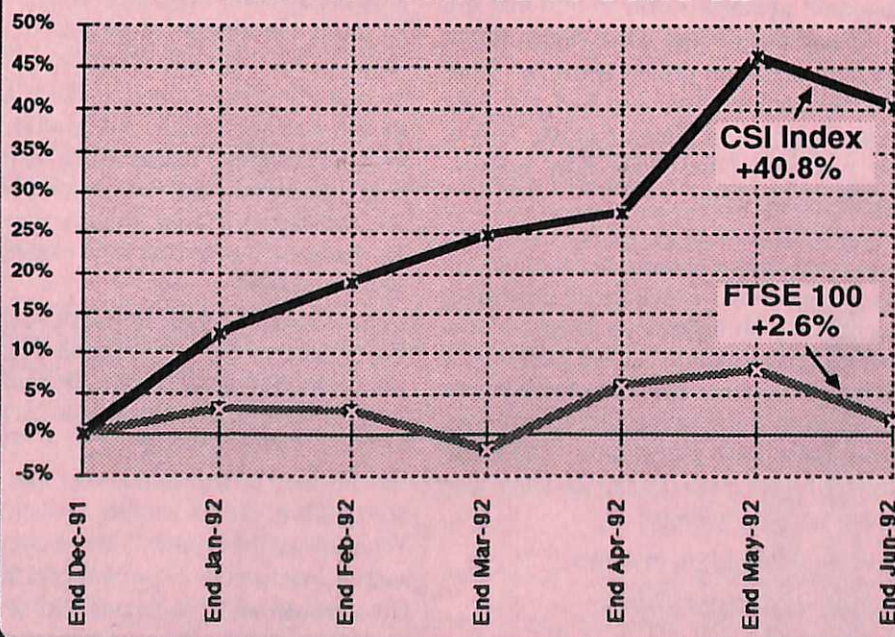
Informix - up c140% this year. Q1 results "again exceeded all expectations by a wide margin. The focus on the low end of the UNIX database market and their low cost reseller-oriented distribution channel is resulting in highly leveraged earnings".

Most of the companies in the DLJ index have announced financial results on or ahead of expectations "the weakness is

related to external factors"; particularly "the traditional summer slowdown" and "fears of rising interest rates".

US CSI stocks are currently trading at a discount to the market - just like the situation in the UK a year ago.

CSI Index compared with FTSE 100
Six months - Jan. 92 to June 92



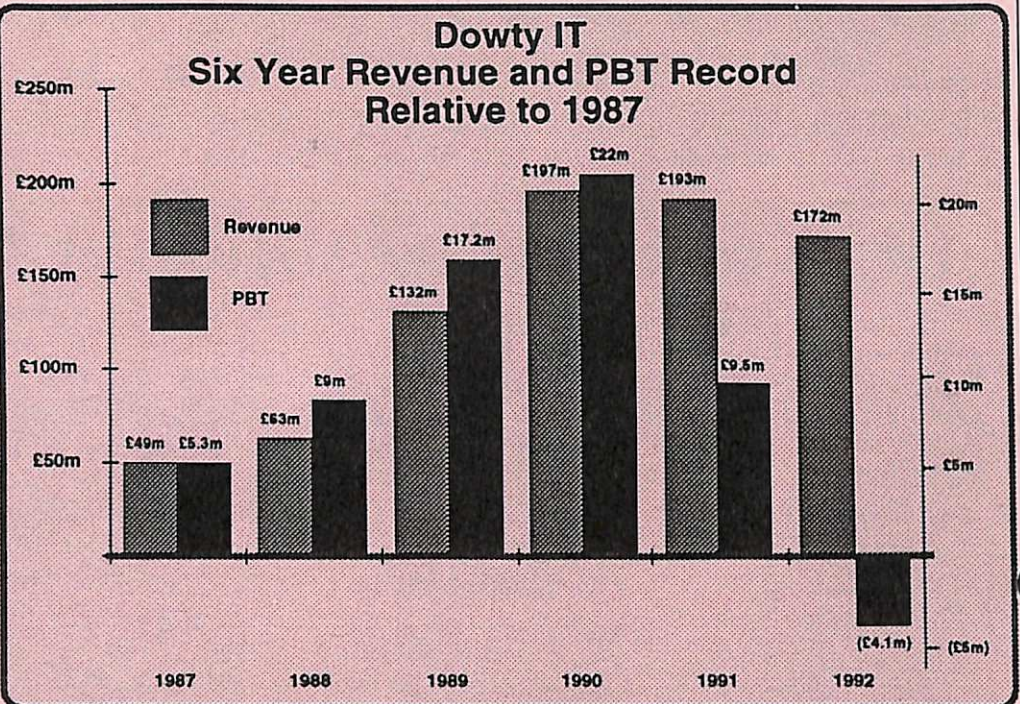
WANTED - a buyer for Dowty IT

On 10th June, TI Group declared victory in its c£510m bid for Dowty. At least there was one thing that both victor and vanquished agreed - **Dowty IT** is up for sale. As victorious TI Chairman Christopher Lewington said "...our priority now is to get down to the real task of returning Dowty to its core specialised engineering business of aerospace and polymers". A few days earlier the IT division announced a loss of £4.1m for the year to 31st Mar. 92. They had previously

announced a profit of £5.8m at the halfway point and £13.1m for the full year to 31st Mar. 91 - but this has subsequently been revised downwards to £9.5m. We understand that the main reason for this revision is that £3.2m of interdivisional costs which had previously been taken at Group level are now being applied to Dowty IT. That's one of the major reasons for our distrust of divisional results. Revenues were also down nearly £20m at £172.1m.

"The IT division was most responsible for Dowty's weak earnings and profits performance in recent years and contributed, perhaps more than anything, to TI's victory". Source - FT 11th June 92.

The biggest part of Dowty IT is the CASE activity but it was losses of £4.4m at Cognito - the public data messaging system - which dragged Dowty IT into the red. Dowty IT consists of 11 operating companies, five of which are UK based. They employ around 2500 staff. "Northern Telecom of Canada, some American 'phone companies, Alcatel of France and Britain's Cray Electronics are expected to be the main contenders to buy Dowty IT...analysts expect a £75m price tag". Source - Sunday Telegraph 14th June 92.



To capitalise or not to capitalise?

In the 1,000 company reports we read each year very few now capitalise software development. Back in late 1989, **Telecomputing** got into hot water when it capitalised the development of its expert systems - only to find that the product didn't sell. The shareholders got a nasty shock when they realised that previous profits were not what they seemed. The only company of note that still puts software on the balance sheet is **Micro Focus**. This is largely for historic reasons. New R&D now approx. balances with write-offs each year.

This month the Inland Revenue has stung the Stock Exchange for tax on its software development costs which it had written off as incurred - the move could cost them £10m in tax. This is not only an expensive threat to most software companies (and their users) but we believe it is bad for shareholders who could easily be hoodwinked into thinking their company was doing rather better than they actually are. As the CSA's John Flood said "There are tremendous commercial risks if you capitalise them and they turn out to be not worth anything".

The Inland Revenue plan should be resisted.

