

System House

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

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There must be a standard on capitalised R&D

This month you can read about the superb maiden performance at financial accounting software supplier **Cedardata** where PBT of £3.57m has just been declared. Two months ago we reported PBT of £2.5m at **Quality Software Products** which is in exactly the same business as Cedardata. You would have thought that our accounting rules were such that you could make comparisons at the headline level. *You would be very wrong.*

Cedardata - just like most other accounting software producers like **Coda**, **Pegasus** and **Sage** - writes off its investment on

internal R&D as incurred. But QSP capitalises its internal R&D spend and writes this off over a number of years. This treatment of R&D added a net £3.5m to the results. Indeed if QSP adopted the same rules as its competitors it would have made a loss, not a profit. Intangible assets now represent over 90% of QSP's net assets.

The situation at **Computerised Financial Solutions** is even worse. Rather than operating profits of £376K, a loss of nearly £300K would have been reported. Indeed without intangible assets of £1.4m, CFS would have negative net assets.

Of the 60 quoted SCSI companies only 6 have significant intangible assets. As can be seen in the chart, the treatment makes a significant effect on their results and on their assets.

We have campaigned against this lack of a standard for many years. We were delighted last month to contribute towards a *Computing* article on the subject and were amazed at the following quote from a QSP spokesman. "If QSP had written off the investment the company was making in *Universal OLAS* in its 1992 accounts - the last before it was floated - it would have been technically insolvent and would never have been admitted to the stock market". (Source - *Computing* 27th April 1995). The logic of this statement takes your breath away. It is akin to "you must understand why I had to lie. If I hadn't you would have discovered the truth".

In many cases, getting at this information has proved very difficult even for us as an experienced financial analyst. Although this information is given in the notes to the annual Report and Accounts (by the way, usually tucked away July 1995

on page 23 in 4 point type!) it is never given in press releases or Stock Exchange announcements. The press therefore reports the "headline" profit and never comments on how much of this profit was due to capitalised development costs. It compares performance with competitors with no comment on the different accounting conventions used.

We believe strongly that the accounts of all software

products companies should be produced according to one consistent standard.

We support Coda's Rodney Potts who says he is "hot under

the collar that there is no standard. I do not object to which standard is adopted. Just that there should be one standard. The current situation is very misleading to investors".

We personally advocate that all internal development costs should be written off in the period in which they are incurred. What is or is not "a development cost" is open to a range of interpretations and can easily be used to soak up costs which have little to do with product development (like fixing bugs in existing software or hiding project over-runs elsewhere). We have even seen it used to cover marketing expenditure, like brochures. Secondly, an in-house developed software product is the epitome of an "intangible asset". It is often only of real value to the company itself and would have a much lower value as an asset in, say, a liquidation. Also it has value to the company itself *only if the product can and is sold*. Many companies have software products capitalised as assets which then have no sales potential. Amortisation merely adds to the misery. Not only has the company no product to sell, and therefore no revenue being generated, but also has to take a hit for several more years on its P & L account to pay for past development costs.

Even if there are no moves towards a standard, there could at least be some changes. Headline financial performance figures - both P&L and Balance Sheet - should make it clear how much of the profits, and how much of the assets, are represented by such capitalised development costs.

At least then *ordinary* investors would have a chance of making valid comparisons.

Capitalising Internal R&D

	Total Intangible Assets	Total Net Assets	1994 Operating Profit	1994 R&D Capitalised	1994 Amortisation	1994 Net (R&D less Amortisation)	1994 Op Profit ex Net R&D
Computerised Financial	£1,356K	£1,097K	£376K	£800K	£140K	£660K	-£284K
JBA (see note)	£6,439K	£16,531K	£6,404K	£2,500K	£360K	£2,140K	£4,264K
M.A.I.D.	£1,977K	£13,493K	£1,010K	£2,319K	£133K	£2,166K	-£1,176K
Micro Focus	£19,731K	£72,856K	£7,532K	£9,719K	£7,093K	£2,626K	£4,906K
Quality Software	£13,651K	£15,028K	£3,235K	£5,923K	£2,375K	£3,548K	-£313K
Unipalm	£583K	£6,179K	£340K	£332K	£29K	£303K	£37K

Note: JBA's capitalised R&D relates only to JBA Open Toolcase. JBA has fully expensed a further £13.7m R&D on Business 400 and System 21 development

\$12 billion in just three deals

The last month has seen unprecedented M&A activity in the sector with no less than three record smashing deals. Each will have a significant effect on the future of our industry, will rewrite the ranking tables and, although all involve US-owned companies, will also have a significant effect here in the UK.

IBM and Lotus

IBM was in the end successful with their increased \$3.5b bid for Lotus Developments. IBM is already by far the world's largest supplier of software (\$11.4b) and services (\$9.7b). The deal will add a further \$981m revenue to this total. But the deal is far more important than this.

- it shows that after years of losses and down-sizing, IBM is now profitable, cash rich and on the attack again.
- Lotus Notes has been "spectacularly successful" in the corporate environment which is IBM's home territory.
- IBM's OS/2 Warp, unlike Microsoft Windows, has always lacked applications. IBM now owns 1-2-3 (spreadsheet), WordPro (word processing), CCMail and other applications which could well mean that IBM might, at last, give Microsoft some stiff competition.

First Data buys First Financial

Two of the world's largest payment and credit card processing companies are to merge in a stock deal worth \$6.5b. The merged companies will have revenues of around \$4b and a stock market valuation of \$13b.

First Data is already the largest card processor in the UK, with four of the largest banks as clients. We have never been able to get UK revenues but they are likely to exceed £100m. When part of Amex, they purchased UK Signet in 1991 for £146m - one of the largest SCSI deals that year.

Those who may think that such companies are not part of the SCSI market should bear in mind that the industry was founded on such processing bureaux in the 1960s. Such companies are now in great demand again and prices paid for the smaller UK operators (AST Transact, Nexus etc.) have been high. Less than 15% of transactions are currently handled electronically and the market is experiencing "heady growth".

Future prospects are clearly enormous.

Computer Associates buys Legent

Computer Associates has paid \$1.75b for Legent. The canny investors at VC General Atlantic hold 10% of Legent stock and must be delighted with a deal which values Legent at 3.5 times its \$500m revenue. The new combined operations will have revenues in excess of \$3b.

Another record year for M&A

Given that US M&A activity added up to (itself a record) \$9b in 1994 according to Broadview, the \$12b spent in the three deals above already guarantee further broken records in 1995.

The growth in the Top SCSI suppliers in 1995 will be considerable. A combination of large outsourcing wins at EDS and CSC and acquisitions

at many other leaders will mean the **big will get even bigger** and will increasingly dominate the market.

