System House

The monthly review of the financial performance of the UK computing services industry
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Champagne corks pop at Logica

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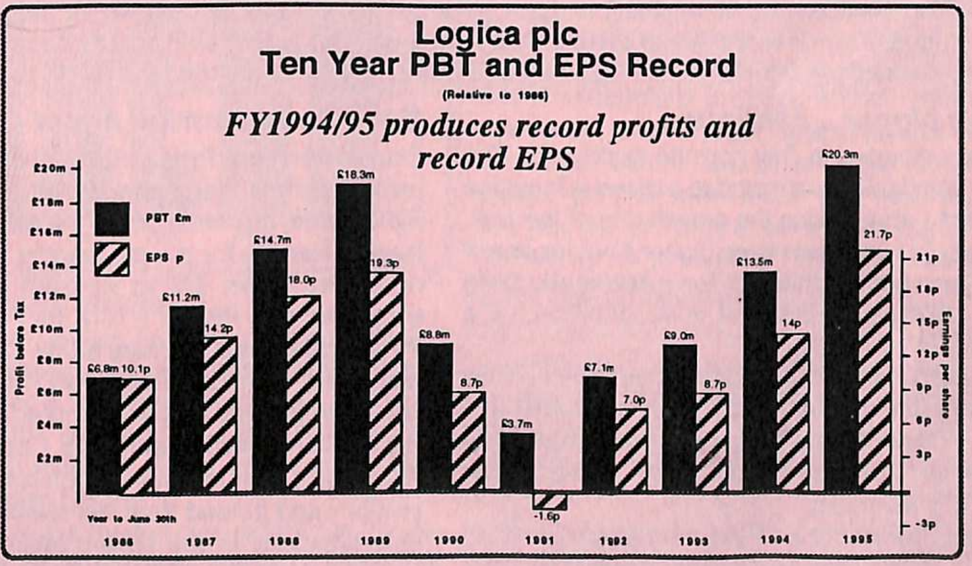
In the 72 issues we have published over the last six years we have only ever featured just one company on page one. That was in the June 1990 issue after **Logica** had issued a profit warning causing over £50m to be written off its market value in just one day.

So, to put the balance right, we lead this month again on Logica because, in the year to 30th June 95, they have reported:

- ***record*** PBT, up 50% at £20.3m
- ***record*** revenues, up 19% at £250m
- ***record*** EPS up 55% at 21.7p
- all units profitable ***for the first time*** in a long while

which has resulted in a ***record*** share price and a ***record*** market capitalisation of £303m.



In addition, but although not a record (Logica regularly reported 10%+ margins in the 1980s), overall profit margins improved from 6.5% to 8.1%. Indeed, operating margins in Continental Europe exceeded the magical 10% as did margins in the UK in the second half of the year (where they were a creditable 9.3% for the year as a whole). These are regarded with some envy by many European system houses.

In the past, our criticisms have been much quoted - we should have put a copyright on our jibe *"Logica is like a car which always has two cylinders misfiring...and they always seem to be a different two"*. We therefore welcomed the appointment of CEO Martin Read from GEC. After the first of many interviews we wrote *"everything we heard from Read was music to our and, we hope, shareholder's ears"*. Source - *System House* Oct. 93.

Read has transformed Logica. He completely restructured the organisation, laying off over a 100 staff and saying goodbye to many of the old guard top management team. He brought in the legendary, and much needed, GEC financial disciplines as well a number of new top managers from GEC, Sema and ACT. What he didn't need to do was to invent new markets, new regions, new expertise - Logica had these in abundance. What he did was to focus the business, moving it away from its technical bias towards a more sales and marketing led company. The one word Read repeated in every one of our interviews over the years was ***"repeatability"*** - taking the expertise developed for one region, sector or customer and applying it more widely. It's not an earth shattering concept - indeed that's already the foundation of other top performing companies - but we are surprised how few other companies apply it.

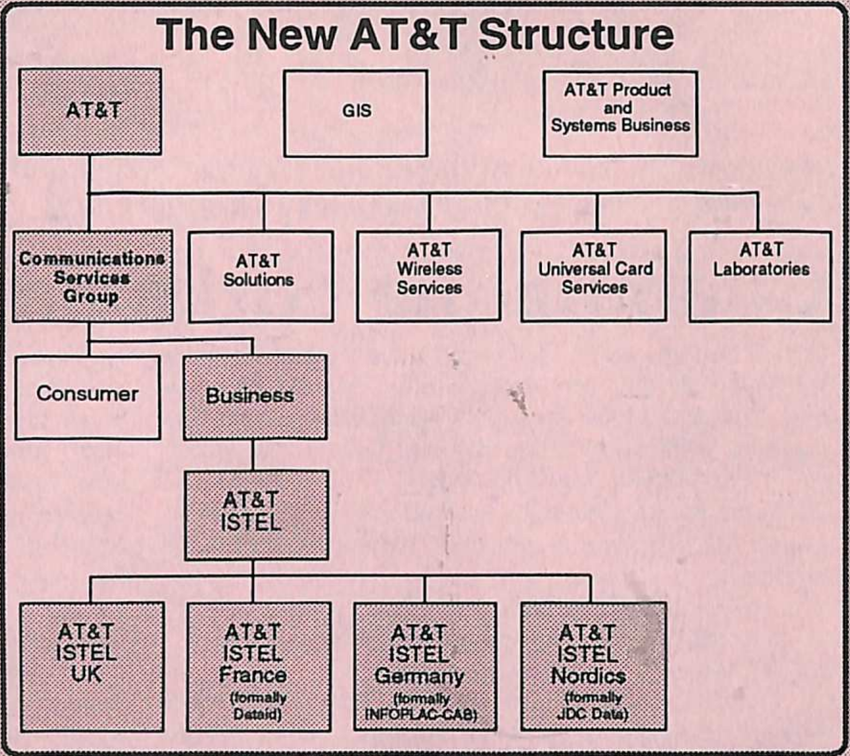
Read has indeed turned out to be *"music to the shareholders ears"*. On the day Read was appointed at the end of July 93, Logica's share price was 234p making a market value of £144m. Logica ended Sept. 95 on 487p and a value of £303m.

"We are now at the end of the first phase" said Read. There is still outstanding business from phase one. The US operations were barely profitable. Indeed Precision Software, which was making profits of $900K when Logica paid its initial $3.3m, made a loss in FY 95. Two new contracts for their commercial loan processing software have been secured since the year end and Read was cautiously optimistic for a better US performance this year.

Clearly, *"phase two"* will see a continuation of the currently successful policies which will secure reasonable organic growth. The Read disciplines should ensure that profits and earnings grow even more strongly. Indeed Logica could soon report an overall margin of 10% if they wished. But that's not enough. Logica is already one of the very few *world-class* UK-owned SCSI companies. We now want to see it become a *world-sized* company. It can only do that by strategic acquisition. When we first met Read, he brandished our *"Guide to Successful Acquisitions"* and said how much he agreed with its guidelines. We remind him now that our *safe limit* was *"20% of your current capitalisation"*. Because of Read's efforts that could now justify a £60m purchase. ***We wait in anticipation.***

AT&T ISTEL

This month we met Per Olof Loof - then CEO at **AT&T ISTEL UK and Europe**. He is clearly a busy man as the meeting had been cancelled several times and he started checking the time almost as soon as we arrived. We wanted to learn more about the financials and where AT&T ISTEL was headed. We came away more confused than when we arrived. For example, Per Olof Loof had already sent us a letter showing revenues static at £250m in both 1993 and 1994. So both of us were a little confused after he claimed that *"we will grow from $315m in 1994 to $365m in 1995"*. Unfortunately, we got no help either with queries over Rover, acquisition policy, outsourcing growth, etc. A few weeks later we got to understand why our meeting had been so difficult. On 20th Sept. 95 it was announced that AT&T was to split into three separate companies. GIS (the old NCR) was one of the entities and Per Olof Loof is off to join them. Sergio Giacoletto takes his place at AT&T ISTEL which is to remain as part of AT&T. We understand it is likely to be run along country lines in future as shown in the diagram.



There is a bright future for the computing services industry in exploiting network-based information services and its enabling technology. AT&T ISTEL is a leader with its travel based services, its insurance & mortgage quote services and its retail customer loyalty and credit checking systems. It could have a great future if it can eventually find the right management and organisational structure in which to perform.

Big getting bigger....continued

System House reported in July how the world's Top Ten largest SCSI companies had reported a revenue increase of 24% in 1994 - about twice the growth rate of the rest. The figures would have been even higher if not for one of the *"quieter"* members of that Top Ten - **Automatic Data Processing (ADP)** with revenues of $2.25 billion, up a mere 1% on 1993.

This month ADP has caught the acquisitions bug too. They are paying an estimated $400m for French bureaux and FM supplier - **Generale de Service en Informatique** - better known as **GSI**. The purchase will add a further $460m to ADP's revenues.

GSI, which was subject of an MBO from Alcatel in 1987, had ambitions to go public. But losses mounted in 1994. *"For sale"* talk has been rife for some time with almost every large company rumoured as a suitor at one time or another. There were clearly few purchasers, if any, who would put a value as high as $400m on the operation.

ADP had been overwhelmingly a US player. This is a significant move which UK players would be wise to note.

Also **Decision Servcom Inc.** (DSI) has bought the US hardware maintenance operations of **Bell Atlantic**, thus creating what is claimed to be *"the world's largest TPM provider"* with revenues of over $700m. You may remember that **ICL** took over Bell Atlantic's 49% stake in **Sorbus** for no cost in Feb. 95 in exchange for a future share in the profits. DSI has no European operations so there will be no clash with the new £500m revenue ICL Sorbus. Indeed, both DSI and ICL stressed to us that they were keen to continue the relationship.