Hoskyns/Granada in closer links

In Apr 92, **Hoskyns** bought **Granada Information Systems** - Granada's in-house IT operation. This month Hoskyns has announced one of the biggest FM deals ever with Granada Group plc and four of its operating subsidiaries. The deal is worth £50m over 5 years and will be based at the Hoskyns centre in Bradford.

All change at Enterprise

If we were of the mind, we could base our whole lecture on the perils of acquisitions on just one group - **Enterprise Computers**. Back in 1988 Robert Evans, ex-Hillsdowne, took on Systems Reliability and bought £1m of shares at £1 each. He then went on a £70m buying spree. Profits rose to £7.8m in 1989. Then everything went wrong. One by one the previous acquisitions were sold off. A loss of £4.8m was declared for the six months to 30th June 1991 and the company name was changed to Enterprise - the IBM mainframe part. The shares hit a low of 8p in 1991 - around the time Evans invested a further £500K. The gain he made on that investment clearly offset the loss on the original stake.

Latest results showed a return to profits of £1.73m in the second half of 1991. On 29th May 92, Evans quit (amicably, we understand) as Chairman and CEO. In addition, he and his wife together sold c4.3m shares at 35p. He still retains 1.9m shares (c2%). The Hanna Group, a Californian investment group, has bought a 13.9% stake for c£3.6m. David Hanna and other Hanna appointees have joined the board. They have an impressive pedigree with considerable experience at IBM and were recently involved with the Xerox publishing activity - Ventura. The new Chairman is Shaun Dowling.

No future plans have been announced, but revitalising the IBM mainframe business will be the obvious area of attention. We had expressed our lack of confidence in analysts' predictions of £5m PBT to Mar. 93. Clearly that's all up in the air until the new strategy is announced.

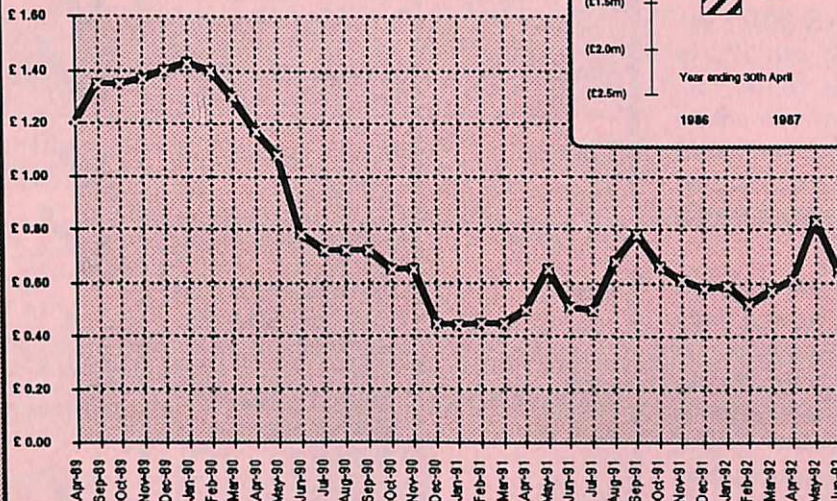
Recovery...at Learmonth & Burchett (LBMS)....

Learmonth & Burchett (LBMS) is best known for its SSADM involvement and supply development methodology, tools and IT training. Unfortunately the previously sound business went on the common acquisitions binge (purchases included **Keith London** and **Michael Jackson**) and then suffered the inevitable indigestion, compounded by increased R&D and the recession. Profits plunged resulting in a loss of £1.7m last year.

But a year ago chairman Rainer Burchett predicted "a return to profits in the year just begun". These words, we are very pleased to say, have turned out to be true.

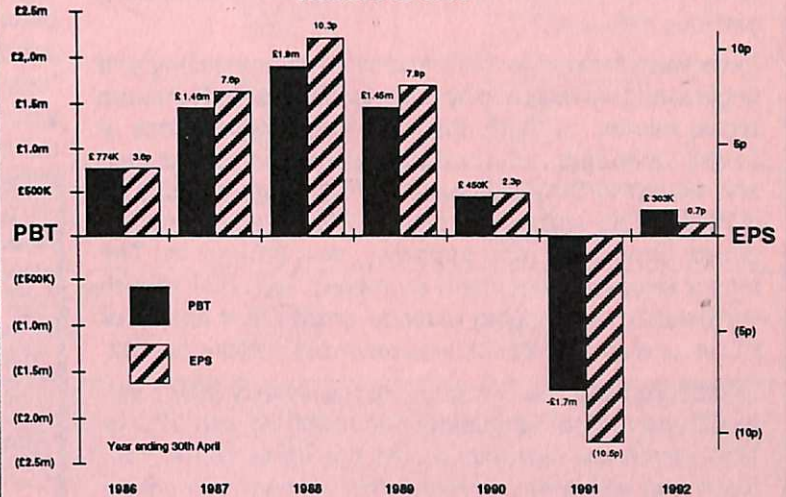
Latest results for the year to 30th Apr. 92 show revenues up 10% at £21.4m and a return to profits of £303K. "Second half profits of £584K more than eradicated losses in the first half".

LBMS - Share Price Movements



LBMS is not to pay a dividend, however, as the company still has borrowings of £1.8m. The considerable investment in the CASE tool, Systems Engineer, seems to be paying off winning "new strategic clients internationally". Indeed international revenues now account for 30% of group

LBMS Seven Year PBT and EPS Record Relative to 1986



turnover. US operations increased revenues by 49% and LBMS European sales jumped 67%.

Improved cash flow and debt restructuring has cut bank borrowings by 43%.

Burchett is confident that LBMS will return to previous growth rates and profitability levels. "The improvements we have made in our ability to compete effectively should pay off handsomely as the recession ends and significant market growth resumes".

...and at Total Systems

It has taken a long time, but **Total Systems** is now almost back to the £835K profits they made when they were launched onto the USM in Mar. 88 at 85p. The share price revival still has a long way to go, even though they ended the month up 4.5% at 46p. Latest results for the year to 31st Mar 92 show revenues up 37% at £2.8m. PBT (£757K) and EPS (5.1p) were both up around 600%. A year of "significant progress against a backdrop of a very tough trading environment".

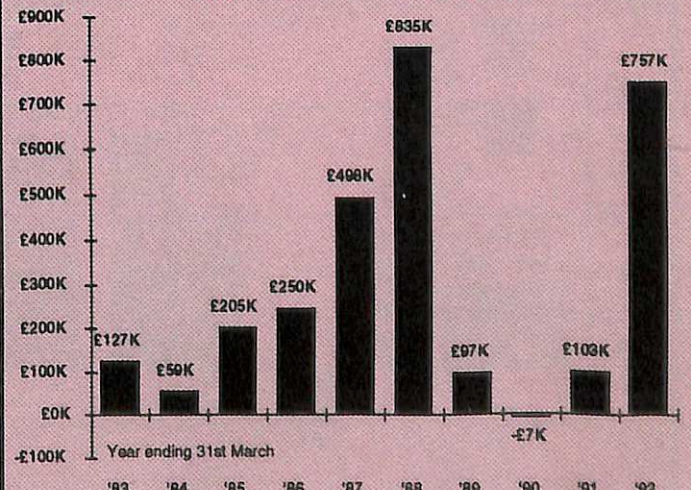
Total is just the type of company which should benefit from any upturn in the economy. The majority of Total's activities are on a "time and materials" basis and over two-thirds are open systems based. The only dark cloud on the horizon is that Chairman Terry Bourne says he has been examining acquisition opportunities - that route has always meant the kiss of death for companies as small as Total with its current capitalisation of just £4.6m.

