

System House

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The £ in your pocket

If you have lost your job in the last few years or were one of the 100,000+ ordinary mortals working for the industry who on average have received salary increases less than inflation in every year since 1990, you will not enjoy this article. But if you are already doing well in our industry (which we hope covers the majority of the *System House* readership) then

the chances are that the last year has been very rewarding. Your rewards will have come in a number of ways:

• **remuneration as a director.** It is impossible to determine the average pay of directors and it would be meaningless anyway as non-exec. and executive fees cannot be separated. However, we do know that **total director's costs increased by a minimal 1.6%** (to an average of £214K per company board) but that the number of executive directors decreased as part of the *delaying* process. I.e. if you kept your job, your pay went up. Fortunately (for us!) more non-execs. were appointed. The average pay of the **highest paid director (HPD) increased by 7.1%** - or five times the increase in staff costs per employee. The Top Five HPDs in 1993 were:

Rank	Company	Likely HPD	1993		
			Emoluments	% Change	% Change in PBT
1	DRS Data & Research	Malcolm Brighton - MD	£ 763,141	+41%	+139%
2	Oracle UK	Geoff Squire - Int CEO	£ 448,000	+7%	+32%
3	CentreGold	Geoff Brown - Ch & CEO	£ 292,000	+22%	+60%
4	Spargo Consulting	Tony Spargo - CEO	£ 286,565	+43%	+2%
5	Computer Associates	A Azagury - MD	£ 257,598	+2%	-10%

It is interesting to note that three out of the five are companies which have come to the Stock Exchange in the last year. In these cases, this was the remuneration drawn prior to the listing. These high salaries are then shown in the listing particulars as "*non-recurring expenses*" and profits are restated (upwards) for the benefit of the investing public!

This is the last year that Geoff Squire of **Oracle** will feature as he departed in Dec. 93. This was just the UK bit of Squire's package. *BusinessWeek* (25th Apr. 94) quoted Squire's total remuneration for 1993 at \$1.1m plus a further \$3.9m by way of stock options. But this is chicken feed when you have a Lear jet to support.

One of 1992's high earners - Peter Rigby at **Specialist Computer Holdings** - saw his emoluments reduce from £476,760 in 1992 to £211,380 in 1993 as SCH's profits growth was put on hold.

• **dividends.** Shareholding directors also pick up sizeable dividend cheques. We have only monitored dividends from public companies - clearly private company directors can award themselves high dividends too. Yet again P Barbour at **Microgen** received no salary but got £447K in dividends. The Top Five directors (quoted companies only) when dividends are included were:

Rank	Company	Name	1993		
			Emoluments	Dividend	Total
1	Microgen	P F Barbour (Non exec.)	£0	£446,839	£446,839
2	Sanderson Electronics	Paul Thompson (Ch & CEO)	£62,000	£334,125	£396,125
3	Sage	David Goldman (Ch & CEO)	£162,000	£208,018	£370,018
4	Macro 4	W MacMillan (Founder)	£0	£362,888	£362,888
5	Misys	Kevin Lomax (Chairman)	£209,000	£152,166	£361,166

• **value of shareholding.** At some point even total remuneration must become a little meaningless if your shareholding is valued at tens of millions.

Rank	Company	Name	Shareholding value at 15/4/94
1	Phonelink	T Burke	£73,584,680
2	Proteus	K Gilmore	£36,695,568
3	Proteus	J Pool	£36,695,568
4	CentreGold	G Brown	£22,500,000
5	On Demand	G Poulter	£22,408,560

The "richest" SCSI shareholder (only quoted SCSI companies are included) we could identify this year is Trevor Burke, the 45 year old CEO of **Phonelink** - one of the many new issues in the last year. Burke is i/c of R&D. In Jan. 1981, Burke, together with his wife Heather, founded Profile UK. In Dec. 90 the planning application business of Profile and its name were sold in order to finance the development of Phonelink - hence the large shareholding. Phonelink has been one of the most successful new issues in the last year. The Sunday Times reckons that, with his wife, the Burkes are worth £77m and are the joint 158th richest people in the UK.

Messrs. Pool and Gilmore - founders and directors of **Proteus International** - are the main shareholders in Imesco which holds Proteus shares valued at over £50m. The Sunday Times reckons that Kevin (aged 59) and his wife Marlije (aged 35) are together worth £43m and are joint 289th richest people in the UK.

Geoff Brown, the ex-Chairman and now CEO of games distributor **CentreGold**, owned just under half of the company at the time of the float last year which valued the company at £50m.

Graham Poulter, aged 51, is the Chairman and CEO of **On-Demand Information**. In 1969 he founded Poulter Communications plc, of which On Demand was a part. He owns 43.9% of On-Demand which was one of the

...continued on page 2

Wealth...continued from page 1

many new issues in 1993/94 and is currently capitalised at £50.5m.

We have only sketchy records of shares sold since the publication of the last company Report & Accounts and we have not included any non-beneficial or family trust holdings.

Our analyses only contain details of quoted companies. Even so we have identified around 100 directors with shareholdings worth over £1m.

It should be remembered that holdings in "private" companies can often prove to be very valuable. Indeed the richest SCSi person in the UK - according to the Sunday Times "Britain's Richest 500 List" - is Peter Rigby - Chairman, CEO and owner of Specialist Computer Holdings.

They reckon his wealth to be £100m (up from £70m in 1992 due to the investment in the Byte PC superstores chain).

Still a long way to go to match Bill Gates' \$7 billion though.

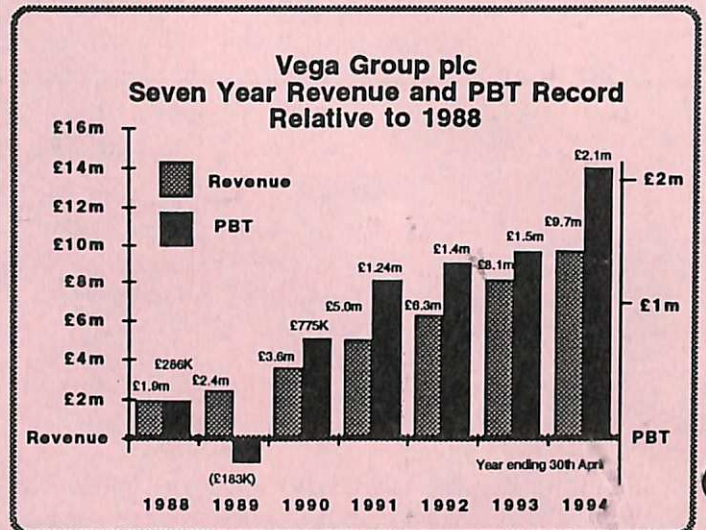


"You will undoubtedly note that we have increased sales by 34% to £5.1m and PBT by 89% to £1m in the year to 31st March 94. We continue, therefore, to be a very "boring" company". Alistair Fulton - Managing Director - Triad Special Systems. He could have added that cash also increased by 66% to £1.2m.

John Rigg (Chairman of both Triad and Vega - see right) is making a habit of involvement in SCSi companies with boringly consistent performance records. Triad provides specialist IT consultancy and UNIX bespoke development predominately to public sector clients - showing, yet again, the high 20%+ margins now commanded.

Sparkling Vega

Vega Group plc was one of the rare new issues back in 1992 at 122p. Their strong and consistent performance had qualified them for an equally rare, and much sought after, System House "boring" award. The results for the year to 30th Apr. 94 were impressively boring, showing revenues up 20% at £9.7m, PBT up 46% at £2.1m (after adj. for the revised treatment of the Stock Exchange launch costs last year) and EPS up 57%.



These excellent and consistent results show, yet again, how specialist consultancies can perform - with a profit margin of 22%.

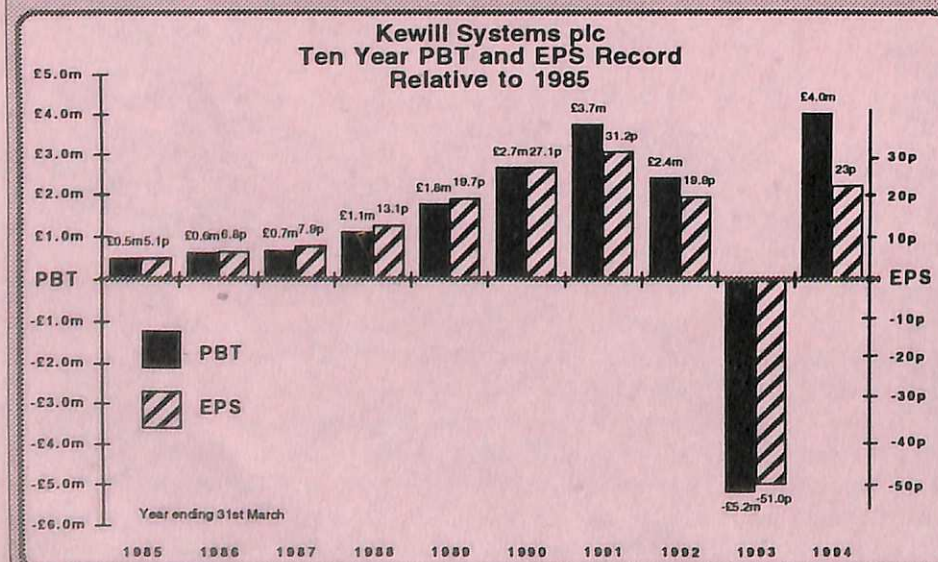
Vega's main market is space systems development. But they have diversified recently as the £3m Royal Navy training contract earlier this year demonstrates.

Chairman John Rigg, looks forward to "another successful year" and it would only be a stupid analyst who would cast any doubt on that..

The share price is now quite justifiably twice the launch price, but with almost all the gain in the last year.