Vistec announced that it had received *"an approach which may lead to an all share offer at a small premium"*.

Even more worried about CFS

Computerised Financial Solutions (CFS), which provides credit management software particularly to the motor trade, has been one of the many disappointing new issues. Results for the six months to 30th Jun. 95 show revenues down 9% at £1.28m but a loss of £66K compared with PBT of £351K for FY94.

What worries us even more is that CFS' interim statement makes no mention of how much larger the loss would have been if they had not adopted the dubious policy of capitalising development costs. Last year CFS increased intangible assets by £1.4m which completely eclipsed their profits - and indeed their net assets. CFS is about the only company in the sector which does not publish a balance sheet at the interim stage. We were told by CFS FD Terry Eikel, that he was not permitted to answer our enquiries about intangibles and amortisation. *"I cannot give that information to you because we have not released it to shareholders in general"*. Brokers Wise Speke, however, were able to tell us that a further £250K development had been capitalised. So this would take the intangible asset total to nearly £1.7m against total net assets which are now probably <£1m. We hope the ASB, which is current considering this issue, will take note. Chairman Tom Brockbank repeats his anticipation of *"a creditable result for the year"* but points out that the timing of new contracts could affect results. Brokers Wise Speke will be issuing 225,000 new shares for cash. We were incredulous when they told us that not one investor had raised the matter of the absence of a balance sheet or asked about the intangibles. CFS' share price was unchanged this month at 76p (compared with an issue price of 90p). Perhaps investors get what they deserve.

Good maiden results from Compel

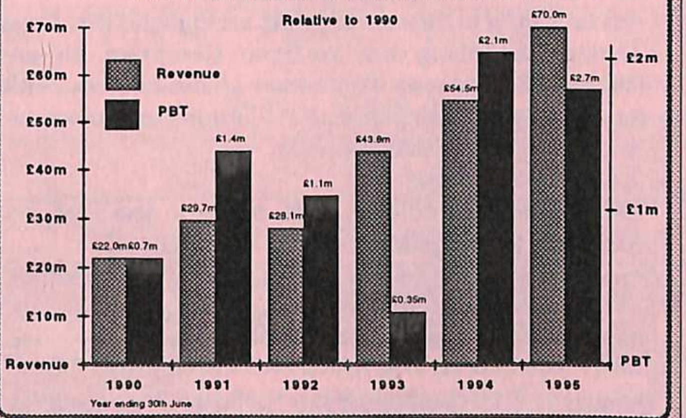
Compel was one of the very last of the new issues back in Sept. 94 at 125p.

A year on, the first full year results to 30th June 95 showed revenues up 28% at £70m, PBT up 30% at £2.68m and EPS up 16%. The share price closed Sept. 95 on 161p - up 5% on the month and 29% since the launch. We must be thankful that Compel has not joined the long list of new issue *"disappointments"*.

Compel is basically a PC reseller where its customers are large corporates. This is why the margins are a modest 3.8%; albeit higher than the 2.7% margin reported at one of their nearest rivals - Computacenter. Compel has focused on *"the client/server and networked PC and workstation arena"* and, like many others, is making every effort to increase its services business.

If Compel can really achieve its aim of becoming a *"single source"* provider in this market, then it could do well. Chairman Neville Davis reports that *"the new year has begun well"* and *"views both our short and long term prospects with confidence"*.

Compel Group plc
Six Year Revenue and PBT Record



Eidos confirms purchases

As previous reported, **Eidos** has this month confirmed the acquisitions of three computer games companies - **Domark** (£10.8m for a company which had losses of £3.3m to 30th Mar. 95), **Simis** (£1.8m) and **The Big Red Software Company** (£350K). Eidos also announced a placing at 375p to raise £5.5m.

The ***new*** Eidos will have a market cap. of £29.1m. On the other hand the ***old*** Eidos reported losses of £268K on revenues of just £96K in the six months to 30th June 95. The new Executive Chairman of the group is to be Ian Livingstone who has the honour of launching *Dungeons and Dragons* into the UK. Don't forget, 40% of the world's computer games are developed in the UK.

Rob Wirszycz was this month appointed as the new DG of the **CSSA** to take over from Doug Eyeions who is retiring. There have been criticisms, but we applaud the move and much prefer a *"young man"* rather than the appointment of one of the industries *"old stagers"* as we had feared. We share many of Wirszycz' visions for both the CSSA and the industry.

But he joins at a difficult time for the CSSA. We understand that Oracle is now joining the FEI - following EDS. Many now feel that a totally independent CSSA is not viable. But if the CSSA is to come under the FEI umbrella it must have a strong voice and retain some identity.

UK and outsourcing stars again for Sema

Sema Group's interims for the six months to 30th June 95 showed revenues up 7.9% at £321.9m, PBT up 21% at £16m and EPS up 16%. The UK was the star performer (by source) - yet again - with a 17.7% growth to £133.2m - representing 41% of total revenue. Sema's 2nd largest market - France - showed a 12% decline to £72.8m. Sweden - now a larger market than Germany - grew by 17.6% to £66m.

Outsourcing - where the UK is the both the largest market and the European "champion" - reported a 16.5% growth (to £104m). Recent contracts, like the £60m/5 year deal at the TSB obviously helped. But Sema's largest activity - systems integration - had a rather modest 4.4% growth to £197m. Telecomms was the fastest growing market sector - up 65% at £25.7m. Defence, Sema's largest market, grew by a healthy 19% to £79.5m. The UK MOD has *"in a unique move, awarded a prime contractorship to BAeSEMA to design and build an Ocean Survey Vessel valued at £40m"*. The order book was up 24% since the year end and net cash increased to £34.7m. The consensus analysts' view is £37.5m PBT for 1995 - a 27% increase on 94. The market reacted positively to the results, marking the shares up 17% this month.

Sema and its profit margins

Sema's profit margins were 5% compared with 5.4% in FY94. Our first draft review pointed out that when Pierre Bonelli was appointed CEO in 1989 we, and others like the FT, reported that a 10% margin was his objective. Indeed, Logica is now achieving that in continental Europe. Sema responded to make it clear that Bonelli never mentioned a 10% target...and even if he had, this would have been before R&D which would reduce the target to a max. of 7%. Further more, 10% profit margins *"are not the way we do things in continental Europe"*.

We will try not to mention 10% margins ever again.

Can we believe you John?

We all have *likes* and *dislikes*. We *like* **Vega** so much that we gave them a rare *System House* Boring Award. But we also *dislike* Chairman using the *"confidence"* word. It has been misused so often that it is worse than meaningless - it actually has a negative impact with us.

But John Rigg, Vega's current Chairman, told shareholders that he *"looked forward with confidence to current and future years...All major projects including the two emulation projects for the RAF, are on schedule"* and the order book was strong.

But if Rigg is so *"confident"* we wonder why he, and the other Vega directors, have been selling so many shares recently - £7m worth in the last year. Also Rigg is now stepping aside as Chairman in favour of Kelvin Harrison, Vega's MD.

Brokers Beeson Gregory are forecasting PBT of £3.6m for the year to 30th Apr. 96 - that's a 24% increase on 95. At 315p, the shares are on a prospective P/E of over 18.

Wakebourne warns...again

TPM **Wakebourne** issued a profits warning in April when it found a significant discrepancy in its stock records. This month they warned that losses of £350K were incurred in the 6 months to 30th June 95. This was struck after £400K for redundancy costs and *"an aborted acquisition"*. However, *"since the half year Wakebourne has been trading profitably"*. Shares ended Sept. 13% down.

Delphi and CRT rides the IT contractor wave

Computer People has changed greatly in the 18 months since Roger Graham and Tony Reeves took over the management of the IT staff agency and recruitment operation. They set out enlarging the group by buying **The Span Consultancy** (£5.5m), **VNG Group** (£7m + £3.2 debt) - which included the systems development operation **Interskill SA** - and US **Automated Concepts Inc.** (max $2m). In July 95, they bought **Cathy Tracey & Associates** for up to £2m.

This month Computer People has made the ultimate change as they are now to be called the **Delphi Group**.

As a result of both the acquisitions and strong organic growth in the IT contracting and recruitment sectors, Delphi reported superb results for the six months to 30th June 95. Revenues were up 119% at £83.2m, operating profits, before exceptionals, were up 220% at £4.5m, PBT up 459% at £4.1m and, quite exceptionally for an acquisitive company, EPS was up 241% (98% before exceptionals).

The UK (71% of group revenues) was the star with revenues up 149% at £59.3m. US operations (20% of the total) increased revenues by 22% to $25.7m with operating profits up 24% at $1.4m. European operations had revenues of £7.6m and operating profits of £200K.

Net borrowings rose from £6.7m to £10.2m and gearing was 107%. This has, however, been reduced since.

Confirming the boom in the IT contractor sector, **CRT**'s Chairman Karl Chapman, told shareholders at the AGM that turnover was currently *"significantly ahead of last year". "Temporary staff on customer sites increased from 1,846 to more than 2,200, an increase of approx. 19%"*. Trading at CRT's other activities - recruitment, training *("up 16% since the year end"* but profits held back by *"substantial investment")* and *"encouraging trends in multimedia publishing"* - seem to point to *"heavy second half profits"*. CRT share price increased 13% this month on the news.

But a note of caution...recent results from Delphi, Parity, CRT et al. all confirm the buoyant state of the IT contractor market. But we would strike one note of caution. In the past this market has been our *"barometer"* of the state of the industry. The sector was the first to be hit by the downturn in the late 1980s...and the first to show real recovery a few years later. That's why all the companies involved need to develop second and third legs to protect themselves against any future market downturn.

Sherwood continues recovery

If you had invested in **Sherwood Computer Services** at the start of the year you could have doubled your money. After two dire years, Sherwood now seem well on the road to recovery. In the six months to 30th June 95, although revenues dropped by 8.1% to £11m as a result of discontinued businesses, PBT of £615K was reported compared with a loss of £88K last time around. Net debt has been eliminated compared with £1.9m a year ago.