Bourne is always good for a quote. This time he says "Sadly it appears that many potential clients do not yet appreciate the very real benefits that can be achieved from modern systems and I believe that our industry still has much to do before it earns a consistent reputation for providing value for money".

As to the future, Bourne says that Total Systems is currently trading profitably "which, if sustained, will produce a satisfactory return for the current half year".

One of the major beneficiaries of this will be fellow CSI company MMT. Mike Tilbrook's MMT started buying into Total at 14p and currently holds a stake of at least 5.2%. The current share price represents a 200%+ gain.

Total Systems plc Ten Year PBT Record



Vega, Vega, shining bright

November 89 was not the best time to launch *System House*. Not only did this signal the start of the worst "recession" ever in the industry, but there has hardly been a new Stock Exchange entrant since. So this month we really do celebrate the floatation of **Vega Group** as the first real manifestation of what we have been saying for the last year - there has never been a better time to invest (or at least cash in your previous investment) in the computing services industry.

Vega was founded in 1978 and provides consulting and engineering services and systems to the growing European space market. In 1989, the year Vega made a loss of £183K, John Rigg, who had successfully grown and then sold Marcol to Cray, purchased 47% of Vega's equity for c£950K. This stake was diluted when venture capital group, Grosvenor (see opposite), was brought in. The record since then has been exemplary, with PBT growth consistently outstripping revenue growth. Net assets of £1.5m and cash of £290K was recorded on 30th Apr. 92. Understandably, the European Space Agency (ESA) with its £2b pa budget, dominates the client list with 57% of 1991 revenues. But this should not be of concern as "contracts with terms of more than 3 years account for c70% of turnover". Risk seems pretty low as "the majority of Vega's business is on a time and materials basis". Logica, Marcol and Science Systems are quoted amongst Vega's major competitors.

The shares, representing 31% of the equity, were placed by Beeson Gregory at 122p - a P/E of 18.35 valuing Vega at £17.2m. If that seems high, do not forget that our historic P/E snapshot stood at 22 at the end of May. All the proceeds go to existing shareholders - Rigg and Grosvenor in particular. But they still retain 26% and 10.3% respectively, which cannot be sold until after the publication of the 1993 results. The placing was more than three times oversubscribed.

Dealings began on 11th June and the share price has since risen 11% to 135p.

Growing respect for Grosvenor

We must admit to a growing respect for the team at **Grosvenor Venture Managers**. After investing in John Rigg's Marcol, they made a considerable profit upon its sale to Cray Electronics in 1987 for £22m - an historic P/E of nearly 40. They have repeated the good fortune with John Rigg's Vega. But a look through their other investments in the computing services sector shows a knack for canny investments - and the ability to cash in before the crash. Close and Grosvenor invested in Wootton Jeffreys at the same time. Grosvenor had the wisdom to "take the money" when it was acquired by Headland whereas Close pumped more money in and was amongst the many losers when the receivers were appointed.

Investment	Action Plan	With hindsight
Sage	Long term investor Sell part holding on flotation	✓
Wootton Jeffreys	Sell when Headland buys Headland appoints receivers	✓
Marcol	Sell on Cray Electronics purchase	✓
Monotype	Sell before receivers appointed	✓
GW Thornton	ACTIVE sold in MBO	✓
DataEase	Sapphire buys US DataEase PBT £2.1m on £14.5m rev. to 31st Dec 91	futures
Triad Special Systems	"Phoenix" Triad makes £317K PBT on £2.5m revenues to 31st Mar 91	futures
Vega	Floated in June 92	✓

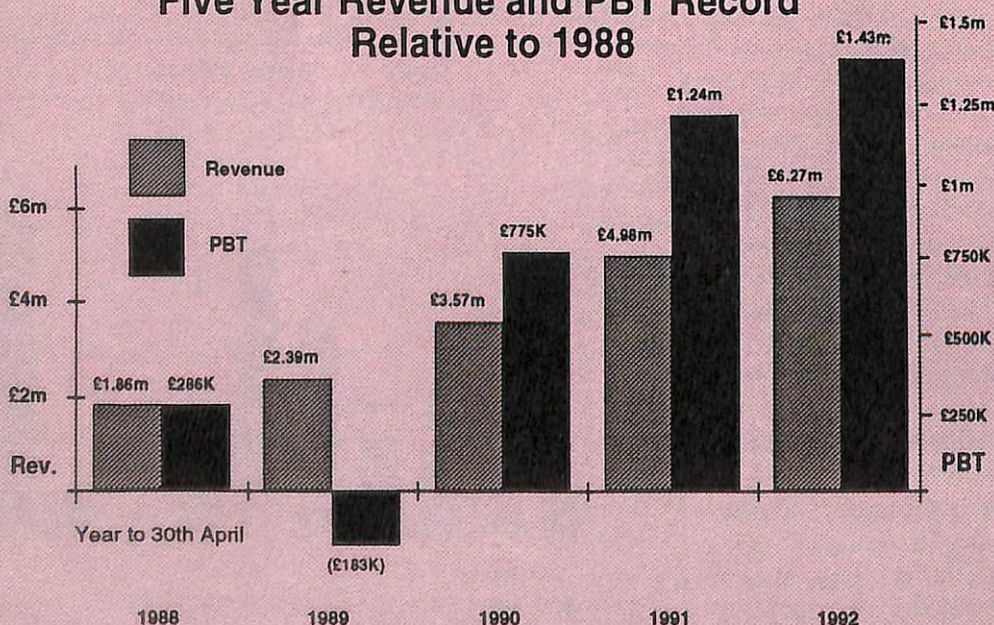
Sage has been one of the best and most consistent performers on the Stock Exchange and readers will already

know that PC database operation **DataEase** (nee **Sapphire**) was one of *System House's* best performing private companies in 1990 and 1991. As we said, it is really good to see a UK distribution operation acquiring the US product developer.

Grosvenor's MD Robert Drummond points out that it is not a complete success story - out of 14 investments in the CSI sector, four (e.g. DRI) have gone wrong so far. Drummond says he looks for market opportunity and good management - technology is of less importance.

We couldn't agree more.

**Vega Group plc
Five Year Revenue and PBT Record
Relative to 1988**



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	Final - Dec 90 £21,207,000 £3,276,000 19.4p		Final - Dec 91 £ 26,104,000 £ 3,472,000 21.9p	Final Comparison +23.1% +6.0% +12.9%
Capita Group 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 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	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	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	Interim - Mar 91 £ 8,664,000 £ 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	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	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 -1.6% -73.9% n/a
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%
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 £ 300,000 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	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 Holdings 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 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	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 £ 1,622,000 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	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 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%
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

Reuters in French software buy

We have written before of the problems of defining what is, and what isn't, a computing services company. The main controversy seems to be whether or not to include **Reuters** with their \$2500m revenues.