Kewill - "back on the growth plan"

We have told and retold the Kewill story many times as the example of the damage wrought by just one bad acquisition on an otherwise sound as they come company. Very simply Kewill, as can be seen from the chart below, had about the best and most consistent performance record around until they bought German Weigang for £400K in May 91. The Weigang nightmare ended with a £400K MBO in Mar. 93 resulting in a £2.3m liability and a £5.6m goodwill writedown. Since then Kewill has really started motoring. Latest results for the year to 31st Mar. 94 exceeded expectations with PBT of £4.04m (compared with a loss of £5.19m last year after restating under FRS3) on revenues down 5% at £31.8m. Revenues from continuing operations were up a marginal 2.5%.



The UK contributed 60% of operating profits with improved results from Kewill's core product - Micross - offsetting disappointing sales on the larger mid range Trifid Software. EDI systems grew by an impressive 37%. In Germany, Kewill still has HAN Dataport. But operating profits here slipped by 31% to under £1m "due to difficult economic conditions". Conversely the US boosted operating profits from £280K to £1.21m, where the new Windows-based Micromax system were a major contributor. Kewill says it is now "back on the growth plan". Even acquisitions are back on the agenda - in the UK that is, definitely not in Germany again!

Continued profits recovery at Granada

Granada Computer Services - the UK's largest TPM - has continued its profits recovery in the six months to April 2nd 1994. PBT increased by 10% to £4.4m on revenues down 9% at £69m. "Sluggish economies" in Europe, which contributed £29m of this revenue, were blamed. Regardless, this profit (compared with the £12m loss in 1991) is testimony to the business abilities of John Curran who has now returned to his consultancy activities.

Stagnant fee income

Five of the UK's Top Six accountancy firms reported stagnant revenues in the last year. The only exception was Andersen, where Andersen Consulting was the major contributor, with a 11.7% fee increase.

You may be amused by the following quote:

Mr. Peter Smith, chairman of Coopers & Lybrand, said it was increasingly impossible to compare firms. "We are not a body shop providing armies of people to run large computer facilities" he said in a swipe at Andersen Consulting. Source - FT 7/6/94.

Given Andersen's results perhaps his other partners should ask "Why not?"

BIG SIX ACCOUNTING FIRMS	1993-1994 UK Fee income	% Change in year
Coopers & Lybrand	£560.0	+1.3%
KPMG Peat Marwick	£497.6	+1.4%
Andersen	£433.3	+11.7%
• Andersen Consulting	£247.0	+15.0%
• Arthur Andersen & Co	£186.0	+7.5%
Ernst & Young	£388.4	+3.8%
Price Waterhouse	£384.6	+0.6%
Touche Ross	£332.9	-0.8%

AM scores for Spargo

As we previewed last month, Spargo Consulting plc is the latest in the long line of new issues. Launched at 95p in early June, equivalent to a capitalisation of £11.9m, the shares have since risen against the market trend to end June on 108p. Spargo reported PBT of £483K on revenues of £4.87m in the year to 31st Dec. 93. But you only get to this figure after deducting "director's exceptional emoluments and related employers NI amounting in aggregate to £111,000 and £304,000 respectively". I.e. most of the profit.

But the directors can afford to temper their drawings. No new money is being raised in the float. Share sales by Chairman Bob Morton ("Bob the bear" of Vistec fame) and CEO Tony Spargo will raise £3m - and they will still hold 35% and 40% respectively of the equity.

Spargo to all intents and purposes is an applications management (AM) house. They provide "design and build" IT consultancy but most of their revenues come from AM activities.

In our last issue we observed the high margins currently being achieved by "specialist IT consultancies". Spargo has forecast PBT of "not less than" £600K on revenues of £2.75m in the six months to 30th June 94. This equates to a margin of at least 22%.

Indeed, although we look aghast at this float, we must concede that if current forecasts are achieved the valuation is a modest prospective P/E of 14.

Firstpoint scores for Strategem

Strategem's CSI activity - Firstpoint - contributed PBT of £356K in the six months to 28th Feb. 94. As total group PBT was £280K, Firstpoint clearly offset losses in the group's industrial doors and car dealership activities.

Records broken at Kalamazoo

We are told that our most annoying habit is repeating "old" Chairman's statements as examples of gross forecasting inaccuracy. Peter Harrop at Kalamazoo clearly does not know the rules of this game. Last time he said the "outlook for the year is encouraging". Then, what does he subsequently report?... tripled operating profits, PBT up nearly seven fold and nearly £8m in the bank. These results were better than even us learned analysts had been expecting.

KALAMAZOO year ending 31st March	1993	1994	% Change 1993/94
Revenue	£56.51m	£60.91m	+8%
• computer services	£37.82m	£45.12m	+19%
• print services	£18.70m	£15.78m	-16%
Operating Profit	£1.86m	£5.61m	+202%
• computer services	£3.58m	£5.00m	+40%
• print services	-£0.77m	£2.10m	n/a
• admin. costs	-£0.95m	-£1.50m	+58%
• net interest/income	-£0.06m	£0.23m	n/a
• net exceptionals	-£0.86m	£0.50m	n/a
PBT	£0.94m	£6.36m	+576%
EPS	-0.6p	10.2p	n/a
Cash	£1.13m	£7.95m	+604%

True, a small part of the improvement (i.e. £500K) came from the exceptional gain made on the finalisation of the sale (first reported in 1992) of Great American Software. But trading performance was the main contributor. The previous core business forms activity returned to profit and there was a 40% increase in computing services profits, whose revenues now amount to over 74% of the total. Particularly strong growth was reported in the motor trade systems business.

Kalamazoo has long declared its acquisition intentions. It was therefore quite a surprise that only one purchase - CBA/Nederland (now "performing well, despite the continued recession in Europe") for £962K in May 93 - has been announced. Any snide comment from us that these current excellent results are due to Kalamazoo's failure to consummate any other acquisitions, would only be greeted with the usual howls of disagreement from our readers. FD Ian Davidson tells us that they are still looking for acquisitions which fit the following criteria:

- motor trade systems in Europe.
- UK niche market software products - e.g. manufacturing, distribution or financial services.
- service workloads to mesh with their existing offerings.

We hope Kalamazoo retain their policy of small purchases, at the right price and "sticking to knitting". That way, Harrop might be able to make an unusual habit of reporting "record" years. Kalamazoo shareholders have shared in the success too. The shares started 1993 on 27p - they ended June 94 at 135p - up a massive 400%.

Confident Comac

The new non exec. Chairman of Philip Swinstead's Comac told shareholders at the AGM that demand for their IT agency staff services was increasing although "margins were still under pressure". Although "confident of a satisfactory result for the first half of 1994" it was "too early to make predictions".

Their brokers James Capel are forecasting PBT of £3.5m for 1994 and £4.4m in 1995. The Computer People purchase of Span this month means Comac will have to announce another acquisition to reclaim the #1 slot.

CRT Group

We feature the CRT Group because of the growing importance of their SCSI activities. In December 1993, CRT paid £200K to acquire Couva Computer Services Limited, which provides IT staff on a contract and permanent basis. In March 1994, Mark Edwards (ex of Microsoft) was appointed to head their new multimedia publishing division.

CRT has, this month, taken the unusual (but none the less welcome) step of releasing "an early indication of trading" ahead of the preliminary announcement due at the end of July. The statement says that continuing revenues and operating profits for the year to 30th Apr. 94 increased "by more than 20%" (1993 rev. = £35.1m, op. profit = £4.84m). But losses and closedown costs of £2.2m at Doctus, an additional £1.1m goodwill write-off and other property related exceptionals will dent PBT. More than half of CRT's revenues come from their LINK and Pitman training activities - much of which is IT related. In 1993, a further £16m was earned from IT contract staff and recruitment (à la Computer People).

Proteus International

Background. Proteus International has developed a software product (Prometheus) for the modelling of biomolecular structures. It was launched onto the Stock Exchange in May 90 at 84p. Rather than selling the product it has taken "stakes" in the drugs which the product has helped to design.

Latest results. To date Proteus has made increased losses as development costs mount. In the latest year to 31st Mar. 94, losses increased from £3.5m to £6.6m. Zero revenue was earned.

The Proteus share price has been volatile - to say the least. They climbed dramatically from the launch price of 84p to a high of over 500p in 1992. Since then it has been a one way slide to end June on 182p. This was not helped by their brokers (UBS) quitting in Feb. 94 as they believed Proteus was being too optimistic. Then in Mar 94, Proteus asked shareholders to stump up another £10.4m in a 1-for-7 rights issue at 280p. With the share price down nearly 35% since, Proteus is stretching shareholder loyalty to the limit by describing the rights issue as "successful".

Chairman Kevin Gilmore (one of the richest men in the industry - see p1) said "modest revenues are anticipated to commence during 1994/95, to increase during 1995/6 and to provide a base for substantial expansion in 1996/97. With all programmes on or ahead of schedule, I am more confident than ever of the group's progress".

Comment. The last thing we can attempt to do is comment on the viability of such drugs as Z-sorb, "a calf scour remedy" or GJ92 "for the immunocastration of domestic cats". But we have long believed that the risk sharing partnership between SCSI companies and their users, so well demonstrated by Proteus, will form an important new way of doing business in the future.

Graduate recruitment

"During the 1991/92 recession, when many computer companies stopped recruiting graduates completely, Logica recruited 140 graduates". This year Logica will recruit "over 200 graduates".

On the surface this can be used as yet more evidence of the major recovery in our industry. But for our many readers of our advancing age, with kids about to leave university, it is an even greater cause for celebration.

"Most disappointing" year at AAH Meditel

AAH Meditel represents under 1% of AAH plc's £1.6 billion revenue for the year to 31st March. It was therefore somewhat strange that it represented over 10% of the comment in their press of release.