Early signs from the Sherwood-CFM(ICL) JV, which offers FM and AM to the insurance market, the recent acquisition of Beta and the City Deal share dealing service look promising. But Sherwood's activities in the London insurance market *"remain difficult"*.

PBT of £2.1m and EPS of 19.3p is expected for the full year. Given that the shares ended Sept. 95 on 178p, that's still a modest prospective P/E of just over 9.

Warning from Kalamazoo as Harrop steps down...

Current Chairman Dr Peter Harrop issued a profits warning to **Kalamazoo** shareholders at their AGM. Export sales in the print division were blamed as trading at the computer division was *"in line with expectations"*. The share price fell by 15% this month.

Harrop also announced increased investment in capital equipment and in people so that *"the group will enter its next financial year trading with new products and services"*.

The worry is that Kalamazoo is reversing the tough line which Mike Langmore, its CEO who departed in Feb. 95, had been taking. At the time we postured that *"Langmore was known as a hard manager and the financial success at Kalamazoo had been at the expense of jobs. The Kalamazoo Trust still holds 51% of the shares. Perhaps the reason for his departure was a case of just one acquisition, one job loss too many?"* Source - *System House* - March 95.

At the time, Harrop personally assured us that Langmore's departure *"was not due to short term performance problems"* and indeed only two months ago Harrop said he was *"confident"* for the current year.

Anyway, later in the month it was announced that Robert Jordan was taking over as Exec. Chairman, although Harrop will remain as a non-exec. Unlike Harrop, Jordan has no computer experience - a Langmore replacement is now more than ever required.

...and makes disposal

Kalamazoo has sold its 24% stake in the Irish print company, **Fyvie**, to **Miraford** for about £816K.

EASY ACCESS TO THE HARD FACTS

As we reported in our page one feature last month, MAID seems to encapsulate the crazy shareholder reaction to the IT world at present - i.e. minimal revenues but a share price which went through the roof on the announcement of a deal to supply information on the Microsoft network. This month MAID has supplied another master stroke - it intends to offer 19.6m shares, worth $50m, on NASDAQ. Given US investors appetite for anything connected with the Internet and/or Microsoft, MAID should satisfy their every fantasy. The share price rose still further on the news to end Sept. on 256p (that compares with a launch price of 110p and represents a 271% gain so far in 1995).

MAID also announced its interim results to 30th June 95 which showed revenues up 45% at £5.76m, but PBT down 7% at £408K and EPS down 15%. We should point out that, yet again, MAID would have reported a loss of about £2m if it had not increased its intangibles. In a new twist to the *"should you capitalise development costs?"* debate the MAID board *"decided it was appropriate to charge the pre-launch costs to the P&L account in the second half...as at 30th June, the deferred pre-launch marketing costs amounted to £2.5m"*.

But MAID is in exactly the area, as an information services provider, that we back for high future growth. The initial reaction to their Profound MSN business information service was excellent. So good, in fact, that the FT - which some might consider as an arch rival - apparently signed up for the service themselves.

Readers should note that MAID now has a market value of £208m.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Admiral plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 24,560,000	£ 49,473,000	£ 30,204,000	+23.0%
PBT	£ 3,198,000	£ 7,719,000	£ 5,589,000	+74.8%
EPS	18.50p	45.20p	31.80p	+71.9%

Azlan Group plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	£ 61,506,000		£ 90,488,000	+47.1%
PBT	£ 3,871,000		£ 3,906,000	+0.9%
EPS	12.40p		12.50p	+0.8%

Capita Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 30,470,000	£ 73,800,000	£ 43,420,000	+42.5%
PBT	£ 2,710,000	£ 7,903,000	£ 4,010,000	+48.0%
EPS	3.80p	10.50p	5.00p	+31.6%

Cedardata plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	£ 6,120,000		£ 8,932,000	+45.9%
PBT	£ 2,715,000		£ 3,572,000	+31.6%
EPS	6.30p		7.90p	+25.4%

CentreGold plc

	Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparision
REV	£ 52,554,000	£ 91,314,000	£ 41,037,000	-21.9%
PBT	£ 2,600,000	£ 4,033,000	-£ 3,883,000	Profit to Loss
EPS	4.70p	7.30p	-6.44p	Profit to Loss

Clinical Computing plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 735,000	£ 1,471,684	£ 924,000	+25.7%
PBT	-£ 227,000	-£ 688,596	-£ 357,000	Loss both
EPS	-1.40p	-4.30p	-2.20p	Loss both

Coda Group plc

	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparision
REV	£ 13,327,000	£ 23,388,000	£ 15,229,000	+14.3%
PBT	-£ 2,546,000	-£ 7,992,000	£ 993,000	Loss to Profit
EPS	-8.00p	-27.70p	2.70p	Loss to Profit

Compel Group plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 54,542,000		£ 70,019,000	+28.4%
PBT	£ 2,062,000		£ 2,684,000	+30.2%
EPS	9.60p		11.10p	+15.6%

Computerised Financial Solutions plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 1,404,000	£ 3,120,711	£ 1,276,000	-9.1%
PBT	-£ 36,000	£ 350,617	-£ 66,000	Loss both
EPS	-1.40p	3.97p	-1.50p	Loss both

Cray Electronic Holdings plc

	Final - Apr 94		Final - Apr 95	Comparision
REV	£ 271,718,000		£ 264,838,000	-2.5%
PBT	£ 26,168,000		£ 835,000	-96.8%
EPS	8.60p		-0.30p	Profit to loss

CRT Group plc

	Final - Apr 94		Final - Apr 95	Comparision
REV	£ 47,348,000		£ 72,762,000	+53.7%
PBT	£ 532,000		£ 5,972,000	+1022.6%
EPS	-0.13p		6.30p	Loss to profit

DCS Group plc

	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparision
REV	£ 2,604,000	£ 6,375,180	£ 4,007,000	+53.9%
PBT	£ 41,000	£ 426,144	£ 105,000	+156.1%
EPS	0.56p	4.32p	0.88p	+57.1%

DRS Data & Research Services plc

	Interim - Jul 94	Final - Dec 94	Interim - Jul 95	Comparision
REV	£ 5,756,000	£ 8,798,000	£ 4,269,000	-25.8%
PBT	£ 1,484,000	£ 1,487,000	£ 512,000	-65.5%
EPS	3.19p	3.07p	0.95p	-70.2%

Delphi Group plc (Computer People Group)

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 38,013,000	£ 97,685,000	£ 83,168,000	+118.8%
PBT	£ 733,000	-£ 391,000	£ 4,101,000	+459.5%
EPS	3.42p	-7.76p	11.66p	+240.9%

Division Group plc

	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparision
REV	£ 2,106,000	£ 5,270,000	£ 2,469,000	+17.2%
PBT	-£ 892,000	-£ 1,440,000	-£ 1,575,000	Loss both
EPS	-2.50p	-4.30p	-3.80p	Loss both

Eidos plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 188,196	£ 254,225	£ 96,128	-48.9%
PBT	£ 47,834	-£ 107,623	-£ 267,533	Profit to loss
EPS	1.93p	-4.16p	-10.03p	Profit to loss

Electronic Data Processing plc

	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparision
REV	£ 7,179,000	£ 14,013,000	£ 6,326,000	-11.9%
PBT	£ 2,061,000	£ 4,123,000	£ 1,807,000	-12.3%
EPS	5.12p	10.21p	4.55p	-11.1%

Gresham Computing plc

	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparision
REV	£ 3,068,000	£ 6,507,000	£ 3,803,000	+24.0%
PBT	£ 244,000	£ 708,000	£ 521,000	+113.5%
EPS	0.43p	1.32p	0.98p	+127.9%

INSTEM plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 8,043,000	£ 16,812,000	£ 11,205,000	+39.3%
PBT	£ 505,000	£ 1,153,000	£ 577,000	+14.3%
EPS	7.40p	16.80p	8.40p	+13.5%

JBA Holdings plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 38,500,000	£ 90,687,000	£ 49,464,000	+28.5%
PBT	£ 264,000	£ 6,131,000	£ 754,000	+185.6%
EPS	0.19p	12.13p	1.43p	+652.6%

Kalamazoo Computer Group plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	£ 60,911,000		£ 60,719,000	-0.3%
PBT	£ 6,355,000		£ 6,815,000	+7.2%
EPS	10.20p		11.80p	+15.7%

Kewill Systems plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	£ 31,780,000		£ 33,667,000	+5.9%
PBT	£ 4,043,000		£ 5,067,000	+25.3%
EPS	23.00p		28.39p	+23.4%

Learmonth & Burchett Management Systems plc

	Final - Apr 94		Final - Apr 95	Comparision
REV	£ 26,406,000		£ 23,761,000	-10.0%
PBT	-£ 746,000		-£ 5,251,000	Loss both
EPS	-3.10p		-24.70p	Loss both

Logica plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 209,952,000		£ 250,135,000	+19.1%
PBT	£ 13,543,000		£ 20,310,000	+50.0%
EPS	14.00p		21.70p	+55.0%

Lorien Group plc

	Interim - May 94	Final - Nov 94	Interim - May 95	Comparision
REV	£ 7,800,000	£ 17,904,000	£ 11,500,000	+47.4%
PBT	£ 142,403	£ 169,000	£ 414,315	+190.9%
EPS	2.39p	2.65p	6.17p	+158.2%

Lynx Holdings plc

	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparision
REV	£ 7,257,000	£ 21,523,000	£ 12,605,000	+73.7%
PBT	£ 460,000	£ 2,009,000	£ 741,000	+61.1%
EPS	1.15p	4.50p	1.27p	+10.4%