This month the problem intensified with Reuters taking a 35% stake in French software house, **Effix Systemes SA** for an undisclosed consideration. Effix is the major software supplier to Reuters' dealing room information management systems. The majority shareholder in Effix is still the Paris-based **Banque de Gestion et de Tresorerie (BIGT)**.

Another buy for P-E

Only back in March 92, **P-E International's** departing Chairman **Hugh Lang** announced that "acquisitions and new ventures are likely to play a less prominent role" in 1992. That was at the same time as P-E announced **PBT** down 62% at £1.6m in the year to 31st Dec. 91. We are not quite sure whether the new Chairman, **George Cox**, has a different view or if the latest acquisition was too small to violate the new policy.

Anyway, this month P-E has acquired consultancy **CSQ (Horizon) Ltd**, which trades as **Northern Computing Services (NCS)** "for a nominal sum" plus a "deferred consideration representing half the profits achieved over the two year period to 31st July 93", plus certain royalty payments. P-E already owned 30% of the company.

NCS had revenues of just £1.3m in the year to 31st Dec. 91. They operate in the areas of FM, open systems and systems design counting **Boddingtons**, **ICL** and the **Royal Navy** amongst their clients.

The statement that the deal "greatly strengthens P-E's services in FM and open systems" should be considered in the context of the modest size of the deal.

The implications of directors' sales

Many newspapers track director's purchases and sales of their company's stock as a likely indicator of future trading. Our limited researches show that this is indeed an indicator to watch - when the directors sell you should buy, when they buy you should sell (sic).

A few recent examples. **Richard Jowitt** of **EDP** sold 10,000 shares at 299p in Jan. 92 and together with Chairman, **Mike Heller**, sold shares worth about £3m at 420p in Feb. 92. EDP shares are now 500p. At the other end of the scale, **Robert Evans** of **Enterprise** bought many of his shares at 100p - this month he stepped down as Chairman selling most of his holding at 35p. We are not quite sure what this indicates about the financial expertise of the leaders of our industry.

This month, **ACT** directors have been cashing in. **Roger Foster** sold about £1m worth and most of the other directors sold around £150K each. If we were in the same position (if only!) we would have done the same. "When climbing mountains, hammer in a piton every so often - at least your won't fall so far" Source - Olde Holway proverb. With **ACT's** bulging cash coffers and their excellent recent trading record, we think that press comment saying other shareholders should follow suit and sell is a little wide of the mark.

Disposal for EIT

Back in Dec. 91, **EIT Group plc** announced the purchase of publicly quoted networking company, **Sintrom plc**, for £1.7m in an all share deal. This month, EIT has sold the business and assets of Sintrom's distribution division to **Everex** for £300K plus a further £75K on the disposal of certain stock. In the year to 31st Dec. 91, the operation being sold lost £491K. "The disposal will enable EIT to focus on its core business, the marketing of specialised telecommunications software business and networking systems, and at the same time will reduce EIT's overall indebtedness".

We have written of our concerns over EIT on several occasions and any moves to reduce the large number markets in which the group operates just must be sensible - particularly if you can pick up some real cash in the process.

Shape of things to come?

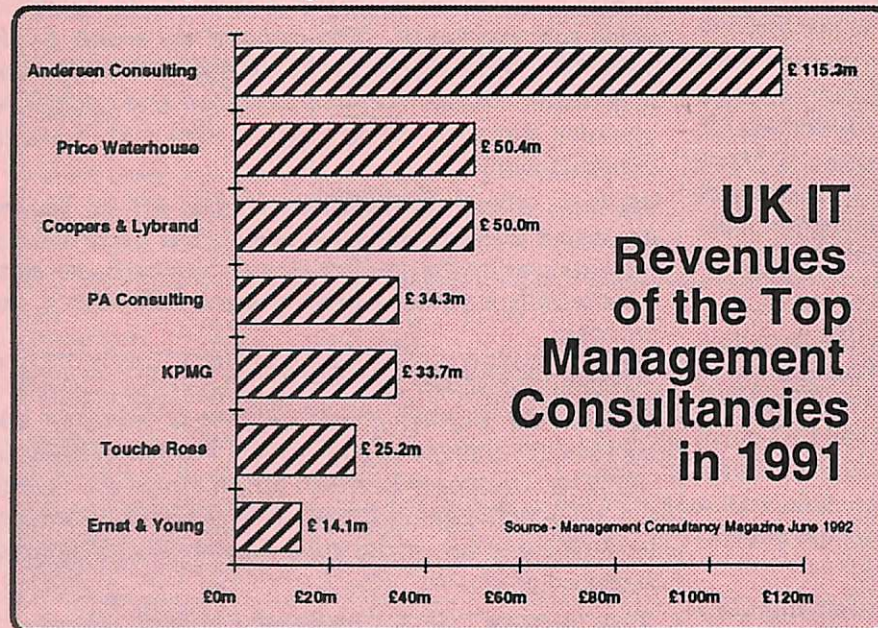
Should **EDS** abandon the **SD-Scicon** identification and combine UK operations? We suspect they will. This month **EDS France** combined with **GFI Informatique**, the French FM operation acquired as part of the **SD-Scicon** package. **EDS-GFI** (as it will now be known) employs 3,250 and has revenues of \$327m.

The others....ACT Computer Support has bought another maintenance base - this time the 1000 customers and £3m revenue of **Computer Maintenance Specialists Ltd** for £610K up front and a further £400K based on future performance. Recruitment operation **Computer Search and Selection (CSS)** has acquired **CSBC**, a DOS/UNIX software products house. CSS's software activities, including **4GL Systems** acquired in Nov. 90, are expected to contribute revenues of c£3m out of CSS' £53m revenues. **Electrocomponents** has put **Misco**, their PC division which operates Europe's second largest computer consumables catalogue, up for sale. **Misco** made losses of £3m (profit of £2m last time) on revenues of £72m in the year to 31st Mar. 92. Epson dealer, **Actel Computer**, has appointed the receivers. **KPMG** is to investigate the affairs of **Central Technologies**, which collapsed in May with debts of £1.2m. Source - *MicroScope* 17th June 92. **SHL Systemhouse Inc** has acquired \$4m pa US IT consultancy, **The Strifler Group**. (Systemhouse UK revenues "are projected to be in excess of £100m"). **SHL Systemhouse** has announced a £22.4m rights issue after the proposed deal whereby **Bell Canada** would acquire a 60% stake collapsed. System tool company, **Delta Software** has "merged" with French software house, **IBSI**, which will now own 61% of Delta. **Independent Television News (ITN)** has sold its news room automation system supplier, **Basys**, to **DEC** for an undisclosed sum. Another "in-house" CSI company is formed this month - **South Wales and South West Electricity** have formed a joint venture - **Croeso Ltd** - to automate the operations of the two electricity distributors. UK **Addison Consultancy**, which recently bought **AGB** from the ill-fated **Maxwell** empire, has formed a joint venture with, **Information Resources Inc**, the US software and information services company, **GfK** and German **AG**. UNIX distributor, **TopLog**, has organised an MBO from **Metrologie**. Amiga reseller, **Microbyte** has appointed the receivers. **3i** has invested £200K in financial accounting systems house **Marchant Computers**.