There seems no reason to suggest a slowdown in M&A activity. If Daimler-Benz exercise their option to acquire a controlling stake in CGS in 1996 (which seems increasingly likely), a combined debis Systemhaus and CGS would have revenues of around \$3.5 billion.

Rank	The world's top independent SCSI suppliers in 1994	Latest full year revenues
1	EDS	\$9,960m
2	Microsoft	\$4,650m
3	Andersen Consulting	\$3,450m
4	Comp. Sciences (CSC)	\$3,373m
5	Computer Associates	\$2,600m
6	CGS (+Gemini)	\$2,341m
7	ADP	\$2,249m
8	First Financial	\$2,200m
9	Oracle	\$2,001m
10	Novell	\$1,998m
11	First Data	\$1,652m

MR Data Management issues another profits warning

In Jul. 94 COM bureau MR Data Management issued a profits warning causing their share price to crash from its 1994 high of £2 to 148p. First half results had signalled a recovery with profits up 9%. But at the end of May, a second warning was issued, causing the shares to crash this month by 23% to 69p. MR warns that PBT to 30th June 95 will be around £3.5m compared with £6.35m last time and £8.8m in 1993.

Our industry is not immune to the "rewards for failure" jibes. Mike Elliott, the CEO appointed two years ago when profits were £8.8m, received (together with another director) £450K compensation for loss of office. Colin Haylock, previously a NED, has this month been appointed as the new executive chairman pending the appointment of a new CEO.

The problem is that the last profits warning, and all statements since, have expressed "optimism" and "confidence". The chairman's latest "we have a bright future" remark should be treated with suspicion. We have long warned that the COM market is in terminal decline. Microgen has already suffered and MR has been tardy in developing new markets like CD-ROM data storage.

Is software products the place to be?

Latest figures from the Software Publishers Association show yet again what we have said so many times. Price pressure is making the PC software market ex-growth. Q1 revenues in Europe (and also in the UK) were up a minimal 4% but unit sales increased by 41% - that's another 20%+ reduction in average unit value. Indeed, only revenues from relational databases posted any revenue increase (+9%) whereas revenues from word processing and spreadsheets fell by 2% and 6% respectively.



Power of the Internet

Lou Gerstner's letter to Jim Manzi was posted on the Internet simultaneously with its Wall Street announcement. We were moved by the views expressed to us by "normal" Lotus and IBM employees who felt that on this occasion they had had access to the truth rather than relying on rumour, as in all previous takeovers. If we had not heard the accolades for this new form of employee communications ourselves, we would not have been so impressed.

"Of course we are not for sale", says Heath.

Writing *System House* is both interesting and infuriating. Interesting because, for example, you have known for years that **Peterborough Software's** management would love to do an MBO, and infuriating because every time you allude to this the wrath of God descends upon you. We were away on holiday when the FT (14th June 95) reported that **CE Heath** "might consider floating or demerging its successful computer services division...which could be worth £65m in total". So our hands are clean this time! We were therefore amused that the FT (just like us in the past) was admonished, by their CEO Peter Presland, for such unfounded (?) conjecture. We suspect that the operations have been, and still are, for sale but nobody has yet been found willing to pay the price. Certainly a 15 P/E, as indicated in the FT's £65m valuation, is more than a float would raise - let alone an MBO.

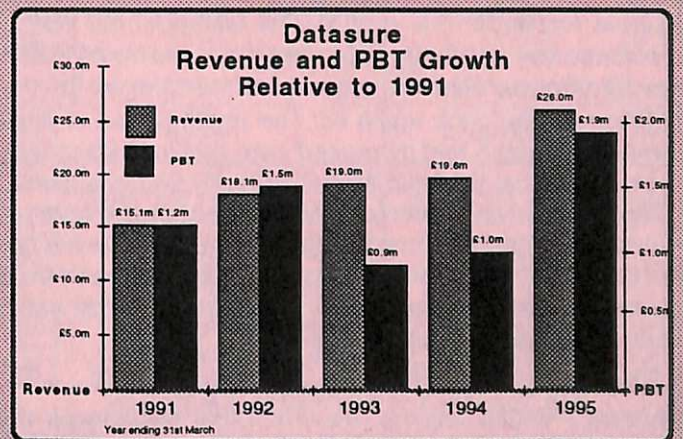
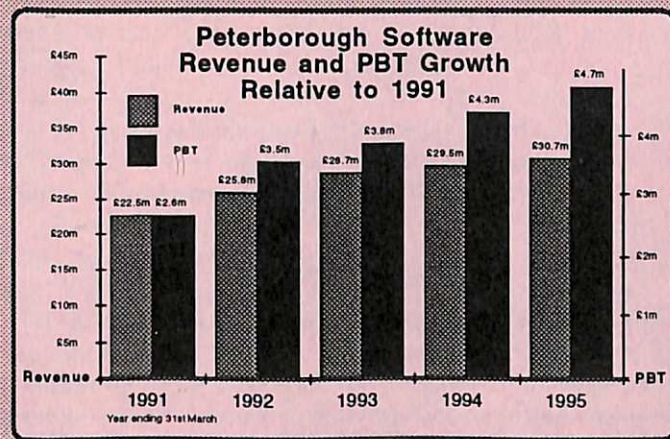
CE Heath's SCSl activities increased PBT by 20% to £6.4m on revenues up 15.5% at £56.7m. Peterborough

Software, which is a UK leader in HR software, continued to record flat revenue as its IBM mainframe base declines in favour of open and PC-based systems.

Datasure, the Lloyds underwriting bureau operation, has suffered with its market. But their diversification programme into electronic placing has resulted in a commendable recovery.

In Feb. 95 CE Heath purchased a 60% stake in **Saffron Computer Services**, which specialises in housing management systems, for £528K. Saffron, Peterborough, Datasure and Sceptre (a specialist payroll bureau) now operate under the Heath Computer Services banner. Of course we all thought that this would just provide a neat vehicle for their eventual disposal. But Presland said the real reason was to "get the two sets of managers talking to each other". But a cursory glance at the list of directors of Datasure and Peterborough Software have shown remarkable similarities for some years.

We think the "For Sale" signs are still up.



Cray

Electronics

Since the disastrous profits warning in April, Cray's share price has continued to drop from its high of 170p. This month they fell another 15% to 56p - now less than the 60p prevailing when the new management team took over in 1989. Whereas a year ago there was speculation that Cray might acquire Racal, now the talk on the street is the exact reverse.

Also it was announced that Cray's FD Jeff Harrison had become the first of the original MBI team to "fall on his sword". He will be replaced by Roger Dye on 1st Sept. who described his new job as "an interesting challenge". This month Cray has signed to supply and support Cisc inter-networking products.