AAH Meditel sells clinical management systems to GPs and in Mar. 94 acquired Peak Systems (community care systems) for up to £2.5m. Even so revenues were up just 5% at £11.3m and operating profit plunged from £2.2m to just £400K. The hiatus in the Dept. of Health's IT programme was blamed. But "exciting developments" such as the launch of System 6000 "setting new standards of excellence in GP computing" and the acquisition of Peak is expected to produce "a better performance this year".

Cut & paste #1 - AAH Meditel is a classic example to add to a growing list of "non core" IT subsidiaries where we would advise a disposal/MBO.

Axis - "an imaginary line about which a body can rotate" RHM Computing has changed its name to Axis Resources. "It causes confusion - we are not bread makers". Other name changes include Interface (outsourcing), Insight (laser printing) and Paylink (payroll services).

In the 8 months to May 93, Axis reported revenues of £9.1m and losses of half a million.

Cut & paste #2 - Axis is a classic example to add to a growing list of "non core" IT subsidiaries where we would advise a disposal/MBO.

"Continued healthy growth" at Peterborough and strong recovery at Datasure

Peterborough Software (HR software) and Datasure (systems for insurance underwriters and brokers) are the two computing services subsidiaries of insurance broker CE Heath.

The combined computing services activities increased revenues by a minimal 3% to £44.3m in the year to 31st March 94. Peterborough Software represented about £29.5m of the total. Combined operating profits were up 15% at £5.4m with Peterborough up 12% at £4.3m and Datasure up 50% at £1.1m. Note: These are revised figures since the official announcement.

Datasure has reduced its dependence on troubled Lloyds underwriters to less than 20%. Although Lloyds' revenues were described as "flat" - that's a lot better than the reductions most competitors have experienced. Other insurance activities, and its staff agency and payroll services, have expanded well. In particular Datasure has become the market leader in electronic trading; a technological change set to have a similar impact on the insurance market as Big Bang had on the Stock Exchange. Peterborough Software recorded "flat turnover in the UK where the economic recovery had as little impact during the year as did the recession in previous years". New customers largely bought the new PC based HR systems. The UNIX market was described as "stable". But over 50% of revenues come from the existing user base and even the mainframe customer base is likely to provide recurring revenue for many years to come.

Computing services represent 25% of CE Heath's revenues and just 16% of operating profits.

Cut & paste #3 - Peterborough/Datasure are classic examples to add to a growing list of "non core" IT subsidiaries where we would advise a disposal/MBO.

Company	Results	Final - Mar 93	Final - Mar 94	Final Comparison	
ACT Group plc	Revenue PBT EPS	£ 152,926,000 £ 20,478,000 10.83p	£ 250,630,000 £ 28,469,000 12.15p	+63.9% +39.0% +14.3%	
Admiral plc	Revenue PBT EPS	Final - Dec 92 £ 90,870,000 £ 3,966,000 24.2p	Final - Dec 93 £ 36,640,000 £ 4,808,000 27.6p	+18.7% +15.6% +14.0%	
Azlan Group plc	Revenue PBT EPS	Final - Mar 93 £ 41,196,000 £ 2,954,000 6.4p	Final - Mar 94 £ 81,506,000 £ 3,871,000 12.4p	Final Comparison +49.3% +31.0% +47.8%	
Capita Group plc	Revenue PBT EPS	Final - Dec 92 £ 93,068,452 £ 4,406,012 6.43p	Final - Dec 93 £ 50,168,000 £ 5,463,000 7.9p	Final Comparison +51.6% +24.0% +23.4%	
Cedardata plc	Revenue PBT EPS	Final - Mar 93 £ 5,269,000 £ 1,778,000 4.2p	Final - Mar 94 £ 8,120,000 £ 2,715,000 6.3p	Final Comparison +15.4% +52.7% +50.0%	
Centregold plc	Revenue PBT EPS	Interim - Jan 93 £ 26,601,000 £ 2,090,000 4.46p	Final - Jul 93 £ 67,985,000 £ 2,715,000 5.63p	Interim - Jan 94 £ 52,554,000 £ 2,600,000 4.7p	Interim Comparison +43.6% +24.4% +5.4%
Clinical Computing plc	Revenue PBT EPS	Final - Dec 92 (17 mos) £ 2,014,137 (£ 549,038) (2.12p) amended	Final - Dec 93 £ 2,635,853 £ 1,183,951 6.27p (amended)	Final Comparison Not comparable Loss to profit Loss to profit	
Coda Group plc	Revenue PBT EPS	Final - Oct 92 £ 17,934,000 £ 3,248,000 n/a	Final - Oct 93 £ 23,450,000 £ 3,752,000 9.6p	Final Comparison +30.8% +15.5% n/a	
Comac Group plc	Revenue PBT EPS	Final - Dec 92 £ 11,118,158 £ 394,723 3.7p	Final - Dec 93 £ 19,768,000 (£ 228,000) (1.9p)	Final Comparison +77.8% Profit to loss Profit to loss	
Computerised Financial Solutions Europe Ltd	Revenue PBT EPS	Final - Dec 92 £ 3,224,896 £ 37,109 n/a	Final - Dec 93 £ 3,338,636 £ 330,233 n/a	Final Comparison +3.5% +789.9% n/a	
Computer People Group plc	Revenue PBT EPS	Final - Dec 92 £ 62,735,000 £ 145,000 (0.97p)	Final - Dec 93 £ 68,748,000 £ 1,102,000 4.37p	Final Comparison +9.6% +650.0% Loss to profit	
Cray Electronics Holding plc	Revenue PBT EPS	Interim - Oct 92 £ 81,862,000 £ 17,833,000 10.33p	Final - Apr 93 £ 200,785,000 £ 29,014,000 13.8p	Interim - Oct 93 £ 114,308,000 £ 7,804,000 2.39p	Interim Comparison +39.6% -56.2% -131.4%
CRT Group plc	Revenue PBT EPS	Final - Apr 92 £ 43,469,000 £ 6,158,000 8.26p	Final - Apr 93 £ 47,035,000 £ 3,297,000 4.22p	Final Comparison +8.2% -46.5% -48.9%	
DRS Data & Research Services plc	Revenue PBT EPS	Final - Dec 92 £ 7,806,000 £ 705,000 1.51p	Final - Dec 93 £ 11,577,000 £ 1,689,000 3.66p	Final Comparison +48.3% +139.6% +153.6%	
DCS Group plc	Revenue PBT EPS	Interim - Dec 92 £ 2,903,000 £ 121,000 1.36p	Final - Jun 93 £ 5,545,368 £ 231,408 2.62p	Interim - Dec 93 £ 2,604,000 £ 41,000 0.61p	Interim Comparison -10.3% -66.1% -55.1%
Division Group plc	Revenue PBT EPS	Final - Oct 92 £ 1,081,913 (£ 107,783) (1.0p)	Final - Oct 93 £ 2,078,000 (£ 503,000) (2.1p)	Interim Comparison +92.1% Loss both Loss both	
Electronic Data Processing plc	Revenue PBT EPS	Interim - Mar 93 £ 7,350,000 £ 2,341,000 6.022p	Final - Sep 93 £ 14,341,000 £ 4,672,000 11.712p	Interim - Mar 94 £ 7,179,000 £ 2,061,000 5.12p	Interim Comparison -2.4% -12.0% -15.0%
Enterprise Computer Holdings plc	Revenue PBT EPS	Interim - Sep 92 £ 35,524,000 (£ 3,392,000) (4.3p)	Final - Mar 93 (restated) £ 58,231,000 (£ 6,143,000) (7.7p)	Interim - Sep 93 £ 9,895,000 £ 25,000 (0.02p)	Interim Comparison -72.1% Loss to Profit Loss both
Gresham Telecomputing plc	Revenue PBT EPS	Final - Oct 92 £ 7,250,000 £ 767,000 1.94p	Final - Oct 93 £ 5,823,000 £ 551,000 1.04p	Final Comparison -19.7% -28.2% -46.4%	
INSTEM plc	Revenue PBT EPS	Final - Dec 92 £ 14,272,000 £ 575,000 8.5p	Final - Dec 93 £ 19,294,000 £ 1,021,000 14.8p	Final Comparison +35.2% +77.6% +74.1%	
Kalamazoo Computer Group plc	Revenue PBT EPS	Final - Mar 93 £ 58,500,000 £ 940,000 (0.6p)	Final - Mar 94 £ 80,911,000 £ 6,355,000 10.2p	Final Comparison +7.8% +576% Loss to Profit	
Kewill Systems plc	Revenue PBT EPS	Final - Mar 93 £ 33,341,000 (£ 5,192,000) (0.60p)	Final - Mar 94 £ 31,780,000 £ 4,043,000 23.0p	Final Comparison -4.7% Loss to Profit Loss to Profit	
Kode International plc	Revenue PBT EPS	Final - Dec 92 £ 20,915,000 £ 1,031,000 8.6p	Final - Dec 93 £ 24,916,000 £ 1,143,000 7.0p	Final Comparison +19.1% +10.9% -18.6%	
Learnmonth & Burohett Management Systems plc	Revenue PBT EPS	Interim - Oct 92 £ 10,713,000 £ 753,000 3.1p	Final - Apr 93 £ 23,645,000 £ 1,610,000 7.0p	Interim - Oct 93 £ 13,114,000 £ 201,000 1.0p	Interim Comparison +22.4% -73.3% -67.7%
Logica plc	Revenue PBT EPS	Interim - Dec 92 £ 104,208,000 £ 4,136,000 3.7p	Final - Jun 93 £ 217,434,000 £ 9,026,000 8.7p	Interim - Dec 93 £ 106,522,000 £ 3,211,000 3.3p	Interim Comparison +2.2% -22.4% -10.8%
Lynx Holdings plc	Revenue PBT EPS	Interim - Mar 93 £ 4,719,000 £ 105,000 0.83p	Final - Sep 93 £ 10,807,000 £ 619,000 4.27p	Interim - Mar 94 £ 7,257,000 £ 460,000 1.15p	Interim Comparison +53.8% +338.1% +38.6%
M.A.I.D plc	Revenue PBT EPS	Final - Dec 92 £ 3,465,337 £ 323,832 n/a	Final - Dec 93 £ 5,723,000 £ 603,176 n/a	Final Comparison +64.2% +86.7% n/a	
McDonnell Information Systems plc	Revenue PBT EPS	Final - Dec 92 £ 158,934,000 £ 18,558,000 n/a	Final - Dec 93 (Pro Forma) £ 148,480,000 £ 12,857,000 14.3p	Final Comparison -6.4% -30.7% n/a	
MR-Data Management Group plc	Revenue PBT EPS	Interim - Dec 92 £ 18,629,000 £ 4,020,000 4.89p	Final - Jun 93 £ 40,788,000 £ 8,759,000 10.6p	Interim - Dec 93 £ 19,602,000 £ 2,660,000 3.21p	Interim Comparison +5.2% -33.8% -34.4%
Macro 4 plc	Revenue PBT EPS	Interim - Dec 92 £ 11,213,000 £ 4,835,000 14.8p	Final - Jun 93 £ 23,250,000 £ 10,497,000 31.5p	Interim - Dec 93 £ 12,104,000 £ 5,400,000 16.0p	Interim Comparison +7.9% +9.4% +9.8%