Andersen Consulting clear leader in Management Consultancies IT league

The Management Consultancies Association has already reported that IT now represents 46%, or £339m, of their members total revenues and that IT revenues had grown by 17% in 1991. That's a growth rate nearly three times that of UK CSI companies in general.

In our previous ranking tables, particularly those presented to the CSA Annual Conference this year, we have included *all* of Andersen's revenue. Andersen contend that virtually all of their contracts have *some* degree of IT content. Indeed most of the other companies in our rankings also have non



IT revenues if the same strict definitions were used. Even if non IT revenues are excluded, Andersen Consulting would still be in the Top Ten list of suppliers of computing services to the UK market - at #9 just ahead of **Data Sciences**.

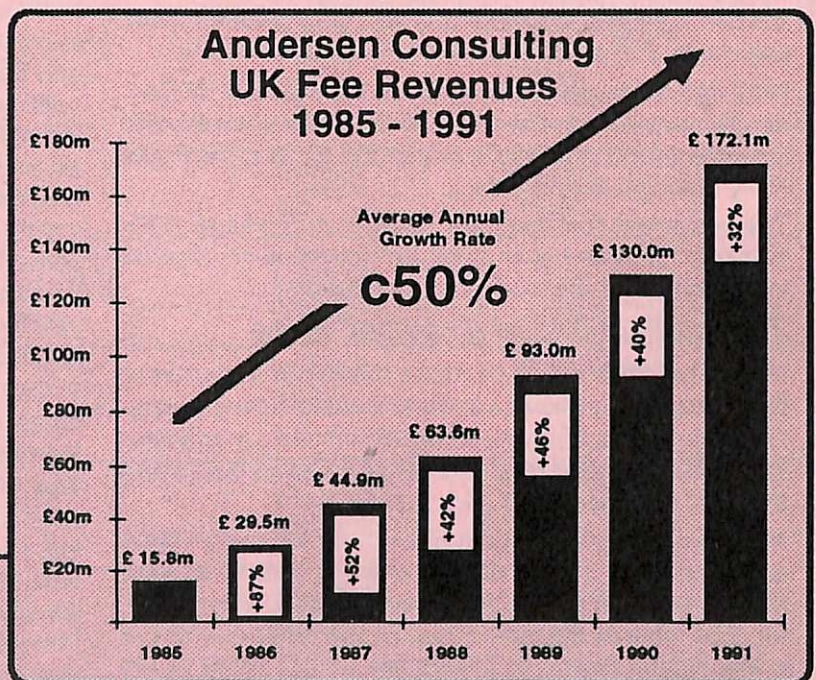
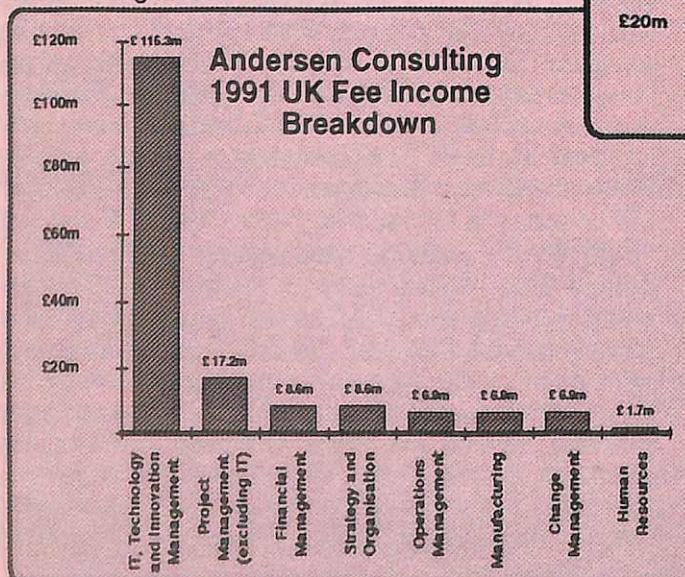
Andersen's largest service area is FM/ managed services. Its largest industry is the financial sector (34%), with such deals as the recently high profile Stock Exchange contract. Public Utilities represents 24% of revenues. Last year, for example, Andersen was awarded a £5m FM contract by Thames Water. Andersen is also very strong in the public sector arena (23%) and could be one of the major beneficiaries of the Government's decision to outsource some 25% of civil service work (see p 11). One of their largest contracts to date has been

The clear leader in the supply of IT related services is **Andersen Consulting**; with the #2, **Price Waterhouse**, achieving less than half Andersen's revenues.

Andersen Consulting really has been a star performer - growing their total UK fee revenue by an AAGR of nearly 50% since 1985. According to the league table published in the June edition of Management Consultancy, Andersen has now overtaken last year's leader, **Coopers & Lybrand**, to gain the #1 position. "Andersen Consulting is making more money than anyone else, hiring more staff than anyone else, and probably generating more profits than anyone else". **PA Consulting** headed the list two years ago; but have since slipped to #3.

As can be seen in the diagram below, IT represents two-thirds of Andersen's UK revenues with non IT related project management the second largest sector.

taking part in the £2b social security benefits computerisation project for the DHSS.



Redundancies at Callhaven

Apple reseller, **Callhaven** has announced 15 (12%) redundancies. Probably influenced by non-executive Chairman Barney Gibbens, Callhaven has made impressive moves from "box shifting" to services; these now account for 50% of business compared with 25% a year ago.

As many others have found moving from distribution or hardware sales to value added services at a time of recession is very painful. But Piyush Shah, Callhaven's MD, would seem to agree that box shifting by midsize dealers is a dying business - the eventual move to services will make the pain worthwhile

Realism reigns

In the days after the election on 9th April, there were many who told us that the problems of the recession were now behind us. Our article on the subject was headlined "New dawn or false dawn?". Rerunning the calls this month has led us to believe that the latter is nearer the truth. The consensus view is still that the bottom has been reached and that the only way is up. But few have seen any real evidence of an upturn although most believe this will happen in H2 92.

This reality has affected the Stock Exchange too. The FTSE100 dropped 5% this month and our CSI Index also fell 3.8%. In fact, 60% of all quoted CSI companies registered a share price fall this month. **Logica** led the falls - down 16% - as another sorry year comes to a close on 30th June. Even **Micro Focus** fell 14% on profit taking. The return to profits at **LBMS** (p3) failed to stop a 13% plunge in their share price.

The main gainer this month (see p1) is **Gresham Telecomputing** up a massive 93% on news that Dun & Bradstreet and ICL will market their TP+ product. **Star** and **Radius** put on gains of in excess of 16% although it is difficult to explain these increases. **Vistec** gained 12% on excellent results (see p11). **Total** had been leading the rankings after their return to profits (see p3) but profit taking reduced the monthly gain to just 4.5%.

99% of **Proteus International** shareholders took up their rights. This was not overly surprising as the rights was priced at 280p and Proteus ended the month on 435p. **Sema Group** shares have remained static this month despite press reports that **Schneider SA**, which holds an 8.7% stake, wishes to sell. The "obvious" buyer is **CGS** with its 29% holding.

The olde Stock Exchange adage "sell in May and go away" looks to be only too true with the benefit of hindsight.