M.A.I.D plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 3,972,000	£ 8,887,000	£ 5,762,000	+45.1%
PBT	£ 440,000	£ 1,285,000	£ 408,000	-7.3%
EPS	0.39p	1.14p	0.33p	-15.4%

MMT Computing plc

	Interim - Feb 94	Final - Aug 94	Interim - Feb 95	Comparision
REV	£ 4,815,000	£ 10,861,498	£ 6,442,000	+33.8%
PBT	£ 1,215,000	£ 2,505,106	£ 1,387,000	+14.2%
EPS	6.40p	13.10p	7.40p	+15.6%

MR-Data Management Group plc

	Interim -Dec 93	Final - Jun 94	Interim - Dec 94	Comparision
REV	£ 19,602,000	£ 40,521,000	£ 21,305,000	+8.7%
PBT	£ 2,660,000	£ 6,348,000	£ 3,136,000	+17.9%
EPS	3.20p	8.00p	4.00p	+25.0%

McDonnell Information Systems Group plc

	PF Interim - Jun 94	PF Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 68,609,000	£ 148,911,000	£ 79,145,000	+15.4%
PBT	£ 5,044,000	£ 9,064,000	-£ 1,673,000	Profit to loss
EPS	3.48p	4.57p	-2.42p	Profit to loss

Macro 4 plc

	Final - Jun 94		Final - Jun 95	Comparision
REV	£ 24,367,000		£ 25,035,000	+2.7%
PBT	£ 11,211,000		£ 11,602,000	+3.5%
EPS	34.20p		35.20p	+2.9%

Micro Focus plc

	Interim - Jul 94	Final - Jan 95	Interim - Jul 95	Comparision
REV	£ 42,950,000	£ 89,885,000	£ 36,800,000	-14.3%
PBT	£ 7,020,000	£ 8,723,000	-£ 4,470,000	Profit to loss
EPS	33.10p	32.00p	-30.30p	Profit to loss

Microgen Holdings plc

	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparision
REV	£ 29,056,000	£ 58,774,000	£ 34,868,000	+20.0%
PBT	£ 3,441,000	£ 6,173,000	£ 4,470,000	+29.9%
EPS	5.50p	10.00p	7.30p	+32.7%

Microvitec plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 20,923,000	£ 44,146,000	£ 26,550,000	+26.9%
PBT	£ 1,120,000	£ 2,560,000	£ 1,607,000	+43.5%
EPS	1.24p	3.00p	1.47p	+18.5%

Misys plc

	Final - May 94		Final - May 95	Comparision
REV	£ 93,358,000		£ 153,395,000	+64.3%
PBT	£ 18,612,000		£ 26,345,000	+41.5%
EPS	31.90p		35.10p	+10.0%

Moorepay Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 1,991,972	£ 3,873,089	£ 2,342,152	+17.6%
PBT	£ 412,773	£ 686,336	£ 666,324	+61.4%
EPS	3.79p	6.28p	5.88p	+55.1%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

On Demand Information plc

	Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparision
REV	£ 11,847,000	£ 14,487,000	£ 5,120,000	-56.8%
PBT	-£ 669,000	-£ 2,617,000	-£ 1,333,000	Loss both
EPS	-1.60p	-5.70p	-2.60p	Loss both

Oxford Molecular plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 1,086,000	£ 2,765,000	£ 2,832,000	+160.8%
PBT	-£ 933,000	-£ 2,906,000	-£ 2,112,000	Loss both
EPS	-3.50p	-8.60p	-4.30p	Loss both

P & P plc

	Interim - May 94	Final - Nov 94	Interim - May 95	Comparision
REV	£ 118,900,000	£ 263,930,000	£ 171,700,000	+44.4%
PBT	£ 2,700,000	£ 8,016,000	£ 6,200,000	+129.6%
EPS	2.80p	8.10p	5.30p	+89.3%

Parity plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 38,003,000	£ 88,791,000	£ 61,512,000	+61.9%
PBT	£ 2,023,000	£ 4,176,000	£ 3,069,000	+51.7%
EPS	3.51p	7.19p	4.82p	+37.3%

Pegasus Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 2,275,000	£ 4,808,000	£ 3,038,000	+33.5%
PBT	£ 68,000	£ 243,000	£ 172,000	+152.9%
EPS	0.70p	12.70p	1.80p	+157.1%

Persona plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 15,042,000	£ 31,537,000	£ 24,780,000	+64.7%
PBT	£ 1,005,000	£ 2,059,000	£ 1,350,000	+34.3%
EPS	6.00p	11.42p	7.50p	+25.0%

Phonelink plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	£ 1,241,000		£ 2,085,000	+68.0%
PBT	-£ 1,761,000		-£ 3,702,000	Loss both
EPS	-5.00p		-10.40p	Loss both

Proteus International plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	Nil		Nil	n/a
PBT	-£ 6,618,000		-£ 7,925,000	Loss both
EPS	-24.23p		-25.47p	Loss both

Quality Software Products Holdings plc

	Final - Dec 93		Final - Dec 94	Comparision
REV	£ 13,346,543		£ 16,494,732	+23.6%
PBT	£ 553,244		£ 2,512,400	+354.1%
EPS	6.70p		27.50p	+310.4%

RM plc

	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparision
REV	£ 28,745,000	£ 65,493,000	£ 33,596,000	+16.9%
PBT	£ 155,000	£ 3,769,000	£ 1,041,000	+571.6%
EPS	0.60p	15.50p	4.00p	+566.7%

Radius plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 12,325,000	£ 24,866,000	£ 13,424,000	+8.9%
PBT	£ 808,000	£ 1,451,000	£ 835,000	+3.3%
EPS	1.19p	2.87p	1.96p	+64.7%

Real Time Control plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	£ 8,534,000		£ 13,463,000	+57.8%
PBT	£ 1,387,000		£ 1,782,000	+28.5%
EPS	13.30p		20.00p	+50.4%

Rolfe & Nolan plc

	Final - Feb 94		Final - Feb 95	Comparision
REV	£ 12,720,000		£ 14,288,000	+12.3%
PBT	£ 1,573,000		£ 1,512,000	-3.9%
EPS	6.40p		6.70p	+4.7%

Sage Group plc

	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparision
REV	£ 25,400,000	£ 50,888,000	£ 50,622,000	+99.3%
PBT	£ 6,864,000	£ 14,252,000	£ 11,740,000	+71.0%
EPS	22.20p	45.40p	37.30p	+68.0%

Sanderson Electronics plc

	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparision
REV	£ 14,217,000	£ 33,984,000	£ 27,078,000	+90.5%
PBT	£ 2,169,000	£ 4,228,000	£ 2,805,000	+29.3%
EPS	4.00p	7.30p	4.60p	+15.0%

Sema Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 298,419,000	£ 596,111,000	£ 321,892,000	+7.9%
PBT	£ 12,567,000	£ 32,034,000	£ 15,208,000	+21.0%
EPS	9.13p	20.98p	10.55p	+15.6%

Sherwood Computer Services plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 11,957,000	£ 25,069,000	£ 10,988,000	-8.1%
PBT	-£ 88,000	£ 79,000	£ 615,000	Loss to profit
EPS	0.30p	-10.73p	5.90p	+1866.7%

Spargo Consulting plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 2,854,000	£ 6,016,000	£ 3,329,000	+16.6%
PBT	£ 606,000	£ 1,211,000	£ 192,000	-68.3%
EPS	3.20p	6.29p	0.90p	-71.9%

Standard Platforms Holdings plc

	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparision
REV	£ 749,995	£ 1,305,476	£ 699,119	-6.8%
PBT	-£ 35,640	-£ 143,280	-£ 314,850	Loss both
EPS	-0.90p	-1.10p	-1.50p	Loss both

Superscape VR plc

	PF Interim - Jan 94	PF Final - Jul 94	PF Interim - Jan 95	Comparision
REV	£ 390,121	£ 859,192	£ 478,371	+22.6%
PBT	-£ 73,280	-£ 238,024	-£ 844,662	Loss both
EPS	-2.20p	-6.10p	-15.90p	Loss both

Total Systems plc

	Final - Mar 94		Final - Mar 95	Comparision
REV	£ 2,092,429		£ 2,289,437	+9.4%
PBT	£ 141,918		£ 53,516	-62.3%
EPS	0.96p		0.34p	-64.6%

Trace Computers plc

	Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparision
REV	£ 9,200,000	£ 18,628,990	£ 9,500,000	+3.3%
PBT	£ 216,000	£ 409,901	£ 223,000	+3.2%
EPS	1.20p	2.33p	1.21p	+0.8%

Unipalm plc

	Final - Apr 94		Final - Apr 95	Comparision
REV	£ 10,753,000		£ 17,767,000	+65.2%
PBT	£ 272,000		£ 442,000	+62.5%
EPS	0.89p		1.48p	+66.3%

Vega Group plc

	Final - Apr 94		Final - Apr 95	Comparision
REV	£ 9,703,000		£ 12,516,000	+29.0%
PBT	£ 2,147,000		£ 2,910,000	+35.5%
EPS	10.01p		13.49p	+34.8%

Virtuality Group plc

	Interim - Jun 94	Final - Dec 94	Interim - Jun 95	Comparision
REV	£ 4,120,000	£ 9,126,000	£ 6,269,000	+52.2%
PBT	-£ 695,000	-£ 1,397,000	-£ 583,000	Loss both
EPS	-2.70p	-5.30p	-2.20p	Loss both

Vistec Group plc

	Final - Apr 94		Final - Apr 95	Comparision
REV	£ 45,018,000		£ 50,172,000	+11.4%
PBT	£ 3,409,000		-£ 327,000	Profit to loss
EPS	2.06p		-0.38p	Profit to loss

Wakebourne plc

	Final - Dec 93		Final - Dec 94	Comparision
REV	£ 22,275,000		£ 35,336,000	+58.6%
PBT	-£ 18,649,000		£ 1,865,000	Loss to profit
EPS	-143.80p		4.00p	Loss to profit

Perot - a "spent force" no more

After winning two large outsourcing contracts in 1992 (Europcar £120m/10 years and East Midlands Electricity £150m/12 years) news from **Perot** in Europe dried up - other than news of faults and mumblings of unease from both customers and transferred staff. As widely quoted in the press this month, we did indeed believe that Perot was a *"spent force"*. We even reported on rumours that Perot was up for sale.