Computer People's CEO Tony Reeves told shareholders at their AGM that current results "were ahead of expectations". He also announced that the group will change its name to the **Delphi Group** - strangely similar to the Belgian group that Admiral acquired only last month.

Perot Systems

We had already written the obituary for **Perot**. As far as we could see Europcar and East Midland's Electricity were the only major deals they had ever won in the UK. *But how wrong we were.* This month fund managers **M&G** awarded Perot a £20m contract to downsize from IBM mainframes to client-server systems.

July 1995



CONSULTANCY-RECRUITMENT-TRAINING

In line with its practice in previous years, CRT this month issued a trading statement on its expected results for the year to 30th April 95. CRT is involved in IT training (via **Pitman**, **LINK** and **The Training Corporation**), IT contract staff & recruitment (which includes **Software Personnel** acquired in Feb. 1990, **Couva** acquired in Dec. 1993 and **Systems Resources** acquired in Aug. 1994 for £6.35m) and **CRT Multimedia**. Unaudited accounts show revenues up nearly 50% at £70m.

Operating profits at the recruitment/IT agency staff operation (£46m or about two thirds of revenue) were "in line with the board's best expectations". A 25% year-on-year increase in contractors on site was reported for Q1 1995. But profits at training (£23m or around a third of revenues) were lower than anticipated due to "the timing of contracts". Training still represents around 70% of group profits and "the order book is at record levels". Multimedia revenues were £600K or <1% of the total.

Chairman Karl Chapman reckons that 1995/96 "should produce continuing profits growth".

CRT is operating in three of the most buoyant industry sectors at present. Results from competitors like Parity and Computer People or, in training, from the likes of QA (now part of P&P) indicate the potential. CRT's share price was down 3% this month. That's still a 19% gain in 1995.

Critical time for Proteus

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.

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.

Just over a year ago shareholders stumped up another £10.4m in a 1-for-7 rights issue at 280p. But a four page expose in the Mail on Sunday on 11th Dec. 1994 put Proteus International shares into free fall, crashing 62p to 178p the next day. Chairman Kevin Gilmore keeps promising but failing to deliver drugs developed using their software. Even prospects for the much hyped BSE test are being down rated.

In Feb. 95, Proteus raised a further £2.6m in a placing at 175p per share. Since then the one way slide in the share price has continued to end June 1995 on 69p. As you might understand, shareholders are not happy people.

Latest results for the year to 31st March 95 did little to increase their confidence. Losses increased from £6.62m to £7.93m as R&D increased from £6.5m to £8.1m. Revenue was once again nil. The rights issues at least meant that cash had increased from £1.2m to £6.2m but remember that the cash burn is currently £600K a month. Chairman Kevin Gilmore anticipates "significant revenue in 1995/96" and has "continuing and increasing confidence in the future". The test now is to see if this can be achieved before the cash runs out again. Another rights issue would test shareholder loyalty to the limits.

Breathing new life into Metrologie UK

After the £695K loss recorded in 1993, **Metrologie UK** returned to a PBT of £121K on revenues up 64% £61.1m in the year to 31st Dec. 94. Metrologie are one of the largest "trade only IT distributors". French parent Metrologie has had a troubled time. VCs **Apax**, however, recently invested £15.5m as part of a £22.5m capital restructuring. Metrologie sold its direct sales arm, Rapid Recall, to Lantec in April as a part of this fund raising.

"When will the Lighthouse shine?"

Rolfe & Nolan (R&N) the futures and options computer bureau and software specialist, has announced results for the year to Feb. 95. Revenue increased 12% to £14.3m but PBT was down 4% to £1.51m. EPS rose 5%.

Whether coincidental or not, R&N's performance was exemplary...until they undertook their first major acquisition of BSI in the US in 1992. At least losses here have reduced significantly, from £1.1m to £349K, on revenue up 38% at £4.2m.

In Europe, profit increased 9% to £2.9m due to "stronger London trading volumes". However Lighthouse development costs (fully expensed!) reduced net profit by over £1m and this also has had a similar effect on cash which has reduced by £1.2m to £2m at the year end. The biggest disappointment however is that the Credit Suisse Lighthouse contract is still not live despite Day's hopes earlier this year that the project was only "some weeks behind schedule". But the contract value has been negotiated up from £2.4m to £3.3m.

Chairman Tim Hearley says "the 1995/96 FY has started satisfactorily... active marketing of Lighthouse to further prospects has begun." We hope the next year will at last see the fruits of the US purchase too. R&N shares ended the month unchanged on 165p.

IPO for Micromuse

There are a growing number of UK companies saying they plan a US IPO rather than launching in London. The latest is **Micromuse** which this month also announced that it had already earned £1m+ revenues from its Netcool network management software products.

In the year to 30th Sept. 94, Micromuse increased revenues by 55% to £10.5m but PBT slumped from £374K to £108K. Revenues are split equally between hardware sales (Sun), distributing US software products like Remedy and Frontier and their own products and related services (like Netcool). Clearly it's the latter which could create real value for the shareholders.

Recovery at Gresham Computing

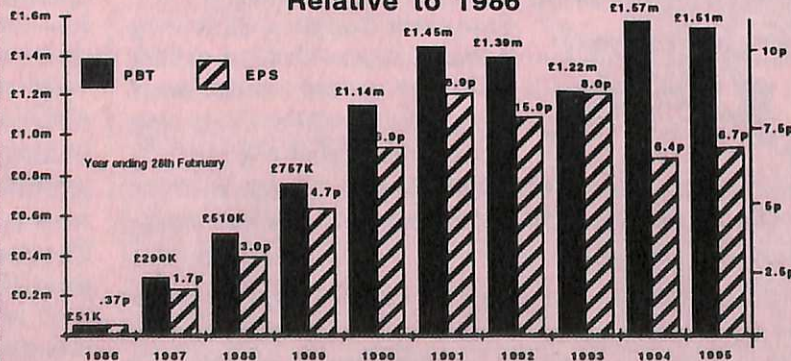
Gresham Computing (nee Gresham Telecomputing) has had an interesting year which has seen their founder Sid Green standing down, a new Chairman (Hamish Donaldson) and MD (Chris Swinbank) appointed and their share price crashing from the high of 180p in 1993 to end June 95 on just 31p.

But their policy has changed in order to pay more attention to their "loyal traditional mainframe base" and other less glamorous activities like consultancy, contract IT staff and recruitment.