Micro Focus plc	Results Revenue PBT EPS	Final - Jan 93 £ 68,882,000 £ 22,777,000 106.5p	Final - Jan 94 £ 83,842,000 £ 21,761,000 101.2p	Final Comparison +21.7% -4.5% -5.0%	
Microgen Holdings plc	Results Revenue PBT EPS	Final - Oct 92 £ 49,316,000 £ 8,243,000 13.8p	Final - Oct 93 £ 53,351,000 £ 6,700,000 10.5p	Final Comparison +8.2% -18.7% -23.9%	
Microvitec plc	Results Revenue PBT EPS	Final - Dec 92 £ 49,888,000 (£ 2,137,000) (3.4p)	Final - Dec 93 £ 35,170,000 £ 1,611,000 2.1p	Final Comparison -29.5% Loss to profit Loss to profit	
Misys plc	Results Revenue PBT EPS	Interim - Nov 92 £ 6,757,000 11.9p	Final - May 93 £ 88,761,000 £ 15,125,000 27.4p	Interim - Nov 93 £ 42,066,000 £ 8,012,000 14.3p	Interim Comparison +2.3% +18.6% +20.2%
MMT Computing plc	Results Revenue PBT EPS	Interim - Feb 93 £ 3,165,000 £ 865,000 4.8p	Final - Aug 93 £ 7,057,716 £ 1,725,549 9.0p	Interim - Feb 94 £ 4,815,000 £ 1,215,000 6.4p	Interim Comparison +52.1% +40.5% +33.3%
On Demand Information plc	Results Revenue PBT EPS	Interim - Jan 93 £ 8,988,000 (£ 490,000) (1.49p)	Final - Jul 93 £ 18,989,000 (£ 1,450,000) n/a	Interim - Jan 94 £ 11,847,000 (£ 669,000) (1.62p)	Interim Comparison +31.8% Loss both Loss both
Oxford Molecular plc	Results Revenue PBT EPS	Final - Dec 92 £ 1,048,000 (£ 318,000) (9.7p) adjusted	Final - Dec 93 £ 1,409,000 (£ 1,265,000) (8.9p) adjusted	Final Comparison +33.6% Loss both Loss both	
P & P plc	Results Revenue PBT EPS	Final - Nov 92 £ 222,752,000 (£ 7,872,000) (14.0p)	Final - Nov 93 £ 217,259,000 £ 4,107,000 4.3p	Final Comparison -2.47% Loss to profit Loss to profit	
Pegasus Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 10,289,000 £ 620,000 7.3p	Final - Dec 93 £ 7,502,000 £ 6,830,000 72.0p	Final Comparison -26.9% +1017.7% +886.3%	
Persona plc	Results Revenue PBT EPS	Final - Dec 92 £ 14,088,000 £ 358,000 2.36p	Final - Dec 93 £ 22,862,000 £ 1,749,000 11.08p	Final Comparison +62.3% +388.5% +369.5%	
Phonelink plc	Results Revenue PBT EPS	Interim - Sep 92 £ 327,000 (£ 2,000) n/a	Final - Mar 93 £ 922,557 £ 30,905 0.1p	Interim - Sep 93 £ 586,000 (£ 301,000) (0.8p)	Interim Comparison +79.2% Loss both Loss both
Proteus International plc	Results Revenue PBT EPS	Final - Mar 93 £ 21,000 (£ 3,547,000) (13.52p)	Final - Mar 94 nil (£ 5,618,000) (24.36p)	Final Comparison n/a Loss both Loss both	
Quality Software Prod. Holdings plc	Results Revenue PBT EPS	Final - Dec 92 £ 13,118,183 £ 1,200,676 16.2p	Final - Dec 93 £ 13,346,543 £ 553,214 6.7p	Final Comparison +1.7% -5.4% -58.6%	
Radius plc	Results Revenue PBT EPS	Final - Nov 92 £ 24,012,000 £ 1,231,000 2.9p	Final - Dec 93 £ 23,273,000 (£ 1,171,000) (3.0p)	Final Comparison (13 mos) -3.1% Profit to loss Profit to loss	
Real Time Control plc	Results Revenue PBT EPS	Interim - Sep 92 £ 3,134,000 £ 258,000 2.5p	Final - Mar 93 £ 6,114,000 £ 492,000 4.9p	Interim - Sep 93 £ 3,579,000 £ 424,000 4.1p	Interim Comparison +14.2% +64.3% +64%
Roffe & Nolan plc	Results Revenue PBT EPS	Final - Feb 93 £ 11,232,000 £ 1,216,000 17.7p	Final - Feb 94 £ 12,720,000 £ 1,573,000 12.9p	Final Comparison +13.2% +29.4% -27.1%	
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 93 £ 5,380,000 17.68p	Final - Sep 93 £ 41,289,000 £ 6,864,000 32.5p	Interim - Mar 94 £ 25,400,000 £ 6,864,000 22.25p	Interim Comparison +21.1% +27.6% +25.8%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 93 £ 12,057,000 £ 803,000 14.2p	Final - Sep 93 £ 23,581,000 £ 3,327,000 25.4p	Interim - Mar 94 £ 14,217,000 £ 2,169,000 15.9p	Interim Comparison +17.9% +20.3% +12.0%
Sema Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 416,675,000 £ 19,458,000 13.22p	Final - Dec 93 £ 501,992,000 £ 24,855,000 16.62p	Final Comparison +20.5% +27.7% +25.7%	
Sherwood Computer Services plc	Results Revenue PBT EPS	Final - Dec 92 £ 21,103,000 £ 3,004,000 34.1p	Final - Dec 93 £ 23,561,000 (£ 1,998,000) (35.78p)	Final Comparison +11.6% Profit to Loss Profit to Loss	
Spargo Consulting plc	Results Revenue PBT EPS	Final - Dec 92 £ 4,063,000 £ 475,000 2.7p	Final - Dec 93 £ 4,869,000 £ 483,000 2.68p	Final Comparison +18.9% +1.7% -4.4%	
Standard Platforms plc	Results Revenue PBT EPS	Final - Dec 92 £ 2,859,359 £ 832,906 6.08p	Final - Sep 93 (18 months) n/a (£ 1,070,000) n/a	Final Comparison n/a Loss Both n/a	
Superscape VR plc	Results Revenue PBT EPS	Final - Jul 92 £ 395,989 (£ 44,502) (23.1p)	Interim - Jan 94 £ 390,121 (£ 73,280) (53.4p)	Final - Jul 93 £ 542,018 (£ 21,450) (12.3p)	Final Comparison +62.1% Loss Both Loss Both
Total Systems plc	Results Revenue PBT EPS	Final - Mar 93 £ 2,859,359 £ 832,906 6.08p	Final - Mar 94 £ 2,092,429 £ 141,918 0.96p	Final Comparison -27.1% -83.0% -84.2%	
Trace Computers plc	Results Revenue PBT EPS	Interim - Nov 92 £ 8,835,000 £ 105,000 0.59p	Final - May 93 £ 18,042,438 £ 211,504 1.12p	Interim - Nov 93 £ 9,236,000 £ 215,000 1.22p	Interim Comparison +4.5% +105.7% +106.8%
Unipalm plc	Results Revenue PBT EPS	Final - Apr 93 £ 5,288,963 £ 698,831 2.3p	Interim - Oct 93 £ 4,943,000 £ 148,000 0.5p	Final - Apr 93 £ 8,390,000 £ 605,000 2.9p	Final Comparison +58.7% -13.3% +26.1%
Vega Group plc	Results Revenue PBT EPS	Final - Apr 93 (amended) £ 8,089,000 £ 1,478,000 6.38p	Final - Apr 94 £ 9,703,000 £ 2,147,000 10.01p	Final Comparison +20.0% +45.3% +58.9%	
Virtuality Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 5,245,000 £ 217,000 1.1p	Final - Dec 93 £ 5,400,000 (£ 365,000) (1.7p)	Final Comparison +2.9% Profit to Loss Profit to Loss	
Viatec Group plc	Results Revenue PBT EPS	Final - Apr 93 £ 38,665,000 £ 3,282,000 1.88p	Final - Apr 94 £ 45,018,000 £ 3,409,000 2.06p	Final Comparison +16.4% +3.9% -9.6%	
Wakebourne plc	Results Revenue PBT EPS	Final - Dec 92 £ 24,171,000 £ 453,000 0.13p	Final - Dec 93 £ 23,233,000 (£ 18,649,000) (3.6p)	Final Comparison -3.9% Profit to Loss Profit to Loss	

Acquisitions, disposals and liquidations

Another US buy for Micro Focus

Micro Focus has acquired US Burl Software Laboratories for up to £8.9m. Burl has just 12 employees, "negligible assets and profits" and has developed a software tool called Revolve "which facilitates visualisation of software applications". Revolve "is currently installed in over 500 programming shops in North America".