Computing Services Index

25th June 1992

April 15th 1989 = 1000

1471.04

Changes in Indices	CSI Index	FTSE 100
Month 28th May 92 to 25th June 92	-3.80%	-5.08%
38 months 15 April 89 to 25th June 92	+47.10%	+24.53%
1st Jan. 91 to 25th June 92	+107.81%	+18.37%
1st Jan. 92 to 25th June 92	+40.79%	+2.58%

System House CSI Share Prices and Capitalisation

	Share Price 25/6/1992 (£p)	Capitalisation 25/6/1992 (£m)	Historic P/E	CSI Index 25/6/92	Share price % move since 28/5/92	Share price % move this year	Capitalisation move (£m) since 28/5/92	Capitalisation move (£m) this year
ACT	£ 1.74	£ 234.12m	17.54	2785.11	-8.42%	14.47%	-£ 21.56m	£ 48.22m
Admiral	£ 3.70	£ 39.62m	16.62	2681.15	1.65%	23.75%	£ 0.62m	£ 7.32m
Capita	£ 3.97	£ 59.30m	26.86	3970.00	-5.92%	51.53%	-£ 3.69m	£ 20.00m
Computer People	£ 1.15	£ 16.00m	20.99	473.25	0.00%	0.00%	£ 0.00m	£ 0.00m
Cray Electronics	£ 0.77	£ 102.80m	34.80	447.37	-12.07%	17.69%	-£ 14.09m	£ 34.90m
EIT Group	£ 0.25	£ 8.38m	Loss	1000.00	0.00%	108.33%	£ 0.01m	£ 3.00m
Electronic Data Processing	£ 5.00	£ 43.60m	15.23	5102.01	0.00%	73.01%	£ 0.00m	£ 18.60m
Enterprise	£ 0.30	£ 21.99m	Loss	242.02	-6.91%	89.08%	-£ 1.68m	£ 9.59m
Gresham Telecomputing	£ 0.29	£ 9.21m	15.00	311.82	93.33%	222.22%	£ 4.43m	£ 6.34m
Hoskyns	£ 4.33	£ 403.60m	40.95	2112.19	0.70%	9.62%	£ 3.20m	£ 44.10m
INSTEM	£ 1.17	£ 5.27m	8.29	1170.00	-7.14%	56.00%	-£ 0.40m	£ 1.90m
Kalamazoo	£ 0.42	£ 7.65m	6.43	415.00	-7.78%	-12.63%	-£ 0.64m	-£ 0.73m
Kewill	£ 1.33	£ 12.71m	5.10	525.69	-11.33%	-57.78%	-£ 1.60m	-£ 17.39m
Learmonth & Burchett	£ 0.64	£ 8.53m	Loss	533.33	-13.51%	10.34%	-£ 1.33m	£ 0.80m
Logica	£ 1.85	£ 113.43m	Loss	506.85	-15.91%	-4.15%	-£ 21.37m	-£ 4.87m
Macro 4	£ 4.62	£ 103.17m	20.43	1862.91	-1.70%	21.90%	-£ 1.83m	£ 19.67m
Micro Focus	£ 17.50	£ 238.96m	24.49	8454.10	-14.00%	13.05%	-£ 38.97m	£ 36.56m
Microgen	£ 1.72	£ 66.61m	15.16	735.04	-7.03%	6.83%	-£ 4.96m	£ 4.31m
Microvitec	£ 0.32	£ 20.61m	Loss	768.29	8.62%	117.24%	£ 1.68m	£ 11.63m
Misys	£ 2.93	£ 110.20m	25.74	728.85	-1.01%	44.33%	£ 3.23m	£ 41.00m
MMT	£ 1.07	£ 11.40m	15.44	636.91	1.90%	28.92%	£ 0.30m	£ 2.59m
NMW	£ 0.38	£ 7.91m	Loss	625.00	-3.85%	-1.32%	-£ 0.32m	£ 0.26m
P&P	£ 0.56	£ 31.05m	69.44	251.12	-10.40%	40.00%	-£ 3.61m	£ 9.45m
P-E International	£ 1.07	£ 23.36m	22.04	440.33	-0.93%	-14.40%	-£ 0.28m	-£ 3.94m
Pegasus	£ 1.68	£ 10.70m	9.05	457.77	-6.67%	12.00%	-£ 0.76m	£ 1.53m
Proteus	£ 4.35	£ 116.84m	Loss	5178.55	4.82%	155.88%	£ 23.91m	£ 78.74m
Radius	£ 0.58	£ 15.80m	6.25	420.29	16.00%	48.72%	£ 2.17m	£ 5.20m
Real Time Control	£ 1.01	£ 7.07m	10.73	2061.22	-13.68%	-1.94%	-£ 1.12m	-£ 0.14m
Rolfe & Nolan	£ 2.35	£ 13.20m	13.84	2776.02	6.82%	22.40%	£ 0.90m	£ 2.30m
Sage Group	£ 4.38	£ 87.70m	18.35	3369.22	-6.41%	31.53%	-£ 6.00m	£ 21.80m
Sanderson	£ 2.26	£ 19.95m	12.92	961.70	-8.87%	83.74%	-£ 1.88m	£ 9.15m
Sema Group	£ 2.64	£ 240.00m	24.32	830.19	-1.49%	21.66%	-£ 3.59m	£ 41.80m
Sherwood	£ 2.59	£ 15.48m	13.16	2158.33	0.39%	93.28%	£ 1.98m	£ 8.55m
Star	£ 0.28	£ 1.89m	Loss	233.33	16.67%	21.74%	£ 0.26m	£ 0.32m
Total	£ 0.46	£ 4.60m	5.95	867.93	4.55%	35.29%	£ 0.20m	£ 1.20m
Trace	£ 0.30	£ 4.11m	Loss	240.00	-9.09%	-16.67%	-£ 0.41m	-£ 0.76m
Vistec	£ 0.24	£ 27.20m	22.63	1048.89	11.63%	77.78%	£ 2.83m	£ 11.90m

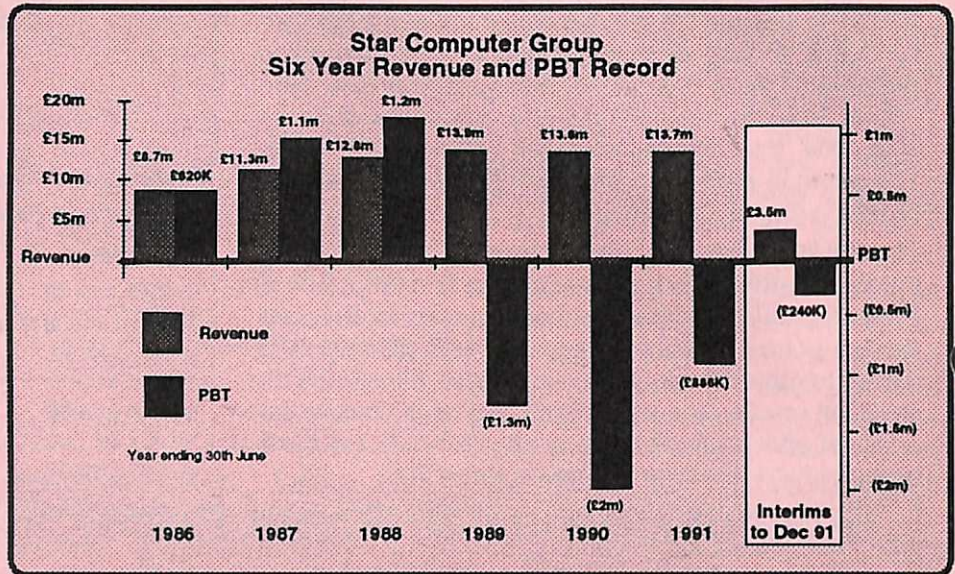
Note: CSI Index set at 1000 on 15th April 1989. Any new entrants to the Stock Exchange are allocated an index of 1000 based on the issue price. The CSI Index is not weighted; in other words a change in the share price of the largest company has the same effect on the index as a similar change in the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

Understanding Star

Star Computer Group has reported losses for three consecutive years and the results to 30th June 1992 might well continue that record. It was not overly surprising therefore that several shareholders have commented to us that their interests might be better served by a change of management or Star becoming part of a larger group. As might be anticipated, this does not find too much favour with the Blechner brothers who run the company and own around 29% of the equity.