It seems to be working as PBT has increased by 114% to £521K, on revenues up 24% at £3.8m and EPS up 128% in the six months to 30th Apr. 95. Indeed "all trading divisions have performed well with good increases over last year" with encouraging performances from "interworking products Dataserv and ISAM-XA". But "tight cost control" was a major contributor to the profits growth. Gresham's history has been colourful, to say the least. These results indicate what can be done with a return to basics. As Donaldson says "the results are now coming through".

Vistec has issued two profits warnings in the last year causing its share price to plunge from its 1994 high of 41p to 15p at the end June. In the end, results for the year to 30th Apr. 95 showed a loss of £327K compared with PBT of £3.4m last year. Revenues were up 11% at £50.2m. *More next month.*

Rolfe & Nolan Computer Services plc
Ten Year PBT and EPS Record
Relative to 1986



Quoted Companies - Results Service

Note: Shaded = Results announced this month

Admiral plc				JBA Holdings plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 36,640,000	£ 49,473,000	+35.0%	REV	£ 74,467,000	£ 90,687,000	+21.8%		
PBT	£ 4,608,000	£ 7,719,000	+67.5%	PBT	£ 4,610,000	£ 6,131,000	+33.0%		
EPS	27.60p	45.20p	+63.8%	EPS	10.19p	12.13p	+19.0%		
Azlan Group plc				Kalamazoo Computer Group plc					
	Final - Mar 94	Final - Mar 95	Comparison		Final - Mar 94	Final - Mar 95	Comparison		
REV	£ 61,506,000	£ 90,488,000	+47.1%	REV	£ 60,811,000	£ 60,719,000	-0.3%		
PBT	£ 3,871,000	£ 3,906,000	+0.9%	PBT	£ 6,355,000	£ 6,815,000	+7.2%		
EPS	12.40p	12.50p	+0.8%	EPS	10.20p	11.80p	+15.7%		
Capita Group plc				Kewill Systems plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Mar 94	Final - Mar 95	Comparison		
REV	£ 50,168,000	£ 73,800,000	+47.1%	REV	£ 31,780,000	£ 33,667,000	+5.9%		
PBT	£ 5,463,000	£ 7,903,000	+44.7%	PBT	£ 4,043,000	£ 5,067,000	+25.3%		
EPS	7.90p	10.50p	+32.9%	EPS	23.00p	28.39p	+23.4%		
Cedardata plc				Learmonth & Burchett Management Systems plc					
	Final - Mar 94	Final - Mar 95	Comparison		Final - Apr 94	Final - Apr 95	Comparison		
REV	£ 6,120,000	£ 8,932,000	+45.9%	REV	£ 26,406,000	£ 23,761,000	-10.0%		
PBT	£ 2,715,000	£ 3,572,000	+31.6%	PBT	£ 746,000	£ 5,251,000	Loss both		
EPS	6.30p	7.90p	+25.4%	EPS	-3.10p	-24.70p	Loss both		
CentreGold plc				Logica plc					
	Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 52,554,000	£ 91,314,000	£ 41,037,000	-21.9%	REV	£ 106,522,000	£ 228,848,000	£ 121,972,000	+14.5%
PBT	£ 2,600,000	£ 4,033,000	£ 3,883,000	Profit to Loss	PBT	£ 3,211,000	£ 13,543,000	£ 7,220,000	+124.9%
EPS	4.70p	7.30p	-6.44p	Profit to Loss	EPS	3.30p	14.00p	7.80p	+136.4%
Clinical Computing plc				Lynx Holdings plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison	
REV	£ 2,835,853	£ 1,471,684	-44.2%	REV	£ 7,257,000	£ 21,523,000	£ 12,605,000	+73.7%	
PBT	£ 1,129,000	£ 688,596	Profit to loss	PBT	£ 460,000	£ 2,009,000	£ 741,000	+61.1%	
EPS	9.10p	-4.30p	Profit to loss	EPS	1.15p	4.50p	1.27p	+10.4%	
Coda Group plc				M.A.I.D. plc					
	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 13,327,000	£ 23,988,000	£ 15,229,000	+14.3%	REV	£ 5,723,000	£ 8,887,000	+55.3%	
PBT	£ 2,546,000	£ 7,992,000	£ 993,000	Loss to Profit	PBT	£ 603,176	£ 1,285,000	+113.0%	
EPS	-8.00p	-27.70p	2.70p	Loss to Profit	EPS	0.69p	1.14p	+65.2%	
Compel Group plc				MMT Computing plc					
	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison		Interim - Feb 94	Final - Aug 94	Interim - Feb 95	Comparison
REV	£ 24,305,000	£ 54,542,000	£ 28,272,000	+16.3%	REV	£ 4,815,000	£ 10,861,498	£ 6,442,000	+33.8%
PBT	£ 993,000	£ 2,062,000	£ 1,194,000	+20.2%	PBT	£ 1,215,000	£ 2,505,106	£ 1,387,000	+14.2%
EPS	5.02p	10.35p	5.56p	+10.8%	EPS	6.40p	13.10p	7.40p	+15.6%