In Aug. 95, Perot was awarded a £20m/5 year(?) deal with fund managers M&G. Within weeks, Perot announced one of the largest private sector outsourcing deals of all time with Swiss Bank (SBC). Perot gets a SFr250m (c£140m) p.a. outsourcing deal with SBC involving the transfer of 700 staff. Perot also gets a 40% stake in SBC's software development operation - Systor - and SBC takes a 24.9% stake in Perot for *"an undisclosed"* consideration. It was also stated that Perot intends to go public in about 18 months time when the SBC 24.9% stake could be worth $250m. (Source - Computergram - 8th Sept. 95). Given that Perot worldwide had revenues of just $300m last year (about half earned in Europe and about £35m in the UK), these contracts will double those revenues.

Correction Our comments on this deal were quoted widely. Indeed, Paul Taylor's excellent front page story in the Financial Times meant that *System House* was mentioned on the Internet for the first time! We received feedback from across the world, but nobody noticed that the FT had put the decimal point in the wrong place in all our figures! For the record, we estimate the outsourcing market in Europe to be worth £15 billion (not £1.5 billion) in 1994; growing to £17 billion in 1995.

Acquisitions, disposals and liquidations

The **Medical Insurance Agency** has bought **Medidata**, which specialises in software for dentists. **Securicor Net** has bought ISDN products developers, **Wisdm Ltd**. Fast growing Farnborough-based **C-C-C Group Ltd.** has acquired **Nynex Media Communications Ltd** (multimedia communications systems for use in video conferencing). According to a report in Computergram, C-C-C plans *"to go public next year"*. **Sema** has increased its stake in South Africa based **Paradigm Systems Technology** from 24.9% to 45%. Total consideration so far is £4.81m. Sema also completed the acquisition of **Bridge Street Holdings**, which owns the 50% holding in **Contingency & Planning Recovery Services** which Sema does not already own. Safety critical systems consultancy **CSE** has bought a 60% stake in **York Software Engineering** - a *"spin-off"* from the computer sciences dept. of the University of York. **Oxford Molecular** has formed a JV with **Perkin-Elmer** to *"develop the next generation of software related to the DNA and protein sequencing process"*. **Logica** (see p1) has sold its 49% stake in **Speedwing Logica** to **British Airways**. *"The disposal will have no material impact on either Logica or BA"*. US anti-virus software developer **McAfee** has acquired its UK agent **IPE**. Obviously **Pearson**'s have not been put off software companies. They paid £310m for **Software Toolworks** in 1993 and the business was merged into **Mindscape** which lost £300K in the last period. This month Pearson has acquired **US MicroLogic**, the developers of PrintMaster Gold print productivity software. **Reuters** has acquired US **Sailfish Systems**, which specialises in risk management systems for the banking and corporate sectors, for a min. of $2m.

Datrontech has purchased Hampshire-based distributor, **Peripherique**, for an initial £1.5m plus £880K profit related. Peripherique made PBT of £546K on revenues of £8.3m in the year to 31st July 95.

Real Time Control seeks acquisitions

Barney Carrell told **RTC** shareholders that he was *"seeking acquisition candidates"*. It is likely that these will take RTC outside its retail base. They have recently launched RTC Securis to exploit *"the world of security and environmental control"*.

Cray Electronics warns again

We 'phoned Mike Shone to reassure him that readers really would not think the reason for *another* 25% drop in the **Cray** share price on 12th Sept. was his long overdue appointment to the main board earlier that day.

The fall came as Cray's Chairman Roger Holland had to warn shareholders at the AGM that day that still further job cuts and stock write downs would be needed to restore *"an acceptable level of profitability"*. All the problems were at Cray Communications. **Cray Systems** and **P-E International**, which turned in profits of £8m on revenues of £110m in 1994, had continued to progress as planned.

We know that it has not escaped many readers that Cray's current market value of just £102m is less than 1xSCSI revenues or an historic P/E around 18 for the SCSI activities *alone*.

If only they had taken our advice and bought more SCSI companies....

Bird swallows spider, which swallowed the fly
First SHL Systemhouse buys PCL for c£14m

SHL Systemhouse is a Canadian-based systems and outsourcing company. After several years of troubled financial results, in the year to 31st August 1994 SHL Systemhouse returned to a profit of C$17.5m (loss C$145m in 1993) on revenues up 27% at C$1.2 billion.

SHL Systemhouse's operations in the UK were founded on the purchase of PC reseller ComputerGroup for $21m in 1989. In 1993 they added AST-Transact as well as a number of small IT training operations like Clarion Training, Micro Solutions and Skytech Training. In 1994 European revenues (the vast majority of which were earned in the UK) increased by 11% to £94m. But this was still only 16% of SHL's total revenues.

However, 1994 saw a considerable restructuring/ realignment of SHL Systemhouse's operations in the UK. Most of the original management departed and the operation was headed by Ed Lukes and Jim Gilroy who were brought in from Canada to sort out the *"unprofitable"* UK operation. In December 1994, SHL sold the UM 20 credit card processing activities of AST Transact to Stratus Computers.

The service element - where SHL Systemhouse claims to have invented the term *Transformational Outsourcing™* - (well, they certainly claim the copyright) - has been emphasised by the awarding of, for example, an outsourcing contract from The Student Loans Company. This month SHL acquired private **Planning Consultancy** (PCL) for C$30m (around £14m). PCL had revenues of £48.15m and PBT of £1.5m (a 75% increase on the previous year) in the year to 31st March 1994. PCL is a major reseller of PCs to corporate accounts. With a strong presence in the south of England, PCL had made efforts to move more into services - such as FM, increased engineering logistics, client/server, consulting and systems integration - in an attempt to improve margins. Now PCL claims to make about 20% of its revenues from services. PCL clients already include "blue chips" like British Airways, Cellnet, JP Morgan and the Royal Bank of Scotland.

PCL will be merged into the SHL Technology Solutions division which will be run by PCL's Chairman Graham Summers with Jim Gilroy moving to take charge of SHL's training operations worldwide. The merger will, according to SHL Chairman John Oltman, create an operation with UK revenues of £150m *"reaching £200m by the end of the current fiscal"*. It will certainly help SHL in its goal to create *"critical mass"* as the new operation will be one of the larger resellers in the UK market.

Chairman John Oltman said negotiations for other acquisitions were *"in process...as the company builds its UK presence in a bid to take on the largest outsourcing and services operations"*. Source - MicroScope 20th Sept. 95.

...then MCI buys SHL Systemhouse

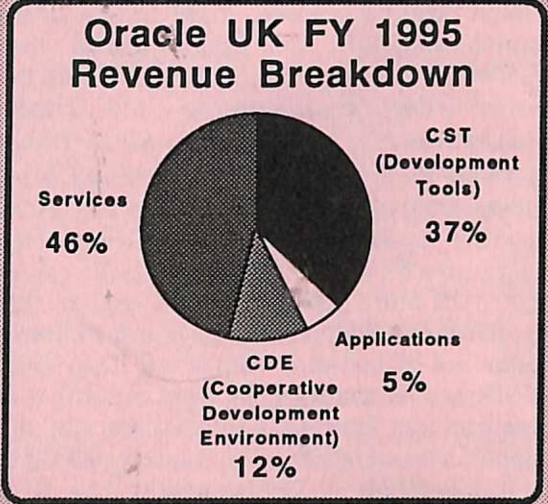
Just a few days after the PCL deal, it was announced that US telecomms group MCI (where BT has a 20% stake) was to pay a quite staggering US$1 billion for SHL. SHL share price soared by C$6.88 to C$17.25 on the news. Warburg Pincus has, not unsurprisingly, pledged to sell its 12.8% SHL stake to MCI.

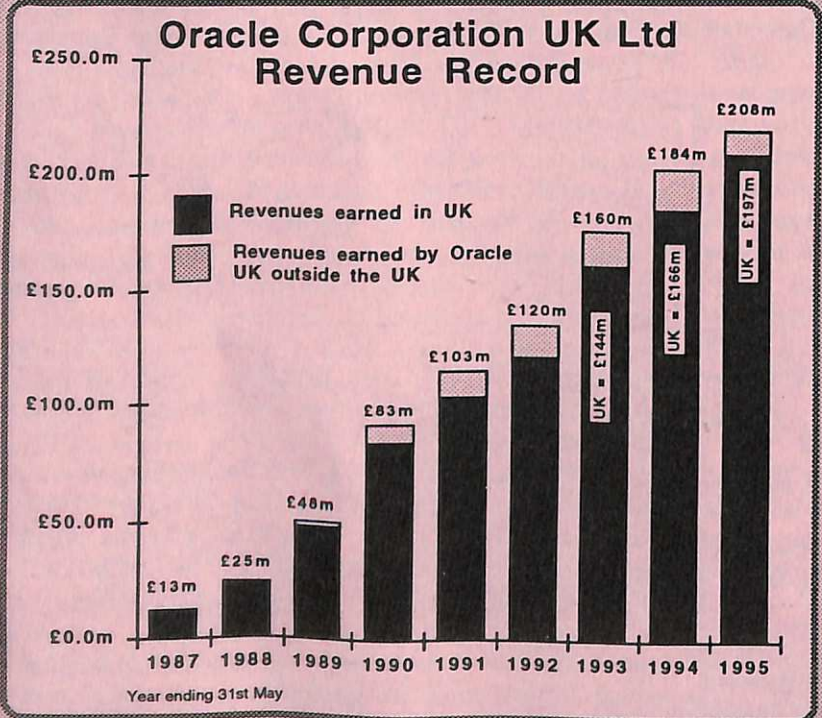
Coming on the same day as AT&T admitted its mistakes with its computing acquisitions (see page 2), we will wait with interest to see if MCI do any better.