Star's predominant market is the supply of software and systems to the accountancy profession. In addition, their Pinnacle operation is a leading supplier to the field service industry with over 100 blue chip clients in the UK and overseas including GEC, Siemens, Barclays Bank, Olivetti, GCHQ and others. Other activities include Tetra/Unisys distribution and office automation systems for the legal market.

Ron Blechner was particularly concerned about our remarks over the sale of their maintenance operation to Misys in Mar. 91 for £2.7m. He wrote to us this month saying "We were not forced to sell to Misys, indeed we had an offer from an MBO team. Fortunately Misys were more easily flexed than the MBO team thereby releasing substantially increased recurring revenue. We needed to sell for cash reasons certainly, but we also foresaw the current erosion and upgrade opportunities where total cost of ownership would hasten the demise of CT (and similarly MIPS). In these matters of fact Misys were somewhat blinkered to our advantage". Blechner believes System House "accords our small company far more significance than we deserve".



Hoskyns still feeling the pain

Hoskyns is about the best barometer of the UK CSI scene - their revenue growth has exactly mirrored the total industry since 1985. In the last full year to 31st Oct. 91, Hoskyns profits fell for the first time in over a decade - down 17% and almost exactly mirroring the 19% average profits fall for quoted CSI companies.

Latest results for the six months to 30th Apr. 92 show revenues down 7% at £95.7m, PBT down 35% at £5.6m and EPS down 39%. Executive Chairman Geoff Unwin says "the continuing depressed nature of the UK economy" is the main reason for the downturn. "In addition, the unprecedented 1991 first half performance, which generated almost 60% of the year's profits makes the year on year comparisons even less favourable". Current trading indicates a return to "more traditional profit profile over the two halves of the year". In the three years 1988 to 1990, Hoskyns made on average 43% of its profits in the first half. So, taking Unwin's words at face value would infer c£12.9m PBT for 1992; down 10% on 1991.

Education and training continue to face tough trading conditions with little sign of an upturn. Information Systems Support (including FM) faces fierce competition "as new entrants begin to establish market positions and gain experience". On a brighter note, Project Services (including systems integration) has "experienced a revival in new project commitments".

Hoskyns share price (433p) was unmoved by the announcement. CGS has to buy out the remaining 30% of shares it does not hold by Apr. 93 at 469p.

Hoskyns sees a marginally brighter second half - that's good news for all in the industry.

Langmore takes on Kalamazoo

There now seems little doubt in which direction Kalamazoo is headed. Michael Langmore, who has been MD of the CSI activity, Kalamazoo Computer Group, has now been appointed Group MD. He therefore takes control of the paper/forms activity, Kalamazoo Business Systems, as well. The CSI activities, with a strong niche market position in the motor trade systems arena, represented around two thirds (c£40m) of Kalamazoo's £60m revenue in the year to 31st July 91. These CSI activities represent most of the operating profits as the market for the forms activities were "very depressed". Group results for the eight months to 31st Mar. 92 show revenues down 1.8% at £38.5m, PBT down 74% at £611K and EPS reduced to nil.

However, CSI activities increased PBT by 35% to £2.3m on revenues up just 7% at £23.7m. However, profits from the forms activities reduced from £1.6m to just £300K.

Kalamazoo also this month announced the sale of its 60% interest in Kalamazoo New Zealand which had reported "continuing losses" at the interim stage. Given that, the £500K cash received looks good. Chairman, Peter Harrop, said "This sale enables us to reduce gearing and at the same time allows us to concentrate our management resources on our core businesses". Having met Michael Langmore we have no doubts that the core business will more and more be the CSI activities with the current strong acquisition activity continuing, indeed accelerating, in the future. Kalamazoo's Chairman now says that "prospects are good. Computer services continue to show growth and the Group has negligible gearing. The costs of repositioning the Group will be substantial but will enable us to show an overall growth in total on-going profits in the coming year".

Profits grow at EDP - but revenues decline

Electronic Data Processing (EDP) has not only been the best performing stock in the sector in the last year but its financial results have been exemplary. Latest interims to 31st Mar. 92 show a 29% rise in PBT to £2.41m and a 28% hike in EPS. But revenues slipped 14% to £7.47m. Chairman Michael Heller described trading conditions as "particularly difficult" and there has clearly been considerable competition in the hardware side of the business. 25% of EDP's revenues come from the distribution of the NCR Mentor range. The remaining 75% derives from EDP's own Merchant application software. Recurring service revenues are now contributing "in excess of £8mpa" or >50% of annual revenues.

As we have reported previously, EDP has abandoned its £530K offer for Applied Computer Systems due to a misrepresentation of the company's assets. We thought the deal looked "too good to be true". EDP now has £11.3m cash - up from £8m on 30th Sept. 91. They are still interested in acquiring "compatible software solution based companies" but, says CEO Richard Jowitt, "decent businesses don't want to sell and the rest are rubbish". Source - Computer Weekly 11th June 92.

EDP has been working for the last five years on the development of "leading edge environmental software" which will be announced in mid Sept. this year. We suspect that will take EDP away from its PICK roots into the open systems arena.

Heller repeats his expectation of "another successful year for 1992". Brokers are expecting PBT to rise from £4.1m in 1991 to £5.2m in 1992 and £6.2m in 1993.

Profits standstill at Coda

Private Harrogate-based Coda Ltd develops financial accounting software (IAS) for the DEC VAX, IBM AS/400 and HP 3000 platforms. They have performed both well and consistently with no profits reversals. However, latest interim results for the six months to 30th Apr. 92 show revenues up 24% at £7.1m but PBT static at £1m. Coda Inc revenues grew 52% to \$4.1m, DEC related revenues were up 22% and IBM up 66%. Revenues from the original HP core business have continued to suffer; down 19%. HP now represents just 8% of Coda's revenues.

Recurring maintenance revenues account for 24% or £1.7m of revenue.

Although UK sales have grown 12%, growth in overseas markets has been faster. The UK now represents 58% of Coda's revenues compared with 64% last time. As we have reported before, Coda is developing an open systems version of IAS - a version Chairman Rodney Potts hopes will be the last. The first customer installation is scheduled for this summer "The high level of interest shown in the product both by existing customers and by new prospects is encouraging and endorses our decision to enter the Open Systems arena". This, and the setup of overseas operations, contributed to a general increase in costs as staff worldwide grew by 40 to 205 in the six months.