Computerised Financial Solutions plc				MR-Data Management Group plc					
	PF Final Dec - 93	Final - Dec 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison	
REV	£ 3,338,636	£ 3,120,711	£ 350,617	-6.5%	REV	£ 19,602,000	£ 40,521,000	£ 21,305,000	+8.7%
PBT	£ 330,233	£ 350,617	£ 391,000	+6.2%	PBT	£ 2,660,000	£ 6,348,000	£ 3,136,000	+17.9%
EPS	8.39p	3.97p	3.97p	-52.7%	EPS	3.20p	8.00p	4.00p	+25.0%
Computer People Group plc				McDonnell Information Systems plc					
	Final - Dec 93	Final - Dec 94	Comparison		PF Final - Dec 93	PF Final - Dec 94	Comparison		
REV	£ 68,748,000	£ 97,685,000	£ 391,000	+42.1%	REV	£ 148,480,000	£ 148,911,000	+0.3%	
PBT	£ 1,102,000	£ 7,760,000	£ 391,000	Profit to loss	PBT	£ 21,248,000	£ 9,064,000	-57.3%	
EPS	4.37p	-7.76p	3.97p	Profit to loss	EPS	13.89p	4.57p	-67.1%	
Cray Electronic Holdings plc				Macro 4 plc					
	Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison		Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison
REV	£ 114,308,000	£ 271,718,000	£ 135,044,000	+18.1%	REV	£ 12,104,000	£ 24,367,000	£ 12,285,000	+1.5%
PBT	£ 7,804,000	£ 26,168,000	£ 10,085,000	+29.2%	PBT	£ 5,400,000	£ 11,211,000	£ 5,685,000	+5.3%
EPS	2.49p	8.60p	3.03p	+21.7%	EPS	16.00p	34.20p	16.70p	+4.4%
CRT Group plc				Micro Focus plc					
	Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison		Final - Jan 94	Final - Jan 95	Comparison	
REV	£ 22,427,000	£ 47,348,000	£ 29,187,000	+30.1%	REV	£ 83,842,000	£ 89,885,000	+7.2%	
PBT	£ 472,000	£ 532,000	£ 1,285,000	+172.2%	PBT	£ 21,761,000	£ 8,723,000	-59.9%	
EPS	0.56p	-0.13p	1.42p	+153.6%	EPS	104.30p	32.00p	-69.3%	
DCS Group plc				Microgen Holdings plc					
	Interim - Dec 93	Final - Jun 94	Interim - Dec 94	Comparison		Final - Oct 93	Final - Oct 94	Comparison	
REV	£ 2,604,000	£ 6,375,180	£ 4,007,000	+53.9%	REV	£ 53,351,000	£ 58,774,000	+10.2%	
PBT	£ 41,000	£ 426,144	£ 105,000	+156.1%	PBT	£ 6,700,000	£ 6,173,000	-7.9%	
EPS	0.56p	4.32p	0.88p	+57.1%	EPS	10.50p	10.00p	-4.8%	
DRS Data & Research Services plc				Microvitec plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 11,133,000	£ 8,798,000	£ 1,487,000	-21.0%	REV	£ 35,170,000	£ 44,146,000	+25.5%	
PBT	£ 1,950,000	£ 1,487,000	£ 3,000	-23.7%	PBT	£ 1,611,000	£ 2,560,000	+58.9%	
EPS	4.02p	3.00p	3.00p	-25.4%	EPS	2.10p	3.00p	+42.9%	
Division Group plc				Misys plc					
	Final - Oct 93	Final - Oct 94	Comparison		Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparison	
REV	£ 2,078,000	£ 5,270,000	£ 1,440,000	+153.6%	REV	£ 42,086,000	£ 93,358,000	£ 63,922,000	+51.9%
PBT	£ 503,000	£ 4,400,000	£ 1,440,000	Loss both	PBT	£ 8,012,000	£ 18,612,000	£ 11,245,000	+40.4%
EPS	-2.10p	-4.30p	0.98p	Loss both	EPS	14.00p	31.90p	16.20p	+15.7%
Electronic Data Processing plc				On Demand Information plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Interim - Jan 94	Final - Jul 94	Interim - Jan 95	Comparison
REV	£ 7,179,000	£ 14,013,000	£ 6,326,000	-11.9%	REV	£ 11,847,000	£ 14,487,000	£ 5,120,000	-56.8%
PBT	£ 2,061,000	£ 4,123,000	£ 1,807,000	-12.3%	PBT	£ 669,000	£ 2,617,000	£ 1,333,000	Loss both
EPS	5.12p	10.21p	4.55p	-11.1%	EPS	-1.60p	-5.70p	-2.60p	Loss both
Gresham Computing plc				Oxford Molecular plc					
	Interim - Apr 94	Final - Oct 94	Interim - Apr 95	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 3,068,000	£ 8,507,000	£ 3,803,000	+24.0%	REV	£ 1,409,000	£ 2,765,000	+96.2%	
PBT	£ 244,000	£ 708,000	£ 521,000	+113.5%	PBT	£ 1,265,000	£ 2,906,000	Loss both	
EPS	0.43p	1.32p	0.98p	+127.9%	EPS	-8.90p	-8.60p	Loss both	
INSTEM plc				P & P plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Nov 93	Final - Nov 94	Comparison		
REV	£ 19,294,000	£ 16,812,000	£ 1,153,000	-12.9%	REV	£ 217,259,000	£ 263,930,000	+21.5%	
PBT	£ 1,021,000	£ 1,153,000	£ 521,000	+12.9%	PBT	£ 4,107,000	£ 8,016,000	+95.2%	
EPS	14.80p	16.80p	16.80p	+13.5%	EPS	4.10p	8.10p	+97.6%	