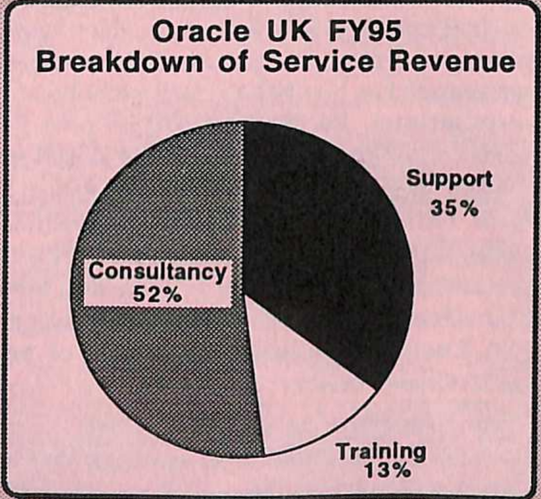
Oracle UK

We at last got to meet Philip Crawford - the new MD of **Oracle UK** - this month. We also secured the long awaited Oracle UK results. They showed why the action was required. You may remember that Oracle Corp. grew revenues by 48% to around $3b in the year to 31st May 95. But Oracle's revenues from the UK market grew by a rather more modest 18% to £197m. Even this growth came in service revenues (support, consulting and education) which seem to have grown by about 50% in FY95. Service plus applications (which increased by over 80%) represented 51% of Oracle UK's revenues - about the highest of any Oracle region worldwide. Products, overall, therefore had a decidedly lack-lustre time of it with revenues from CDE recording a near 50% decline. Oracle's Q1 FY96 figures confirm the problem. Although worldwide revenues grew by 39%, the core data base software products increased by a more modest 29% and European growth was just 23% compared to 44% in the *"Americas"*. The UK was singled out as a particular *"underperformer"* with some reports suggesting UK Q1 licence revenues of £10m against a budget of £25m There has been much conjecture and public confusion over Oracle's policies towards its application business. Crawford explains that "local" vertical applications will not be part of the scene in the future - but applications selected by Oracle Corp., which can be implemented on a worldwide basis, will continue to increase in importance. That's the reason behind the sale of the UK local authority software business in an MBO and the very likely disposal of the UK healthcare activities. Crawford also wants to put real flesh behind Oracle's reseller programme to mirror the faster than average worldwide indirect sales growth. One of Crawford's more radical decisions was to move the well respected head of direct sales - Allen Swann - to head up Alliance Sales. A real case of poacher turning into gamekeeper. It got a good reaction from the channel. Oracle consultants will help customers implement rather than being in direct competition with the reseller channel. Many may say *"we've heard that before"* but we suspect Crawford means it.

Anyway, there is little doubt that Crawford has one of the toughest jobs in the UK industry. Knowing Oracle he probably has no more than the next three quarters to prove his mettle.







Integris grows

BULL has announced that from henceforth its systems integration activities will come under its **Integris** banner - which was previously concerned only with FM. In the UK Brian Gunn, will head up the operation.

Under Gunn, Integris has already been a major success. We understand that outsourcing revenues will be around £27m in 1995. Pretty good when you consider they were zero at the start of 1994. This month, for example, he was celebrating a £15m/5 year outsourcing contract with Health & Safety Executive. We also met with Richard Snook, the new head of BULL UK, and were similarly impressed. The quality of BULL's UK originated management, which includes George McNeil, who now heads BULL (excl. France) and Philip Crawford (see Oracle UK above), has always impressed us. Perhaps if BULL's HQ in France had taken a bit more notice of them in the past they might have avoided some of their current problems.

PC software sales hit again

According to the **SPA**, revenues from US PC software sales grew by 7.9% to $1.57b in Q2. But, confirming our warning that shrink wrapped software products is not the place to be, sales in Europe grew by a mere 1% to $423m whereas unit sales soared by 44%. In Germany revenues actually fell by 16% but rose by 19% (to $106m) in the UK.

Could be that everyone was waiting for Windows 95 though.

Sage hits record 10600 in CSI Index

The CSI Index was up another 7.4% this month against a fall in the FTSE100. That makes +32% this year. There was another record broken this month. **Sage**'s index hit 10600 - that means nearly a 1000% increase since we started the CSI Index in Apr. 1989. Sage was up another 15% this month. The star performer in Sept. was **Oxford Molecular** - up 58% on the announcement of a strategic alliance with Perkin-Elmer and very positive press coverage resulting from a Reuters briefing. Its also been a good month for Messrs. Hearley and Warburg who have involvement in both AIM newcomer **Moorepay** (payroll services) - up 33% - and **Rolfe & Nolan** - up 30% on news that Lighthouse is live at Credit Suisse and encouraging sales prospects. **Azlan** were up 32% as brokers upgraded profit forecasts from £5.5m to £6.5m and general buoyancy in the networking marketplace.

The wooden spoon goes to **Cray** - down 33% on another profits warning (see p7). Depressing little **Total** lost another 17% and is now valued at just £2m. The other main losers were **DRS** (down 17% - p10), **MR** (down 15%), **Kalamazoo** (down 15% - p4) and **Wakebourne** (down 13% - p3).

28th Sept. 95	**CSI Index**		**1984.61**
	FTSE 100		3479.00
CSI Index = 1000 on 15th April 1989	FTSE SmallCap		1969.27
Changes in Indices	**CSI Index**	**FTSE 100**	**FTSE Small Cap**
Month (30/8/95 - 28/9/95)	+7.38%	-0.71%	+0.18%
From 15th Apr 89	+98.46%	+69.41%	
From 1st Jan 90	+115.70%	+47.29%	
From 1st Jan 91	+180.36%	+61.03%	
From 1st Jan 92	+89.94%	+39.55%	
From 1st Jan 93	+24.54%	+22.22%	+41.94%
From 1st Jan 94	+18.87%	+1.77%	+5.38%
From 1st Jan 95	+32.38%	+13.49%	+12.76%