Admiral strengthens legal products base

Admiral has acquired a 51% controlling interest in Sumlock Legal Ltd., the suppliers of AMICUS - a Windows based legal practice management system for £168K and has purchased the rights to TRACPAC and LOGIT from Hay Logic Ltd., which recently went into liquidation, for £60K. Admiral now claims to support over 120 legal clients.

Microgen buys another COM bureau

Microgen has bought Scottish Computer Services from Clydesdale Bank for £1.5m in cash. SCS (like Microgen) offers COM and payroll bureau services to 400 customers in Scotland. In the year to 30th Sept. 93, SCS had revenues of £2.87m (1992=£3.12m) and PBT of £35K (1992=loss £901K).

Microgen has seen profits erode as their base COM market changes significantly. Given that in Jan. 94 Chairman Douglas Lee said that Microgen would be putting all their efforts into "developing new sources of revenue in areas of affinity", it is a little strange to see them buying a company so similar to their own.

Back to square one

"What's the difference between EDS and Elizabeth Taylor?" "At least, Taylor got her proposed partners to the altar".

This month EDS and Sprint announced they had given up the idea of a merger as they couldn't agree on relative values. The logic behind EDS linking with one (or more) major telecomms suppliers seems indisputable. Perhaps our oft-stated hope of getting EDS and BT hitched might still happen.

But if EDS cannot quite pull off the marriage, it can certainly consummate the outsourcing deals. This month the Xerox contract - billed as the largest of its kind ever - was signed worth \$3.2b over 10 years. As we have previously reported, Rank Xerox has its Euro HQ in the UK, so the deal will have a significant effect of EDS UK's already fast growing revenues.

Walker pays £8m for FSL

On 30th June 1994, US Walker International announced that it was to pay £8m cash for UK Financial Solutions Ltd (FSL). On the surface, this consideration will bring a rosy glow to the cheeks of other software products companies as CSL had revenues of £3m and no profits in 1993. But Walker now has an open system/multivendor financial accounting system (Open One which it intends to rename APTOS) to link with its own Redwood product. This will allow it to address the needs of the largest corporation from its smallest division upwards.

It will also help Walker, which has worldwide revenues of c\$65m, to double its \$8m UK revenues in two years.

The lesson, yet again, to company sellers is clearly to stress technology and futures - not track record.

The others...The UK arm of PC maker Tandon has gone into liquidation. GUI tool builder, Alex Technologies has appointed the liquidators. Management consultancy Proudfoot has announced that "the possible offer reported on 20th May has now been withdrawn". US Deluxe (1993 revenues = \$1.6 billion) has purchased The Software Partnership (SP) of Runcorn. SP "develops a generic electronic delivery framework sp/ARCHITECT". No consideration was disclosed. SP had revenues of £4.4m and PBT of £547K in 1992 - the last year on file.

Capita and SIMS

Capita has acquired SIMS Holdings, which provides management systems to the education sector, for up to £10m - £6m now and £4m on profits to Dec. 96. SIMS has recently paid a dividend of £4.35m. SIMS made PBT of £1.79m on revenues of £13.5m in the year to 31st Mar 94. So the P/E looks a low 9 or an average 12 depending on whether you include the dividend.

Computer People buys Span

The Roger Graham/Tony Reeves leadership at Computer People announced last month did not take long to hit the acquisition trail. This month they announced the purchase of IT consultancy The Span Consultancy for £5.5m.

Span had revenues of £12.6m and made PBT of £319K in the year to 31st Dec. 93. "The combined worldwide revenues of the two companies is running at an annualised rate of over £90m". Interestingly, Comac+CSS/Trident together would have had revenues of around £70m in 1993, so Computer People seems now to be "the biggest contract staff company in the UK". CP also announced a rights issue at 158p per share (shares were trading at 170p prior to announcement) raising £6.3m.

JBA valued at £53m

JBA Holdings plc's declaration in May of a float "later this year" actually meant "a month later". We reviewed JBA, "one of the world's leading suppliers of software solutions on the IBMAS/400", in our last issue. 36.5% of the equity was placed at 160p raising £11.4m (net) of which £9.6m is new money into the company and the remainder £1.8m will repay the prefs. IBM is retaining its holding which will represent 3.7% of the equity after the placing. The largest shareholders will be Chairman Alan Vickery (16.1%), Lloyds Dev. Cap (8.1%), which backed the buyout of an ex director's stake in the late 1980s, Kevin Jones (Software Director - 7.4%) and CINVen (7%).

Dealing began on 30th June - our press day - opening at 162p or a minimal 2p premium.

The launch values JBA at £52.8m. Although JBA names its chief competitors as System Software Associates, SAP and JD Edwards, it is perhaps interesting to note that JBA's launch P/E of 16.3 compares with 23 at QSP, 22 for CODA and 17 for Cedardata at the time of their floats. Chairman/founder Alan Vickery admitted that "the offer price was lower than he had anticipated two months ago".

Kleinwort Benson - Tel 071 623 8000:

Amstrad buys Viglen

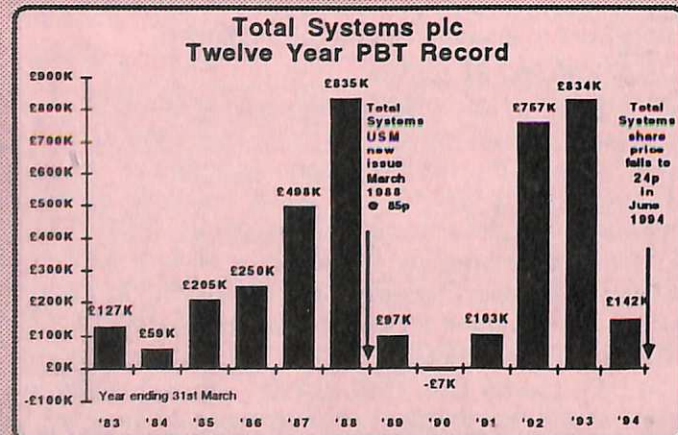
Amstrad has acquired UK (yes, UK) PC manufacturer Viglen for £30m plus a further £30m if profits exceed £4.5m in each of the next 3 years. Viglen made a very healthy PBT of £9m on revenues of £72m in the year to 31st Mar. 94 so the price looks decidedly cheap. Viglen has an excellent reputation (we use them ourselves!) and sell direct mainly to public sector clients. Linking with Amstrad is unlikely to increase their kudos.

Another profits dip at EDP

Electronic Data Processing (EDP) had been one of the best performers around - both in terms of share price and consistent profits growth. But since 1991 profits growth has gone into reverse and the share price has declined by 28% in 1994 so far. Latest results for the six months to 31st Mar. 94 show revenues down 2.4% at £7.18m ("reflecting the compression in selling price of computer hardware"), PBT down 12% at £2.0m and EPS down 15%. The EDP cash mountain, however, increased by 13% to £12.6m. Chairman Mike Heller still wants to use this cash to acquire software companies where he hopes "commercial realism will begin to influence vendors". The past share price increase was due to the much hyped, and delayed, introduction of EDP's UniVision "object based database management system". We are told this has now been "well received" but will not contribute to profits in the current year.

Total depression

Exactly a year ago we wrote an article which caused an important reader to cancel his subscription. Under the heading "imagine" we invited readers to contrast Total System's 1993 results with those of 1988, when they floated on the USM. Amazingly identical - even the share price was 85p. But given the intervening record, we believe we were justified in questioning Terry Bourne's oft repeated, but seldom fulfilled, statement of confidence. Latest results for the year to 31st Mar 94 show revenues down 27% at £2.1m, PBT almost annihilated - down 83% at £142K - and EPS down 84%. No dividend will be paid.

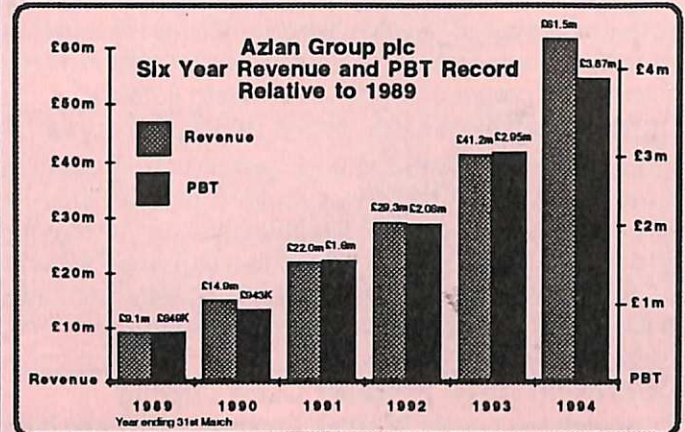


As readers know, Terry Bourne accused us then of making "unnecessary expressions of opinion" - which is, after all, our job. In his latest Chairman's statement, Bourne makes the following "expression of opinion" of his own - yet again. "It is particularly galling that Total has the products, people and expertise to support and sustain a significant recovery, and yet our progress is impeded by the wider world's inability to look beyond our share price and see the benefits provided by our products and the security of our asset base".