Quoted Companies - Results Service

Note: Shaded = Results announced this month

Parly plc				Sema Group plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 19,768,000	£ 88,791,000	+349.2%	REV	£ 501,992,000	£ 596,111,000	+18.7%		
PBT	£ 228,000	£ 4,176,000	Loss to profit	PBT	£ 24,855,000	£ 32,034,000	+28.9%		
EPS	-1.88p	7.19p	Loss to profit	EPS	16.62p	20.98p	+26.2%		
Pegasus Group plc				Sherwood Computer Services plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 7,502,000	£ 4,808,000	-35.9%	REV	£ 23,561,000	£ 25,069,000	+6.4%		
PBT	£ 6,930,000	£ 243,000	-96.5%	PBT	£ 1,998,000	£ 79,000	Loss to profit		
EPS	72.00p	12.40p	-82.8%	EPS	-35.78p	-10.73p	Loss Both		
Persona plc				Spargo Consulting plc					
	Final - Dec 93	Final - Dec 94	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 22,882,000	£ 31,537,000	+37.9%	REV	£ 4,869,000	£ 6,016,000	+23.6%		
PBT	£ 1,748,000	£ 2,059,000	+17.8%	PBT	£ 483,000	£ 1,211,000	+150.7%		
EPS	10.26p	11.42p	+11.3%	EPS	2.58p	6.29p	+143.8%		
Phonelink plc				Standard Platforms Holdings plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Sep 93	Final - Sep 94	Comparison	
REV	£ 586,000	£ 1,241,000	£ 797,000	+36.0%	REV	£ 3,161,476	£ 1,305,476	-58.7%	
PBT	£ 301,000	£ 1,761,000	£ 1,963,000	Loss both	PBT	£ 1,065,027	£ 143,280	Loss both	
EPS	-0.80p	-5.00p	-5.50p	Loss both	EPS	-10.50p	-1.10p	Loss both	
Proteus International plc				Superscape VR plc					
	Final - Mar 94	Final - Mar 95	Comparison		PF Interim - Jan 94	PF Final - Jul 94	Interim - Jan 95	Comparison	
REV	Nil	Nil	n/a	REV	£ 390,121	£ 859,192	£ 478,371	+22.6%	
PBT	£ 6,618,000	£ 7,925,000	Loss both	PBT	£ 73,280	£ 238,024	£ 844,662	Loss both	
EPS	-24.23p	-25.47p	Loss both	EPS	-2.20p	-6.10p	-15.90p	Loss both	
Quality Software Products Holdings plc				Total Systems plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison	
REV	£ 13,346,543	£ 16,494,732	+23.6%	REV	£ 1,079,044	£ 2,092,429	£ 1,096,691	+1.6%	
PBT	£ 553,244	£ 2,512,400	+354.1%	PBT	£ 12,330	£ 141,918	£ 7,460	-39.5%	
EPS	6.70p	27.50p	+310.4%	EPS	0.07p	0.96p	0.04p	-46.6%	
RM plc				Trace Computers plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Interim - Nov 93	Final - May 94	Interim - Nov 94	Comparison
REV	£ 28,745,000	£ 65,493,000	£ 33,596,000	+16.9%	REV	£ 9,200,000	£ 18,628,990	£ 9,500,000	+3.3%
PBT	£ 155,000	£ 3,769,000	£ 1,041,000	+571.6%	PBT	£ 216,000	£ 409,901	£ 223,000	+3.2%
EPS	0.60p	15.50p	4.00p	+566.7%	EPS	1.20p	2.33p	1.21p	+0.8%
Radius plc				Unipalm plc					
	Final - Dec 93	Final - Dec 94	Comparison		Interim - Oct 93	Final - Apr 94	Interim - Oct 94	Comparison	
REV	£ 23,273,000	£ 24,866,000	+6.8%	REV	£ 4,943,000	£ 10,753,000	£ 7,804,000	+57.9%	
PBT	£ 1,171,000	£ 1,451,000	Loss to profit	PBT	£ 148,000	£ 272,000	£ 149,000	+0.7%	
EPS	-3.20p	2.87p	Loss to profit	EPS	0.50p	0.89p	0.47p	-6.0%	
Real Time Control plc				Vega Group plc					
	Interim - Sep 93	Final - Mar 94	Interim - Sep 94	Comparison		Final - Apr 94	Final - Apr 95	Comparison	
REV	£ 3,579,000	£ 8,534,000	£ 8,491,000	+137.2%	REV	£ 9,703,000	£ 12,516,000	+28.0%	
PBT	£ 424,000	£ 1,387,000	£ 1,050,000	+147.6%	PBT	£ 2,147,000	£ 2,910,000	+35.5%	
EPS	4.10p	13.30p	12.00p	+192.7%	EPS	10.01p	13.49p	+34.8%	
Roife & Nolan plc				Virtuality Group plc					
	Final - Feb 94	Final - Feb 95	Comparison		Final - Dec 93	Final - Dec 94	Comparison		
REV	£ 12,720,000	£ 14,288,000	+12.3%	REV	£ 5,400,000	£ 9,126,000	+69.0%		
PBT	£ 1,573,000	£ 1,512,000	-3.9%	PBT	£ 365,000	£ 1,397,000	Loss both		
EPS	6.40p	6.70p	+4.7%	EPS	-1.70p	-5.30p	Loss both		
Sage Group plc				Vistec Group plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Final - Apr 94	Final - Apr 95	Comparison	
REV	£ 25,400,000	£ 50,888,000	£ 50,622,000	+99.3%	REV	£ 45,018,000	£ 50,172,000	+11.4%	
PBT	£ 6,864,000	£ 14,252,000	£ 11,740,000	+71.0%	PBT	£ 3,409,000	£ 327,000	Profit to loss	
EPS	22.20p	45.40p	37.30p	+68.0%	EPS	2.06p	-0.38p	Profit to loss	
Sanderson Electronics plc				Wakebourne plc					
	Interim - Mar 94	Final - Sep 94	Interim - Mar 95	Comparison		Final - Dec 93	Final - Dec 94	Comparison	
REV	£ 14,217,000	£ 33,984,000	£ 27,078,000	+90.5%	REV	£ 22,275,000	£ 35,336,000	+58.6%	
PBT	£ 2,169,000	£ 4,228,000	£ 2,805,000	+29.3%	PBT	£ 18,649,000	£ 1,865,000	Loss to profit	
EPS	4.00p	7.30p	4.60p	+15.0%	EPS	-143.80p	4.00p	Loss to profit	

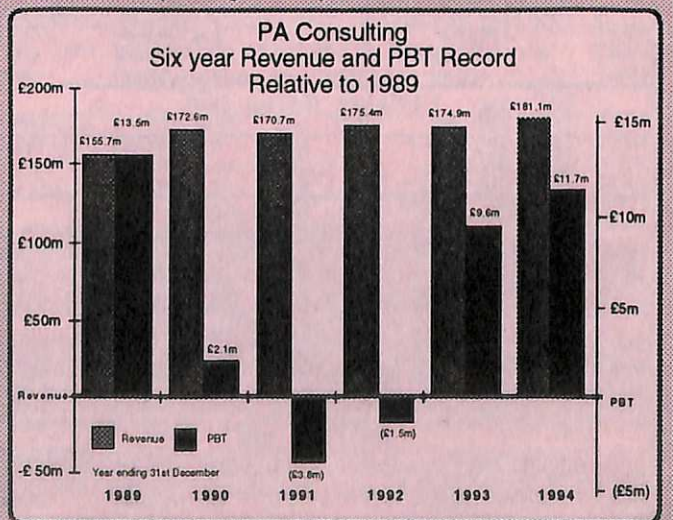
"1994 was PA Consulting Group's best ever year"

After the awful losses of 1991 and 1992 you can understand the relief of reporting PBT up 22% at £11.7m on revenues up 3.5% at £181.1m. But this is still less than the £13.5m PBT reported back in 1989. Around 30% of revenues (£57m) are IT related, £38m from the UK market.

But perhaps there were other reasons why it was considered such a good year. Bonuses increased from £9m to £15.2m and "net cash became positive in August" and ended 1994 at £11.5m. Finally, Jon Moynihan, the "new" CEO at PA who has spearheaded its recovery, was awarded an OBE in the Queen's Birthday Honours.

In 1989, PA postulated a float. Although PA is a corporate entity, it operates more like a partnership. 20% of shares are owned by the staff and 80% by an employee trust fund. Moynihan thinks that consultancies operate better as partnerships and that investors do not put sufficient value on people based businesses.

Current valuations of such companies from Admiral to Vega tend to dispute that view.