Superb results from Vistec

Vistec announced revenues up 4% at £32.2m, PBT up 50% at £2.7m and EPS up 60% for the full year to 30th Apr. 92; ending the year with net cash of £4.37m (£1.7m last year). "Trading conditions appear to be bottoming out" said Chairman Bob Morton. More detailed report next month.

Facilities management

If you assemble the learned ranks of market researchers they will probably agree on just one thing. The UK FM market was worth between £400-£500m in 1991 - that's about as precise as they can get. If you then ask them the all-important question about future growth *you pays your money and you takes your choice*.

OTR-Pedder makes the most gloomy predictions "expenditure on FM will remain constant in real terms until 1996 at least". INPUT is a little more optimistic predicting an average 21% growth over the next five years. Romtec predicts a growth rate of just under 30% per annum from £400m in 1991 to £1b in 1995. But Frost & Sullivan predicts an average annual growth of over 60% - with the UK FM market worth £2.1b in 1996.

We would guess that all these predictions had been made before the implications of the Government's decision to outsource up to 25% of civil service work. David Andrews from Andersen Consulting was reported as saying these proposals could lead to IT contracts worth around £750m; the majority being FM related. This would more than double the current market. He also expressed doubts on whether the IT industry could cope with the unprecedented increase in demand. Source - Computer Weekly 11th June 92.

It should be remembered that outsourcing "growth" is different to other CSI markets. Outsourcing merely moves IT from an internal to an external spend. It can reduce total IT spend as users look to FM to produce cost savings.

We believe that companies should think hard before jumping on the FM bandwagon.

- conventional FM (ie running large mainframe datacentres) is on the decline

- the market already has some well established players, like Hoskyns and Andersen Consulting, who have already gained critical mass.

- there is already a raft of inexperienced players "whose prices seem to be set either out of ignorance or to gain market share at any price". Source - FT 19th Dec. 91. Price competition often verges on lunacy.

We believe that the "FM of the future" will involve taking total systems responsibility for all aspects of in-house networked systems - from hardware to software maintenance, from security to user training, from hardware supply to systems integration. Some CSI companies are starting to put together elements of this total service. There are rich - and secure - pickings for the winners.

SoftCore moves on England Green

SoftCore NV was the first European company to benefit from the little used Apple Computer's European Venture Capital Programme setup in early 1991. Their ArchIS product enables the cost of a viable document management system to be reduced from £50K to £10K which includes the software, a stand-alone Mac, scanner and optical disc. There is little doubt that computer based document storage is a need awaiting an affordable solution.

This month SoftCore effectively made their UK distributor, England Green into their UK subsidiary. The financial arrangements for the deal were not made public. England Green had been rumoured to be in difficulty for some time - a major £70K bad debt did not help. Their MD, ex-Apple Gerrit Bus, will head up SoftCore's UK operations.

"Remarkable" performance

Insurance broker **CE Heath**, reported PBT down 27% at £10.3m, but were "saved" because it owns two CSI companies - **Peterborough Software** and **Dasure**. They described the performance of the CSI operations as "remarkable". Not an unfair description, considering that PBT increased by 31% to £5m on revenues 15% up at £39.2m. "Growth came from all areas of the business except education and training". Peterborough was awarded a £1m contract by BT which, in part, contributed to a 36% increase in PBT to £3.5m on revenues up 14% at £25.8m. The "newer" PC and UNIX markets now represent c20% of revenues. Dasure, serving Lloyds brokers and underwriters, also did well. Dasure boosted profits by 22% to £1.5m.

Recovery at Stratagem

Stratagem Group is the investment house which acquired the much troubled and loss-making **Touchstone** (nee MBS) in Feb. 91 for £7.7m. When Stratagem post acquisition really found out the full extent of the problems (Touchstone lost £5.5m in the year to 31st Dec 90) they issued one of the most vitriolic press releases we have ever read (see *System House* Oct. 91).

Although we still do not have the separate accounts for Touchstone (now renamed **The Management Centre plc**), the results for Stratagem for the six months to 28th Feb. 92, show a strong recovery with PBT up at £840K from just £18K the previous year. Many of the previous Touchstone divisions have been sold leaving two remaining operating businesses, **First Point Ltd** "one of the leading computer maintenance operations in the UK" and a small education and training business.

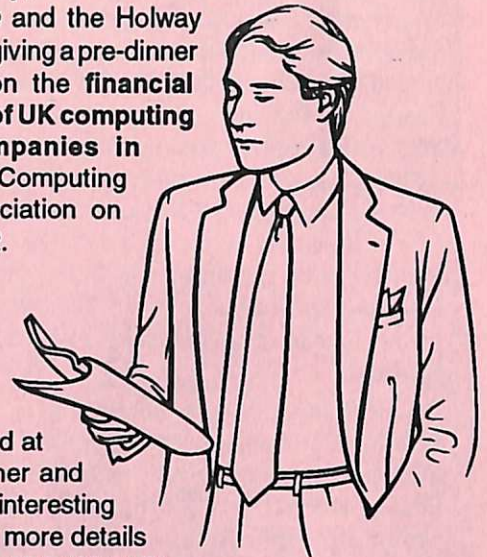
Azlan - doing well on its own

Azlan was the subject of an MBO from **Logitech** just before it was acquired by **Microvitec**. In the year to 31st March 92, PBT increased by 34% to £2.13m on revenues up 33% at £29.3m.

Holway speaks...again

Richard Holway, the editor of *System House* and the *Holway Report*, will be giving a pre-dinner presentation on the **financial performance of UK computing services companies in 1991** for the Computing Services Association on 22nd July 1992.

The venue is the Portman Intercontinental in London starting at 6.00pm followed at 7.30pm by dinner and hopefully a lot of interesting discussion. For more details call the CSA on 071 405 2171.



the Holway Report

Just a reminder that the latest edition of the *Holway Report* was published this month. 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.

ORDER FORM

From:	Delivery address:

I am an existing Richard Holway Limited customer. Please supply:		Amount
<input type="checkbox"/>	Master copy of 1992 Holway Report @ Special Price of £1,250	£1,250
<input type="checkbox"/>	Additional copies @ £175 per copy for use solely within my company	
<input type="checkbox"/>	One year's subscription to <i>System House</i> at £280 pa	
Cheque payable to Richard Holway Ltd Richard Holway Ltd, 18 Great Austins, FARNHAM, Surrey, GU9 8JQ.		Total £
<input type="checkbox"/>	Cheque enclosed	<input type="checkbox"/>
<input type="checkbox"/>	Please invoice my company	
Signed:	Date:	

System House is published monthly by Richard Holway Limited, New Acre, 18 Great Austins, FARNHAM, Surrey, GU9 8JQ. Telephone 0252 724584; which also publishes the annual "Holway Report". Richard Holway is a director of several computing services companies including **NMW Computers plc**.

©1992 Richard Holway Limited. The information contained in this publication may not be reproduced without the written permission of the publishers. Whilst every care has been taken to ensure the accuracy of the information contained in this document, the publishers cannot be held responsible for any errors or any consequences thereof. Subscribers are advised to take independent advice before taking any action.