The arrogance of this statement takes our breath away. The share price has only anticipated Total's appalling financial performance record - indeed on a pro rata basis they should have been treated more harshly. Many of Total's competitors have done well in the same markets. Total should never have floated in the first place. The only reason that the share price is not even lower now is because of continued hopes that their shareholders might be put out of their misery by a bid.

Warning from Azlan

Azlan is "one of the UK's leading value added distributors to the network computing market". After the CINVen backed MBO from Logitek in late 1990 Azlan was launched onto the Stock Exchange at 230p per share in Nov. 93. First results since the float showed revenues up 49% at £61.5m, PBT up 31% at £3.87m and EPS up 48%.



But Azlan reported "a quiet start to the year". Profits in the first half of the current year are likely to be less than last year as the company moved the emphasis of its business. This was due to investment in taking on new products involving "more complex technologies" and the longer sales cycles involved in "major projects initiated by corporate users".

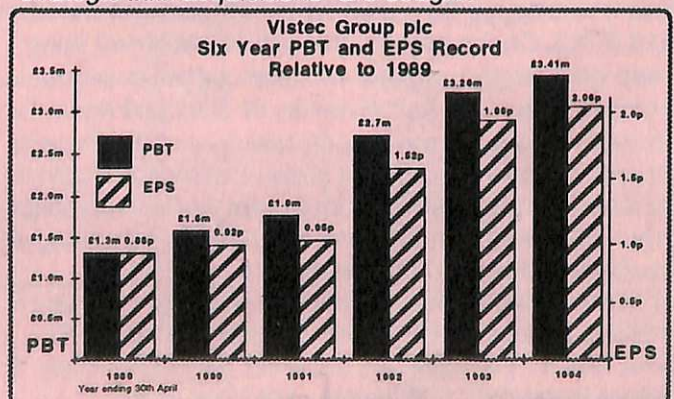
In May 94, Azlan acquired Research & Development, a distributor of network products in France, for an initial £650K. The French operation "has made a promising start". This month they have bought £4.5m rev., Danish networking company Damguard Data for £1.05m. Azlan shares have fallen 12% this month.

Interesting to note that Tony Robinson, MD of Hoskyns, has joined as a non exec. joining David Randall, Mike Brooke and Gordon Skinner on the board. Keeping all those opinions in order will be a demanding task.

Vistec - still growing but only just

Vistec just managed to hold onto to its unbroken record of growth throughout the "recession". As readers know, we think that Vistec is one of the unappreciated heroes of the industry. Latest results show revenues up 16% at £45m, EPS up 10% but PBT up just 4% at £3.4m.

Vistec has been one of the most acquisitive groups around. In the early years, they had their fair share of acquisition indigestion. But the latest purchases (e.g. ISO Communications and Data Logic Communications in the last year) seem to be progressing well. These acquisitions resulted in cash decreasing from £6.7m to £5.9m. Further "strategic infill acquisitions" are sought.



Worst month since Sept 1989 for CSI shares

The 7.8% fall in our CSI Index in June was the worst since the crash of Oct. 89. 80% of stocks registered declines and some £360m (or 10%) was written off the value of CSI companies. As often happens, FTSE 100 stocks fell first (in May) followed by the smaller stocks this month.

Standard Platforms fell another 54%. At 13p the price is getting closer to the 5p paid by the business angels who rescued the company last month. **Clinical Computing**, one of this year's new floats, fell 31%. Interim results due in July, but otherwise no apparent reason. **ACT** fell 30% (see p11), knocking nearly £50m off their value, following the profits warning. **Capita**, **Enterprise**, **Gresham**, **Virtuality** and **MAID** all fell by in excess of 20%. Capita shares at 162p are now less than the 173p placing on the

purchase earlier this month of SIMS.

But there were gainers too. **Microvitec** and **Radius** put on 16% and 15% respectively after bullish statements on current trading at their AGMs. The month's new issue - **Spargo Consulting** - gained 14%

29-Jun-94	CSI Index	1540.56	
	FTSE 100	2946.30	
	FTSE SmallCap	1782.55	
CSI Index = 1000 on 15th April 1989			
Changes In Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (27/5/94 - 29/6/94)	-7.76%	-0.68%	-5.38%
From 15th Apr 89	+54.06%	+43.47%	
From 1st Jan 90	+67.43%	+24.74%	
From 1st Jan 91	+117.63%	+36.38%	
From 1st Jan 92	+47.44%	+18.18%	
From 1st Jan 93	-3.33%	+3.51%	+28.49%
From 1st Jan 94	-7.73%	-13.81%	-4.61%

System House CSI Share Prices and Capitalisation

	Share Price 29/6/1994 (£p)	Capitalisation 29/6/1994 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 29/6/94	Share price % move since 27/5/94	Share price % move in 1994	Capitalisation move (£m) since 27/5/94	Capitalisation move (£m) in 1994
ACT	£1.16	£215.10m	13.7	0.86	1841.27	-30.12%	-18.88%	-£92.70m	-£48.60m
Admiral	£5.67	£64.60m	20.9	1.76	4108.70	1.25%	16.91%	£0.80m	£12.20m
Azlan	£2.44	£53.30m	22.3	0.87	1060.87	-11.91%	-7.92%	-£7.20m	-£4.60m
Capita	£1.62	£79.20m	20.6	1.58	4864.86	-20.98%	-31.93%	-£21.00m	-£33.60m
Cedardata	£0.98	£30.00m	15.5	4.90	933.33	-6.67%	-6.67%	-£2.20m	-£2.16m
Centregold	£1.04	£41.80m	15.7	0.61	832.00	-7.14%	-35.80%	-£3.30m	-£23.40m
Clinical Computing	£0.94	£15.20m	15.0	5.78	758.06	-30.88%	-24.10%	-£6.80m	-£4.90m
Coda	£2.22	£58.20m	23.1	2.48	944.68	-4.72%	-5.53%	-£2.90m	-£3.45m
Cornac Group	£0.90	£32.90m	23.1	1.66	4999.98	-18.18%	-18.18%	-£7.30m	-£7.30m
Computerised Financial	£1.11	£5.22m	n/a	1.56	1233.33	-11.90%	23.33%	-£0.70m	£0.99m
Computer People	£1.70	£23.60m	38.7	0.34	699.59	-2.86%	57.41%	-£0.70m	£8.60m
Cray Electronics	£1.54	£339.40m	15.0	1.69	900.58	-10.98%	-4.35%	-£41.90m	-£15.40m
CRT	£1.05	£56.20m	18.9	1.19	1166.67	-2.78%	7.14%	-£1.60m	£4.10m
DRS Data & Research	£1.05	£37.40m	25.1	3.23	954.55	-10.26%	-4.55%	-£4.30m	-£1.80m
DCS Group	£0.71	£6.72m	24.3	1.21	1183.33	-16.47%	18.33%	-£1.33m	£2.52m
Division Group	£1.00	£33.80m	Loss	16.25	2500.00	-8.26%	23.46%	-£3.00m	£6.40m
Electronic Data Processing	£1.43	£37.30m	13.2	2.60	4378.44	-2.72%	-27.78%	-£1.10m	-£14.30m
Enterprise	£0.11	£8.51m	Loss	0.15	88.00	-21.43%	-65.08%	-£2.29m	-£17.19m
Gresham Telecomputing	£0.54	£17.70m	48.5	3.04	580.65	-21.74%	-51.35%	-£4.90m	-£17.80m
INSTEM	£1.60	£7.25m	10.2	0.38	1600.00	5.26%	18.52%	£0.36m	£0.79m
Kalamazoo	£1.35	£51.40m	13.4	0.84	3857.14	-1.46%	35.00%	-£0.70m	£13.30m
Kewill	£2.79	£33.90m	11.4	1.07	1102.77	6.08%	25.68%	£2.00m	£7.40m
Kode International	£1.01	£9.50m	14.5	0.38	469.77	-10.62%	-36.88%	-£1.10m	-£5.40m
Learmonth & Burchett	£1.25	£22.70m	17.6	0.96	1041.67	7.76%	-13.79%	£1.70m	-£3.30m
Logica	£2.67	£164.50m	30.8	0.76	731.51	-8.87%	-2.20%	-£16.00m	-£3.40m
Lynx Holdings	£0.48	£20.20m	18.4	1.87	1200.00	-2.04%	9.09%	-£0.40m	£3.40m
MAID	£0.44	£35.80m	66.8	6.26	400.00	-26.67%	-60.00%	-£13.00m	-£53.30m
MDIS	£2.14	£214.00m	15.0	1.44	823.08	-8.15%	-17.69%	-£19.00m	-£46.00m
MR Data Management	£1.83	£101.60m	20.4	2.49	726.19	-7.58%	-10.73%	-£8.30m	-£12.00m
Macro 4	£5.93	£135.20m	17.8	5.81	2391.13	-5.87%	-12.54%	-£8.40m	-£18.80m
Micro Focus	£10.15	£146.20m	9.7	1.74	4903.38	-2.40%	1.50%	-£2.50m	£4.20m
Microgen	£1.34	£52.80m	13.4	0.99	572.65	-5.63%	-9.46%	-£3.10m	-£5.50m
Microvitec	£0.39	£24.90m	16.0	0.71	951.22	16.42%	20.00%	£3.50m	£3.70m
Misys	£4.56	£215.70m	17.0	2.43	1134.33	-5.98%	-9.70%	-£13.70m	£19.80m
MMT	£1.81	£20.40m	18.5	2.89	1077.38	-3.72%	26.57%	-£0.70m	£5.10m
On-Demand	£0.99	£50.50m	Loss	2.66	1269.23	6.45%	-12.39%	£3.10m	-£7.10m
Oxford Molecular	£0.63	£23.20m	Loss	16.45	787.50	-10.00%	-21.25%	-£2.60m	-£6.30m
P&P	£0.72	£43.30m	17.3	0.20	322.87	-2.70%	12.50%	-£1.20m	£7.80m
Pegasus	£1.83	£11.50m	20.2	1.53	498.64	-5.67%	-14.49%	-£0.60m	-£2.60m
Persona	£1.83	£22.10m	16.4	0.97	1143.75	-5.18%	14.38%	-£1.20m	£2.80m
Phonelink	£3.32	£117.80m	3770.0	126.67	2141.94	-11.94%	-8.79%	-£16.00m	-£11.40m
Proteus	£1.82	£56.60m	Loss	n/a	2166.67	-13.74%	-56.77%	-£9.00m	-£58.80m
Quality Software	£3.95	£34.40m	56.9	2.58	1039.47	-2.47%	-2.47%	£0.80m	£2.90m
Radius	£0.38	£10.40m	Loss	0.45	275.36	15.15%	35.71%	£1.39m	£2.76m
Real Time Control	£1.03	£7.21m	21.1	1.18	2102.04	3.00%	41.10%	£0.21m	£2.10m
Rolle & Nolan	£3.33	£20.20m	20.2	1.59	1982.14	4.72%	12.88%	£0.90m	£3.50m
Sage Group	£5.16	£107.80m	13.9	2.61	3969.23	-11.49%	1.18%	-£14.00m	£2.70m
Sanderson	£0.94	£36.30m	10.6	1.54	1600.00	4.44%	17.50%	£2.10m	£7.80m
Sema Group	£3.91	£360.50m	23.6	0.72	1229.56	-5.10%	26.13%	-£19.40m	£78.40m
Sherwood	£1.10	£6.71m	Loss	0.28	916.67	-3.51%	0.00%	-£0.24m	£0.00m
Spargo Consulting	£1.08	£13.50m	42.6	2.77	1136.84	13.68%	13.68%	£1.60m	£1.60m
Standard Platforms	£0.13	£1.04m	Loss	0.39	57.77	-53.57%	-59.38%	-£0.07m	-£0.26m
Superscape	£2.33	£12.40m	Loss	19.31	1176.77	-2.10%	17.68%	-£0.20m	£1.90m
Total	£0.25	£2.50m	32.3	1.20	471.70	-19.35%	4.17%	-£0.60m	£0.10m
Trace	£0.34	£4.75m	20.2	0.26	272.00	-17.07%	-10.53%	-£0.98m	-£0.64m
Unipalm	£1.15	£23.30m	43.4	2.78	1150.00	-8.73%	15.00%	-£2.20m	£3.06m
Vega Group	£2.43	£34.40m	24.0	3.55	1991.80	1.25%	10.96%	£0.50m	£3.50m
Virtuality	£1.82	£47.60m	Loss	8.81	1070.59	-23.85%	-45.02%	-£14.90m	-£38.90m
Vistec	£0.24	£29.40m	12.4	0.65	1043.48	-5.88%	0.00%	-£1.80m	£0.10m
Wakebourne	£0.89	£18.60m	Loss	0.80	494.44	-7.29%	48.33%	-£1.50m	£6.10m