Acquisitions, disposals and liquidations

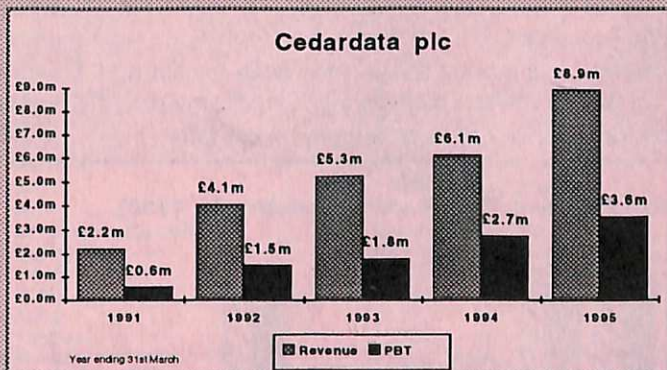
Catalyst Development has merged with IT recruitment agency **JM Management Services**. **ICL** has bought a controlling stake in Germany's **Aquarius Robotron Systems** for "more than £20m". Aquarius produced 150,000 PCs last year - thus boosting ICL's PC manufacturing capability by 50% and making ICL a major supplier to the German market. **Lynx** has now completed its withdrawal from the leisure market with its sale of **Town Art Group** to **Crown Products** for £1.2m. As we reported in full last month, Lynx will now concentrate solely on its SCSI activities. **4Front Software International Inc.** has acquired distributor **Compass Computer Group** "for an undisclosed sum". 4Group also owns **Xanadu Systems**, **K2 Systems**, **CI Support** and **ActionTrac** in the UK. IT staff agency/recruitment consultancy, the **Lorien Group**, has acquired IT staff agency **Telfast** for £2.1m. **Oracle** has bought the OLAP arm of **IRI Software** for \$100m. IRI has revenues of around £12m in the UK and most of IRI's UK staff will transfer to Oracle - provided they can live with the insecurity. **Executor Computers** has appointed the receivers. Another UK pioneer bites the dust...**Cambridge Micro Computers** has gone into voluntary liquidation.

Pearson Group in another SCSI purchase

Pearson, you may remember, undertook the largest UK software acquisition last year when they acquired, amongst others, **Software Toolworks** for £310m. This month they have invested £3.5m in **US Worlds Inc.** which is creating a broadband network for children in hospital.

Cedardata - a superb maiden year

Cedardata was a new issue in Mar. 94 at 105p. Maiden interims - and now the first full year results - have exceeded expectations.



In the year to 31st Mar. 95, revenues increased by 46% to £8.93, PBT was up 32% at £3.57m - (yes, a 40%+ profit margin, again). EPS advanced by 35% on a like-for-like basis. Licence sales of their Oracle-based *cfacs* accounting systems were up 53% and recurring services revenues now account for over 50% of revenues. Cedardata have no debt, cash of £4.1m and fully expense all R&D. Chairman Leon Fattal says "substantial orders already received in the new financial year have provided a very promising start to the period" and is clearly optimistic for the future. Brokers expect profits to exceed £4m.

It would have been difficult to produce a better maiden performance. Cedardata combines product with a strong and reliable services revenue stream - just what we like. So why have the shares performed so limply, merely increasing from their launch price of 105p to just 115p?

Shiva buys Spider for £50m

"Another fine young British company has decided to sell out rather than go through the hassle of flotation and the vagaries of operating as a public company". Source - Computergram 15th June 95. We quote these words rather than use our own because we agree entirely.

The news item in this case (we can think of too many other recent examples) related to **US Shiva Corp.** purchasing UK ISDN network access systems specialist **Spider Systems** for £50m. Given that Spider made profits of £800K on revenues of £26m in 1994, we find their decision to sell quite easy to understand!

At least Spider intends to continue its R&D centre in Edinburgh. But that's what they all say initially.

P & P plc

P&P expands IT training

Following on from the obvious success of their purchase of **QA Training** last year, **P&P** has this month completed the acquisition of **The Technology Training Centre (TTC)** for a max. of £2m (£500K deferred for six months based on performance). TTC made profits of £400K in 1994 and will add 23 trainers to take P&P's total to over 200

Our long term support for P&P is well known although their performance has strained this to the limit on occasions. But the move away from high volume/low margin product distribution towards services has always had our backing. Given that P&P's share price is up 57% in the last 12 months, our enthusiasm is now clearly shared by others.

EDP consummates purchase...at last

After several abortive attempts to buy something with its £12.3m cash mountain, **Electronic Data Processing (EDP)** has announced the acquisition of **BML** for £3.285m to "probably make the Group the UK's largest supplier of software solutions to the Merchanting/Wholesale Distribution market". BML made a PBT of £415K on revenue of £3.9m in the year to Mar. 95 which equates to a PE of about 12.

EDP also announced interims to the end of Mar. 95 which continued the downward spiral. Since 1991 ever reducing profits have been reported. Revenue is down 12% to £6.3m, PBT fell by a similar amount to £1.8m with EPS down 11%. But many would envy the 29% profit margin - struck after writing off £852K of R&D.

Chairman Michael Heller, commenting on the results, said "Although the trading environment remains tough, I am satisfied that PBT for the year as a whole will be satisfactory, particularly as we see the benefits of the BML acquisition making a positive contribution". Further compatible acquisitions are actively being considered. But EDP's share price, once our CSI Index leader, has fallen again and ended the month down 6% - an overall fall of 9% this year.

Granada continues recovery

The bad days at **Granada Computer Services** now seem a thing of the past. Latest Granada plc interim figures to 1st Apr. 95 report "computer services achieved increased turnover and profit overall with strong performances from the UK and at the Computer Disaster Recovery business". One of the reasons was thought to be the tie up with several of the major outsourcing companies. But questions have been raised over the profitability of these deals.

DCS Group buys Computer Systems for Industry

Life is getting more and more interesting for DCS and its CEO Ray Spence. Back in Feb. 1994 Nesco Investments sold its Nigerian interests and concentrated on its SCSi activities under the DCS banner where it has around a 25% share of the motor dealer systems market with their Global Dealer Management System.

In March 1994 they completed a 1-for-3 rights issue at 55p to raise £1m and then bought **Motis** (£300K), **G.S.I UK** (£400K), a stake in French **Aagic SA** and **European Dev. & Systems** (Spain).

This month DCS shares were suspended at 78p on the announcement that they were to acquire **Computer Systems for Industry** for a max. consideration of £8.2m - £6m initially (half in cash, half in shares). The remainder will be paid if CSI profits fall between £450K and £780K for 1995. The cash portion is to be funded by a placing and 1-for-2 rights issue at 75p. After the previous rights issue, shareholders already have a taste of the potential rewards. The EGM on 30th June approved the take-over and dealings will recommence on 3rd July. 99.5% shareholder backing was received. Institutional support for the placing has been excellent and applications had to be scaled down.

CSI develops and supports software "for industry's supply chain management process" with its CIEL/400 and CSP products for the IBM AS/400. Indeed, IBM has one of its many 10% stakes in CSI - which it will exchange for a 5% stake in the new DCS Group. Around a third of revenues come from products, a third from support and the rest from services and outsourcing. Last year CSI won an £8m FM deal with Northern Foods. CSI "has been consistently profitable since its formation in 1983 with the exception of the 15 month period ending 31st Dec. 93 when a loss of £175K was incurred. This loss was caused by a disproportionate growth in the cost base in comparison to the growth in revenue". An ex-IBMmer had been appointed as CEO and had introduced the typical IBM bureaucracy. Interestingly, CSI's R&A for 1993 stated that they spent £444K to get the TickIT award. £920K of annual costs have since been removed.