System House CSI Share Prices and Capitalisation

	Share Price 28/9/95 (£p)	Capitalisation 28/9/95(£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 28/9/95	Share price % move since 30/8/95	Share price % move in 1995	Capitalisation move (£m) since 30/8/95	Capitalisation move (£m) in 1995
Admiral	£7.45	£91.60m	19.5	1.85	5398.55	1.64%	17.32%	£1.40m	£19.20m
Azlan	£3.37	£73.80m	27.0	0.82	1465.22	31.64%	151.49%	£17.70m	£44.50m
Capita	£2.40	£131.50m	22.2	1.78	7207.21	12.15%	46.34%	£14.20m	£42.00m
Cedardata	£1.40	£42.80m	17.8	4.79	1333.33	0.00%	38.61%	£0.00m	£11.90m
Centregold	£0.62	£26.70m	8.5	0.29	496.00	8.77%	-46.55%	£2.20m	-£20.00m
Clinical Computing	£0.43	£6.97m	6.9	4.74	346.77	13.16%	-35.82%	£0.81m	-£3.93m
Coda	£1.89	£49.50m	19.7	2.12	804.26	15.24%	145.45%	£6.50m	£29.30m
Compel	£1.61	£24.60m	14.5	0.35	1288.00	5.23%	47.71%	£1.30m	£8.00m
Computerised Financial	£0.76	£3.57m	23.8	1.14	844.44	0.00%	-26.21%	£0.00m	-£1.27m
Cray Electronics	£0.43	£102.00m	Loss	0.39	251.46	-33.33%	-73.37%	-£50.90m	-£281.40m
CRT	£1.17	£79.00m	18.6	1.09	1300.00	12.50%	48.10%	£9.00m	£25.80m
DCS Group	£0.99	£18.70m	27.8	2.93	1650.00	16.47%	35.62%	£2.60m	£11.79m
Delphi Group	£3.56	£90.40m	43.9	0.93	1465.02	11.60%	47.11%	£9.40m	£31.10m
Division Group	£1.10	£48.30m	Loss	9.17	2750.00	-6.78%	-5.98%	-£3.50m	£8.80m
DRS Data & Research	£0.20	£7.18m	28.3	0.82	181.82	-16.67%	-37.50%	-£1.44m	-£4.22m
Eidos	£4.00	£10.80m	Loss	43.20	4000.00	0.00%	31.15%	£0.00m	£1.98m
Electronic Data Processing	£1.40	£36.70m	14.5	2.62	4286.59	9.37%	-2.10%	£3.20m	-£0.80m
Gresham Computing	£0.39	£12.80m	20.9	1.97	419.35	0.00%	5.41%	£0.00m	£0.70m
INSTEM	£1.56	£7.02m	8.7	0.42	1560.00	13.87%	4.00%	£0.85m	£0.22m
JBA Holdings	£2.50	£85.20m	26.2	0.94	1562.50	6.38%	64.47%	£7.20m	£35.00m
Kalamazoo	£0.86	£16.80m	7.3	0.28	2457.14	-14.85%	-21.10%	-£2.90m	-£24.70m
Kewill	£3.22	£39.90m	11.5	1.19	1272.73	2.88%	34.73%	£1.40m	£10.90m
Learmonth & Burchett	£3.60	£81.40m	Loss	3.43	3000.00	18.03%	350.00%	£12.50m	£64.00m
Logica	£4.87	£303.40m	22.4	1.21	1334.25	11.19%	49.85%	£30.50m	£102.60m
Lorien	£1.55	£8.84m	58.5	1.11	1550.00	3.33%	55.00%	£0.29m	£3.54m
Lynx Holdings	£0.52	£26.40m	12.1	1.23	1300.00	1.96%	10.64%	£0.50m	£6.60m
Macro 4	£4.53	£98.30m	11.9	3.93	1826.61	-2.58%	3.42%	-£2.60m	£3.30m
MAID	£2.56	£208.10m	224.6	23.41	2327.27	27.36%	271.01%	£44.70m	£152.00m
McDonnell IS (MDIS)	£0.77	£77.00m	16.9	0.53	296.15	10.00%	-23.76%	£7.00m	-£24.00m
Micro Focus	£7.43	£112.20m	23.2	1.25	3589.37	-2.24%	-9.39%	-£2.60m	-£5.90m
Microgen	£1.74	£68.60m	14.9	1.17	743.59	2.96%	70.59%	£2.00m	£28.40m
Microvitec	£0.44	£32.00m	14.5	0.72	1060.98	11.54%	19.18%	£3.30m	£8.70m
Misys	£5.78	£482.80m	16.4	3.15	1436.57	13.46%	41.20%	£57.80m	£288.10m
MMT	£1.93	£22.20m	13.6	2.04	1148.81	3.76%	-5.85%	£0.80m	-£0.90m
Moorepay	£1.28	£9.72m	21.1	2.51	1542.17	33.33%	54.22%	£2.43m	£3.42m
MR Data Management	£0.74	£41.30m	9.2	1.02	293.65	-14.94%	-32.73%	-£7.20m	-£20.10m
On Demand	£0.81	£41.30m	Loss	2.85	1038.46	9.46%	20.90%	£3.60m	£7.10m
Oxford Molecular	£1.84	£95.00m	Loss	34.30	2293.75	58.19%	205.83%	£35.00m	£72.90m
P&P	£1.36	£108.00m	13.8	0.41	609.87	-1.45%	83.78%	-£1.40m	£50.10m
Parity	£1.55	£64.90m	18.9	0.73	8611.08	0.00%	23.02%	£0.00m	£18.70m
Pegasus	£1.96	£12.30m	14.1	2.56	534.06	1.55%	30.67%	£0.10m	£2.91m
Persona	£2.71	£32.80m	23.6	1.04	1693.75	-2.52%	69.38%	-£0.80m	£13.50m
Phonelink	£1.83	£73.10m	Loss	34.98	1180.65	-7.58%	-14.08%	-£6.00m	-£2.50m
Proteus	£0.64	£20.90m	Loss	n/a	761.90	-8.57%	-63.43%	-£2.00m	-£33.50m
Quality Software	£6.27	£54.50m	21.6	3.31	1650.00	6.27%	63.71%	£3.20m	£21.20m
Radius	£0.59	£16.40m	16.4	0.66	427.54	28.26%	55.26%	£3.60m	£5.80m
Real Time Control	£1.81	£12.70m	9.0	0.94	3693.88	3.43%	5.85%	£0.50m	£0.70m
RM	£3.14	£52.80m	17.3	0.81	1794.29	16.73%	52.43%	£7.50m	£18.10m
Rolfe & Nolan	£2.53	£30.90m	37.7	2.16	3011.90	29.74%	36.76%	£7.10m	£8.50m
Sage Group	£13.78	£294.90m	22.8	5.79	10600.00	14.55%	104.45%	£37.50m	£154.00m
Sanderson Electronics	£1.16	£47.60m	15.0	1.40	1974.47	2.65%	46.84%	£1.30m	£17.20m
Sema Group	£4.74	£442.70m	22.6	0.74	1490.57	16.75%	16.18%	£64.30m	£64.10m
Sherwood	£1.78	£12.60m	Loss	0.50	1483.33	6.59%	122.50%	£0.70m	£7.72m
Spargo Consulting	£0.63	£7.88m	15.5	1.31	663.16	-7.35%	-30.77%	-£0.62m	-£3.52m
Standard Platforms	£0.18	£5.48m	Loss	4.18	77.77	2.94%	25.00%	£0.16m	£2.96m
Superscape	£3.94	£22.10m	Loss	25.70	1989.90	5.91%	93.14%	£1.30m	£11.30m
Total	£0.20	£2.00m	20.8	0.87	377.36	-16.67%	-42.86%	-£0.40m	-£1.50m
Trace	£0.39	£5.46m	18.0	0.29	312.00	-11.36%	-4.88%	-£0.70m	-£0.27m
Unipalm	£5.51	£113.50m	372.3	6.39	5510.00	17.99%	366.95%	£17.30m	£89.60m
Vega Group	£3.15	£44.70m	23.4	3.57	2581.97	2.27%	19.77%	£1.00m	£7.50m
Virtuality	£2.46	£68.10m	Loss	7.46	1447.06	2.93%	11.31%	£1.90m	£10.30m
Vistec	£0.15	£17.90m	57.6	0.36	630.43	16.00%	11.54%	£2.50m	£1.90m
Wakebourne	£0.28	£6.16m	4.9	0.17	155.56	-12.50%	-64.56%	-£0.88m	-£10.34m

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.

Missed opportunities at...INSTEM

You will hardly ever read about **INSTEM** as a SCSI company. That could be because they are engaged in developing control systems for utilities. It could also be because their 27 year financial performance could hardly be described as exciting. Although PBT was £872K a decade ago in 1985, it had only reached £1151K in 1994. Results for the six months to 30th June 95 show PBT (£577K) and EPS (8.4p) both up 14% on revenues up 39% at £11.2m. The balance sheet remains remarkably strong with net assets of £5.6m compared with a market capitalisation of £7m at the end of Sept.

Although most of its work is still projects like the substation control system which it has so far been delivered to 30 National grid sites, INSTEM is moving into *"the business sector"*. The first production version of its Datatox F1 Lab Info. System was installed this month for an unnamed pharmaceutical company.

Given the worldwide market for their systems and expertise, one must conclude that INSTEM has been a story of missed opportunity. Although we have praised Chairman David Gare's stable and honest stewardship, might a more ambitious approach unlock more potential?

Missed opportunities at...Macro 4

We have written about the *"lost opportunities"* at **Macro 4** for years and years. So much so that we are thoroughly bored with them. The Macro 4 management has ignored all such warnings for the last five years and has seemed content to just roll along living off the rentals of software products sold long ago. Chairman Terry Kelly now seems to blame *"inconsistent and contradictory independent market surveys"* for his complacency but charitably now says *"it is an undeniable fact that the worldwide mainframe base appears to have passed its peak"*.

The chickens are now coming home to roost. Cancellation rates for it mainframe products (still 96% of its revenues) are climbing steeply. This has been offset in part by increasing sales of AS/400 based products - most of which Macro 4 acquires rather than builds its own.

Results for the six months to 30th June 95 show practically static PBT of £11.6m on revenues up 3% at £25m. EPS rose by 3%, in part as a result of Macro 4 using its cash mountain to buy its own shares. The £4.8m it used resulted in cash reducing from £22.4m to £17.6m.

Given Macro 4's track record, we were quite terrified to read that Kelly was researching opportunities for..."***acquisitions***". Otherwise Kelly *"remains cautious in reviewing the group's prospects for the current year"*.

For reasons which we could not fathom at the time and still don't understand, Macro 4 share price hit 663p in 1993. Despite the buy back programme, the shares ended Sept. 95 down 3% at 453p.

Valuing FI

CMG and **FI Group** are similar in that they both are majority owned by a large number of current/former employees. The news (p12) that CMG is to float in Nov., coincided with the announcement that, on the internal market, FI's share price has risen in the year by 39% to £12.80 inferring a valuation of £31.2m or an historic P/E of around 15. FI would be wise to avoid the problem which caused CMG to abort their earlier float plans when the internal share price got out of line with the likely float price. FI's P/E is now close to the expected CMG float valuation.

Missed opportunities at...DRS

At least the *"missed opportunities"* tag is one in which Macro 4 and INSTEM (see left) would take issue, but **DRS** admitted last March that the *"potentially very attractive, but time limited, profit opportunity for DRS has largely been lost"*. These opportunities related to the sale of optical mark reading systems to schools - where HM Govt. has now stopped funding such purchases. This was a bit of a blow to new shareholders who bought in on the float in April 94 at 110p when founder Malcolm Brighton cashed in shares to the tune of £3.5m. The share price has since collapsed to end Sept. 95 on 20p. Latest interim results to 14th July 95 show revenues down 26% at £4.27m, PBT down 65% at £512K and EPS down from 3.19p to 0.95p. DRS do *"not expect the second half to be profitable"*. If that wasn't bad enough *"political uncertainties in Nigeria...have persuaded us that it is prudent to provide fully against a significant debt with a Govt. funded body"* and *"Difficult conditions were experienced in the healthcare IT market"*.

Given that wrist slitting progress report, you might be surprised to learn that DRS' Chairman John MacArthur is *"cautiously* ***confident****"* about the future. *We feel incapable of commenting further.*

Missed opportunities at...Radius

Our past reviews of **Radius** have used headlines such as *"round and round in circles"* or *"Radius comes full circle"*. Radius had a superb trading record to 1989 but then its acquisitions binge started to cause the dreaded acquisition indigestion just when the market started to stagnate and users started to demand open systems.

But Radius fought back with a significant recovery in 1992, only to plunge to its first ever loss of £1.17m in the 13 months to 31st Dec. 93. Another return to profits of £1.45m on revenues of £24.9m was reported for 1994.