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

Cedardata exceeds expectations

Cedardata was rather different to many of the other new issues in the last year because:

- Cedardata has a consistent long term track record. Their latest results for the year to 31st Mar. 94 show revenues up 16.4% at £6.1m, PBT up 52.7% at £2.7m and EPS up 50%. These results exceeded the £2.65m PBT forecast at the time of the float.

- Cedardata has £2.7m cash in the bank and net assets have tripled to £4.3m.

- Cedardata's profit margin is an inspiring 44%.

- recurring revenues increased by 24% to £1.6m

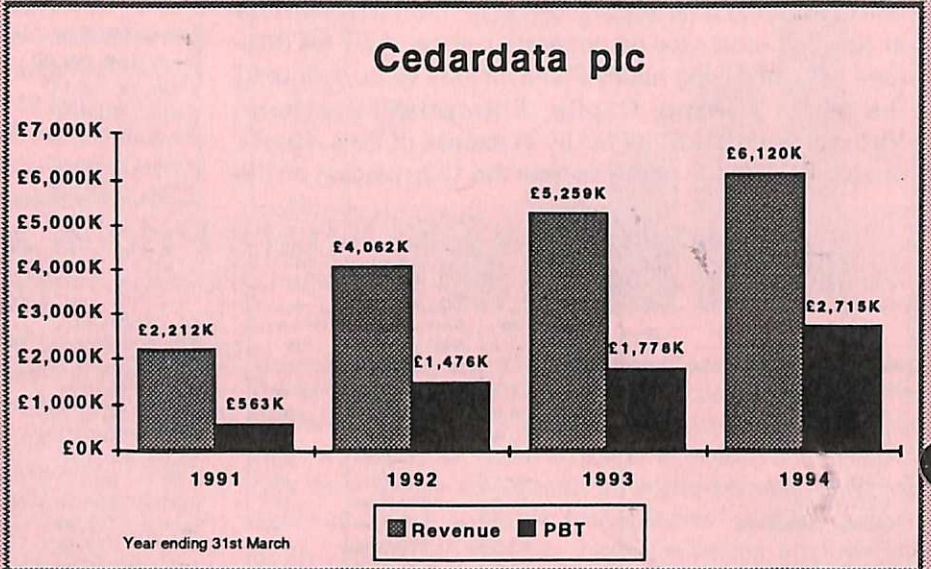
- Cedardata doesn't capitalise R&D.

Cedardata was founded in 1983 as a payroll bureau. They have since developed an Oracle-based commercial and financial accounting systems - *cfacs*. The public sector represents around 50% of revenues - all of which are earned in the UK.

MD Leon Fittal commented "Sales prospects are significantly ahead of last year and Cedardata is confident of maintaining its continued profit growth".

Launched at 102p, the shares currently stand at...98p. As we now know, investors clearly prefer companies with no track record, who miss forecasts and are built on sand. Really sad.

CEDARDATA	1994	1993	Growth
<i>Software products and service</i>			
• Licences	£2,737K	£2,374K	15%
• Consultancy & training	£1,525K	£1,104K	38%
• Maintenance	£1,135K	£842K	35%
<i>Bureau Services</i>	£463K	£443K	5%
<i>Other</i>	£260K	£496K	-48%
TOTAL	£6,120K	£5,259K	16%



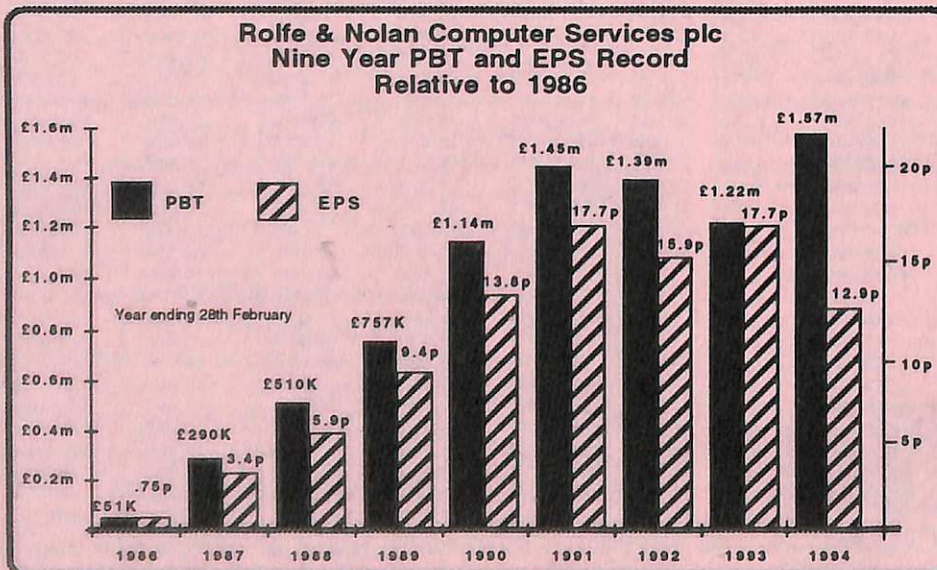
"Record" results from Rolfe & Nolan

"Leading futures and options computer bureau and software specialist" Rolfe & Nolan did indeed report its highest ever PBT - up 29% at £1.57m - on revenues up 13% at £12.7m in the year to 28th Feb. 94. EPS, however, was down 27% at 12.9p - lower than that achieved in 1990. To be fair, though, this was due to the unpopular law which does not allow US losses to be set against UK corporation tax. A one-for-one bonus issue is proposed.

In Feb. 92, R&N acquired a 19.2% stake in US BSI for \$500K. They bought the remaining equity in Mar. 93 for a further \$1.7m. Unfortunately BSI has made losses each year since. In the latest year, losses increased from £414K to £967K on revenues of £3.05m (1993=£3.27m) although "losses were significantly reduced in the second half".

The results therefore show the strong performance from the previous R&N activities which increased operating profits by 70% to £2.44m. Europe saw record volumes of business due to the high level of activity in the derivatives markets. R&N is really motoring with its recurring revenues which now account for 71% of total revenues. Here bureau and FM revenues rose 15% to £5.1m and software support rose 22% to £1.7m. Lighthouse (a Treasury and OTC derivative software product) seems to be progressing well with a £2.5m order from Credit Suisse announced last year with "a significant contribution expected from 1995/96 onwards".

With US losses being reduced "a significant improvement during 1994/95 is expected with promising prospects".