Headline results for the six months to 30th June 95 showed revenues up a modest 9% at £13.4m, PBT up an even more modest 3% at £835K and EPS up 6.5%. But there was an exceptional profit last time of £268K on property sales. If this is excluded, operating profit increased by 50% and the adjusted EPS is up 65%.

The strong areas were software and software maintenance. Overseas, the printing and retail sectors did well. Hardware revenues decreased, as Radius moves more towards services. But revenues also decreased in the public and professional sectors. After falling to a low of 27p in 1994, Radius ended Sept. 1995 on 59p.

Creative prospers

Showing certain others that there really is money to be made in systems for the insurance industry, this month **Creative Insurance Services Ltd.** sent us their accounts for the year to 31st Dec. 94. These show that, combined with the Australian business, revenues of £12.5m and PBT of £1.8m was achieved. Revenues in the UK were up 49% to around £9m and PBT soared by 370% to £1.2m. The main revenue growth came from new INSURE/90 licence sales at L&G, Birmingham Midshires BS and CNA.

Creative was sold by Swiss Re in an MBO in April 94 and then bought by US **Policy Management Systems Corp.** for a consideration *"in excess of £10m"*. It proved to be one of the best short term investments ever for **Schroder Ventures** who backed the MBO - *and managers did quite nicely too.*

Why is JBA a rare UK-SCSI company?

• it was the last UK software products company to float - over a year ago in June 94

• it makes 70% of its revenues, expected to be around £110m in 1995, from outside the UK

• it has met - indeed exceeded - all expectations

• a new issue at 162p, the shares are now at 250p.

Results for the six months to 30th June 95 continue the trend. Revenues were up 28% at £49.5m, operating profits up 146% at £1.27m, PBT up 186% at £754K and EPS up over six fold from 0.19p to 1.43p.

The US increased revenues 63% to £24.7m - the largest JBA unit now representing 50% of group sales. But much of this relates to increased hardware sales. Revenues from the UK market slipped slightly due to the introduction of the IBM AS/400 RISC processors, which ship this month. *"We remain confident of regaining that additional revenue in the second half"*.

The System 21 UNIX version of their product range has enabled new relationships to be forged with HP, DEC and Oracle.

JBA will be spending around £14m on applications-based R&D - all of which is fully expensed. Analysts currently expect £8m for the year - which equates to a modest 7% profit margin. Many of the other products companies make margins of over twice that. That's the real opportunity at JBA.

The intangible side of JBA

JBA currently has £8.2m of intangibles on its balance sheet and has capitalised a further £914K in the last six months. This relates the development of internal development tools - in particular the GUI interface systems. This puts us in a quandary. We don't like capitalised R&D as all readers should by now know. But every company we know would put development tools (both hardware and software) onto the books and write them off over a period of time. JBA decided it was better to acquire some and develop others of these all important tools a. As they are not for resale, they do not seem to be creating the "hostage to fortune" that would apply for capitalised application R&D.

But it is still a grey area as many other companies would write off such internal tools development too. Just more grist to the argument that we need just ONE standard in such matters.

Misys *"looks promising throughout"*

Chairman Kevin Lomax told the **Misys** AGM that *"order prospects continued to look promising throughout the group and the board looked forward to good progress in the current year with a stronger weighting towards the second half"*.

Brokers Albert E Sharp's latest forecast is for PBT of £48m in the year to 31st May 96 and a 53% increase in EPS. Assuming this to be the case, Misys shares looked decidedly cheap. Indeed, they rose to an all time high of 602p this month before slipping back. But even now they only stand on a prospective P/E of <14.

As we have said before, FY96 is not our major concern. It's what happens after the ACT acquisition provisions run out. Even now, Sharp's forecast only a modest 14% EPS rise in FY97. But that's a long time away.

Virtuality - Virtually in profit

What we described as the froth stocks, many of which came in the new issue bonanza of late 1993, have turned out to be amongst the best performers in the sector. **Virtuality** had everything you need to be a froth stock. Minimal revenue, several years of significant losses and involvement in a much-hyped new technology - in their case virtual reality. Launched at 170p they quickly rose to a high of 361p which put a value of £94m on the company. Results for the six months to 30th June 95 showed a marginally reduced loss of £583K on revenues up 52% at £6.27m. The real good news, however, was that Virtuality had made a profit in Q2 and is *"on target for a profitable year"*. With current revenues of £1m a month, analysts expect a modest £300K PBT for the full year.

But, lest we get accused of being cynical, we have often pointed out that VR is one technology where the UK leads the world. Virtuality claims an 80% world market share of *"the immersive VR entertainment market"* with 1,000 units now installed in 30 countries. It's not all games either. Ford has ordered 10 systems to allow customers to go for a test drive in the showroom. The JV with IBM is developing more VR applications for professional users. Although the shares have had a roller coaster ride, they are up 11% this year so far to end Sept. on 246p. Director JD Waldern and VC Apax used the opportunity to dispose of 700K and 2.75m shares respectively.

LBMS soars on NASDAQ listing

Learmonth & Burchett Management Systems (LBMS) announced a further move towards becoming an all American software company. 5m shares @ 340p will be listed on the top NASDAQ market raising £17m. £8.5m is new money with another £8.5m representing shares sold by Roger Learmonth and Rainer Burchett - both of whom have, or will shortly be, reducing their involvement significantly. The NASDAQ listing will make US domiciled shareholders majority owners of LBMS. In the UK the *"USM listing will be maintained* ***for the time being****"*.

LBMS also reported strong growth in Q1 (to 31st July 95). Revenues increased by 6.7% to £5.49m but PBT doubled to £247K and EPS was up 66%. Software licence revenues increased by 55% but service revenues fell 16% *"as we began to achieve a planned rebalancing of licence versus service revenues"*. As we have reported many times, most other companies have taken steps to *rebalance* in the opposite direction. US revenues increased by 113% and now represent 60% of the total. The NASDAQ news went down well with a further 18% increase in Sept. LBMS' share price has been amongst the best performers, up 350% this year.

Unipalm still in Cyberspace

Shares in Internet service provider, **Unipalm**, had risen to a high of 551p on 28th Sept. (that compares with their new issue price of just 100p in Mar. 94!) as a result of the a bid approach in Aug. However, the announcement on 29th Sept. that the bid would be at *"around 450p"* put the shares into a tailspin - crashing 123p in the hour before we sent *System House* to the printers. A formal announcement is expected *"in mid Oct."*.

"We believe that investor confidence, particularly in the IT services sector, has improved"

Cor Stutterheim - Chairman Computer Management Group (CMG)

We would like to believe that our lead story last month, which previewed the above comment, had something to do with CMG's long anticipated decision to take the plunge and go for a listing - in both London and Amsterdam - in November. The float, of around 25% of the equity, will raise around £5-10m of new money for CMG. A valuation of around £150m is suggested which compares with around £105m (or 178p per share) at the last internal dealing day, inferring a new issue price of 230p-240p and a P/E of 16-17.

CMG also announced excellent interim results showing revenues up 36% at £94.6m, PBT up 28% at £8.6m and EPS up 41% at 8.9p (in part due to a lower tax rate). *"Excluding the positive impact of the fall in sterling and the contribution from PECOM in Germany, which was acquired in Feb. 95 (for up to DM18m) CMG's underlying growth rate was over 20%".*

Comment

This is the amongst the best news we have had in a long while. It must be in everyone's interest - certainly all those who believe in our best SCSI companies being quoted on the London Stock Exchange - for the CMG float to be successful. It could herald a number of similar high quality floats, such as FI Group, which would also be good news. CMG, as we see it, faces two main obstacles.

Firstly, how can it persuade investors that it is not another MDIS? CMG has been in existence for over 30 years and has had one of the most consistent records of any SCSI company. It has always been considered as *"safe".* Long term relationships have been built with customers. Unlike MDIS, which relied so much on lumpy product revenues, CMG is an out-and-out service provider. With the vast majority (>90%) of equity in the hands of present or former employees, they would suffer from an MDIS type crash far more than the new investors. Nothing in this world is guaranteed, but for CMG to disappoint in the near term seems highly unlikely.

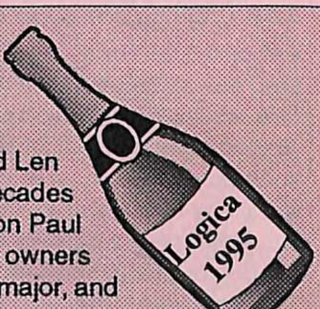
And, in a way, that's at the heart of the second obstacle, **how can CMG attract sufficient interest with its *"safe and secure"* record rather than the *"mega growth/ mega risk/mega reward"* label which many other floats have had recently?** (Indeed we may remind readers that a policy of investing in over hyped SCSI companies would have been your best bet in the last two years!)

The answer to that obstacle is clearly in the pricing of the new issue. If we are right, CMG will go on an historic P/E of around 16 (average P/Es for new float in Q493/Q194 were around 23) and a prospective P/E in the low teens. That seems to us to be very fair; allowing new investors to make reasonable gains in the next year too.

Who knows, armed with a quote, CMG could well realise its ambition to undertake some reasonably sized acquisitions. If it sticks to the business areas and geographic territories it knows best it just might achieve that rather rare ***"safe and exciting"*** label in the future.

The prospectus will be published in early November.

Champagne Corks pop at Logica See page one



When **Logica** staff left the office for home on 14th Sept. they were each carrying a yellow carton containing a bottle of Champagne to help them *"toast the success"* of the results just announced.

That champagne was probably also used to toast founders Logica's Philip Hughes and Len Taylor who will now stand down as non-execs. There can be no better reward for three decades of exemplary service to the industry than to leave Logica in such good order. In addition Paul Bosonnet is to give way to Frank Barlow as Chairman. Barlow is the MD of Pearson, the owners of the FT. We were assured that it was pure coincidence that Logica got not one but two major, and highly flattering, write-ups in the FT in that week.

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