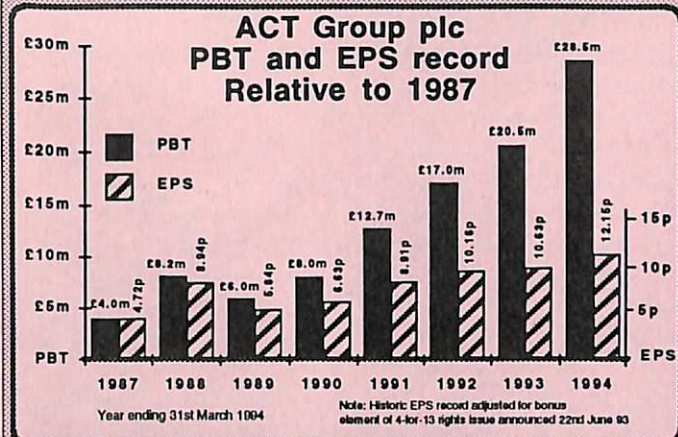
Comment

Our views on acquisitions are well known as is our support for R&N. It cannot be denied that buying BSI has had a negative effect on R&N's previously exemplary EPS growth record. We have particularly criticised R&N for the terms of the original performance related deal - although, to be fair, R&N probably couldn't have cut the deal on any other basis. But R&N has taken the remedial action required and is now, in our opinion, stronger for the purchase.

The market shares the optimism, marking the shares up 5% this month - against the trend.

ACT Group

On 14th June 1994, ACT Group announced revenues up 64% at £250.6m, PBT up 39% at £28.5m and EPS up 14%. That far higher than average performance will (probably) make ACT the largest UK-owned SCSI company by both revenue and profit for 1994. *So why did the shares tumble by 30% this month on the news?*



ACT accompanied the results with a "warning" that "the current year's trading will be adversely affected, principally in the UK, by the restructuring of the financial products division and the significantly increased expenditure on new product development".

A quick look at the Estimate Directory showed that analysts had been forecasting PBT £35m for 1994/5 with Hoare Govett forecasting £40m. Although these estimates would have been trimmed by c£4.5m as a result of the recent disposals, they have now been trimmed still further to around £27m - i.e. a decline on 1993/4. There is one thing that analysts detest most...and that's a surprise. (They are happy with other people getting surprises as long as they have been told first!) One trust manager, who had sold their entire holding on the news, said that they just didn't trust ACT anymore.

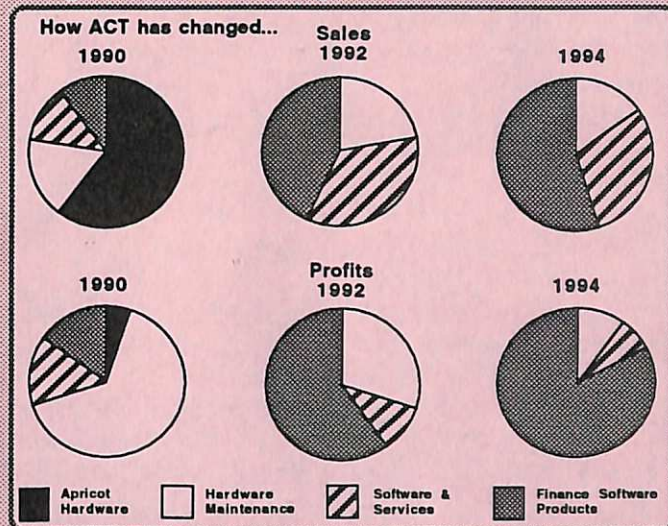
In the last few years there have been several critical comments on ACT's use of the pre-acquisition accounting rules. Those readers who have purchased the 1994 Holway Report can check the accounts filed at Companies House for such companies as NMW, Quotient etc. with the trading statements made at the time of acquisition. Pre acquisition accounting is a "one-off" advantage. You can only avoid exposure if you make more acquisitions. Given the size of the BIS acquisition, it is unlikely that ACT will undertake any further major purchases in the coming year. Indeed, the recent corporate announcements from ACT have been disposals. ACT Cablestream (£5m), Brann Direct Marketing (£8.15m) and ACT Computer Support/Network Si (£14.5m). The remaining non financial services divisions - ACT Business Systems, ACT Sigmex, ACT Medisys and ACT Managed Services - produced combined profits of just £1m (or 4% of total profits) last year and now look increasingly "non core".

Experience counts...

Alphameric - Alan Benjamin (ex ICL and CAP) took on Alphameric in 1991 soon after a £11.6m loss was declared. Few thought it would last the year. The shares at one stage slumped to under 1p. Three years on, Benjamin must have been delighted to report PBT of £433K on revenues of £10.8m in the year to 31st Mar. 94. Alphameric shares closed June on 39p.

July 1994

Indeed a review of the source of ACT's sales and profits, as shown in the chart below, illustrates quite major changes over the last five years.



ACT's Financial Software Products division "now accounts for 72% of turnover and 96% of trading profits from continuing activities". International operations "now account for 57% of sales compared with 38% in the previous year" and ACT's financial products are "now established in more than 1,000 banks and financial institutions worldwide". BIS "performed above expectations", Kindle grew profits by 19% but profits were flat at ACT Financial Systems where Quasar sales were "disappointing".

Comment

As a result of the share price fall, ACT now has a capitalisation of £215m - far less than their £250m revenue - and an historic P/E on continuing operations of 12. That seems remarkably cheap compared to an average P/E of 22 for the SCSI sector. On top of that ACT is unarguably the UK's largest and most profitable SCSI company and the only UK company anywhere close to the Top Twenty in the worldwide software products rankings. It has strong management which is more than willing to ruffle the odd feather...we know only too well!

"Acquisitions have a negative effect on EPS for the first two years". © 1990/91/92/93/94 Richard Holway Limited. Readers must be getting bored with us repeating that adage but we hope that our ever increasing band of City analyst subscribers will now take note too. Building world class companies takes time. If the City really wants to throw off its short termist image, it needs to avoid the knee jerk reaction it displayed to ACT this month.

PS. Please ACT take care with your claims. In the announcement ACT claimed to be "one of the 20 largest software vendors in the world". Unfortunately the ACT list excludes hardware vendors and systems houses (many of whom have substantial software revenues) but then includes 100% of ACT revenues, where only a (probably minority) proportion relates to products rather than associated services.

CMG - Ian Taylor (who took part in the MBO at Data Sciences) has been appointed UK Chairman of CMG.

Datastream - Tony Helman, Datastream's MD since 1976, retires at the age of 60 next year. In preparation for this, Joe Kasputys, CEO of new owners, Primark, becomes MD from 1st July and Helman will act as Chairman. During Helman's 18 years, Datastream's revenues have grown 25 fold. We wish him well.

Lotus, Microsoft the next IBM or DEC?

The Financial Times of 22nd June carried a large advert from Lotus offering Smartsuite - that's five applications including 1-2-3 and Ami Pro - for £199 (yes, £199). In the same issue there was a news item about Lotus shares in free fall after a profits warning. A connection was politely *not* drawn between the two. On the same day we received the latest statistics from the SPA showing a 10% increase in European revenues in Q1 1994 but a 59% increase in unit sales - i.e. *another* 30% decline in unit prices.

Then BusinessWeek (27th June 94) reported "A slowdown in desktop software is inevitable. Microsoft's revenue growth rate has already fallen from 50% in 1992 to around 20% for fiscal 1994".

At least the industry has been here before - a decade ago when the PC wars started. The end result is unlikely to be too different. We have long said that by 2000, people will be discussing Lotus' and Microsoft's problems in very similar ways to the current discussions about IBM and DEC. By then, the most powerful companies will be service providers. Will Lotus, Microsoft et al. realise that in time?

UK rules? The SPA statistics show that in Q1, the UK became the largest PC software market in Europe. Revenues from the UK market grew by 22% to \$142m, but sales in Germany declined by 7% to \$139m. Sales in France declined by an even greater 10%, to \$73m.

Eidos "risky but the rewards could be huge"

Source - Daily Mail - 24th June 1994

Eidos plc develops video compression software which could well become the standard used in video phones and other PC based video communications systems such as those supplied by On-Demand Information.

As reported last month, Eidos offered a 1-for-10 rights issue at 240p raising £517K. The issue was fully taken up and the shares have since risen to 345p - one of the best performances in an otherwise depressing market in the last month.

But Eidos is really high risk. In the year to 31st Dec. 93, they decreased losses from £190K to £77K on revenues of just £131K. But that doesn't stop the market putting a value of over £9m on the company.

OK, so we got it wrong...

Back in 1992, ICL bought PC distributor **Technology** for £30m plus £27m profit related. We described the deal, whereby ICL would gain control of one of the larger players in the channel and thereby be able to accelerate the sales of its own brand PCs, as "inspired".

It does not seem to have worked out that way. This month ICL has relieved Technology of its responsibility for ICL PCs. ICL will go back to the old established model of dealing direct with distributors, dealers and systems houses. It was interesting to note that one of the problems with Technology taking on the combined roles of agent, reseller and distributor was that it "significantly reduced the amount of credit in the system. This is important for many resellers who depend on credit from their distributor".

Source - FT 20th June 1994. You bet your life they do - but we will be watching ICL's bad debts with increased interest in future!

...again. A Clarification (Ho, ho, ho!)

VCs are so sensitive.

We have been asked to make it clear that it is **Advent International plc** which holds a 33% stake in **PI Holdings** and not **Advent Limited**. Advent Limited wanted to make it clear that they would never have done such a deal.

Your last chance

On Wednesday 20th July 1994, Richard Holway is repeating his evening soiree, presenting the findings of the recently published 1994 Holway Report, on behalf of the CSA. The event has already attracted bookings from over 150 CEOs, making it the most popular CSA event of its type ever. The evening at the London Metropole Hotel starts at 5.30 pm and includes drinks and dinner.

As last year, a **free place** will be awarded to all 1994 Holway Report purchasers.



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