But in the year to 30th Sept. 94 CSI reported PBT of £716K on revenues of £13.5m. In comparison DCS had revenues of £6.4m and PBT of £426K in its last full financial year to 30th June 94. So its a mighty big bite for DCS which will treble their revenues to become a £24m rev./450 people SCSi company. There are few companies - as readers know only too well - who have not suffered either acute or chronic acquisition indigestion after such a big meal.

But DCS has known CSI for 10 years and have been discussing the current deal for 3 years now. They have confidence that they will not find anything untoward when they take control. The current CSI management will remain. Robert Williams, the Chairman, CEO and main shareholder in CSI, will become deputy chairman of DCS.

Although the three get £1m each, that's hardly enough these days to retire on. The main rewards come downstream. The companies have a lot in common. In addition, the prospective P/E is a quite reasonable 8-10 - a reflection of the current "poor sentiment" towards the sector.

DCS MD Ray Spence told us that one of the few institutions which declined the placing did so saying "the deal isn't risky enough for me". Although we wish Spence well, the deal is risky enough for us!

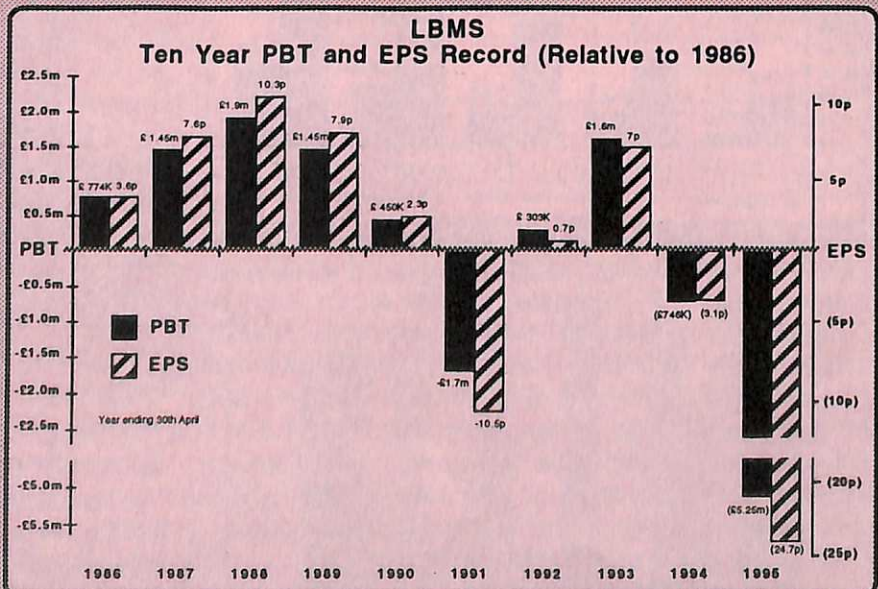
LBMS - "faces the future in excellent shape" says Chairman Rainer Burchett

The exceptional cost of the relocation of operational management to the US combined, thankfully, with the settlement of the £16m claim by the Performing Rights Society (PRS) for £2.5m has resulted in **Learmonth & Burchett Management Systems (LBMS)** reporting a £5.3m loss (£750K loss last time) in the year to 30th Apr. 95. Revenues also fell 10% to £23.7m; mainly reflecting the sale of the general consultancy division to Parity a year ago. Despite this, on the day of the announcement, the share price went up 30p to 287p but share sales by the directors' pension fund, which had advanced funds during last year's difficulties, depressed the price slightly soon after.

Trading profit has, however, shown progressive improvement in both the third and fourth quarters with operating profits of £996K more than wiping out the first half losses of £828K. Overall, UK/European revenue was down, but at least they managed to improve on the huge 32% fall during the first six months with a 7% rise in the second half. US operations were up 19% (only 13% in £ terms) with Asia/Pacific up 21% (again only 16% in £). Cash at the year end was up to £3.1m (against only £132K in 1994). This was mainly due to the rights issue and the sale to Parity of the consulting division for a net £1m.

Indeed, those investors who took up the rights issue at 70p in July 94 are sitting on a tidy gain. At the end of June, LBMS

was up another 35% at 273p - that's a 241% gain in 1995! Although we are sad that LBMS is moving irreversibly towards being a US company, if they can attract the crazy 60+ P/E's achieved for systems tools companies on NASDAQ, shareholders could be in for an ever more profitable ride. Chairman Rainer Burchett stated "With two profitable trading quarters behind us... LBMS faces the future in excellent shape".



Stock Market - a month of big gains - and big losses - again

On the surface - despite the Tory leadership debacle - none of the indices moved much in June. But, yet again, that hid some mega price changes.

Oxford Molecular were up nearly 40% to 78p (they were a new issue at 80p in Apr. 94) on the announcement of a long term deal with Glaxo Wellcome who will now have the right to develop the software for their own use. **LBMS** (p8) were also up 34% on results and resolution of the PRS dispute. **Coda** (p11) put on 23% - that's a 64% rise this year - but are still around a half of their new issue price. **Misys** were up 12% to 399p - almost back to the 409p on the day they launched the ACT bid.

Proteus (p4), however, lost 30% on increased concerns. **MR** (p2) were down 23% as a result of their profits warning. **Wakebourne** is down another 21% - that's a near 50%

fall this year. "Given the chequered history in the days when it was known as Maddox, the market will need plenty of convincing before it accepts the company's recovery story". Source - Investors Chronicle 30th June 95.

30th June 95		CSI Index		1562.39
		FTSE 100		3314.60
		FTSE SmallCap		1836.32
CSI Index = 1000 on 15th April 1989				
Changes in Indices		CSI Index	FTSE 100	FTSE Small Cap
Month (26/5/95 - 30/6/95)		-1.07%	+0.11%	-1.16%
From 15th Apr 89		+56.24%	+61.40%	
From 1st Jan 90		+69.81%	+40.33%	
From 1st Jan 91		+120.72%	+53.43%	
From 1st Jan 92		+49.53%	+32.95%	
From 1st Jan 93		-1.96%	+16.44%	+32.36%
From 1st Jan 94		-6.42%	-3.04%	-1.73%
From 1st Jan 95		+4.22%	+8.13%	+5.15%

System House CSI Share Prices and Capitalisation

	Share Price 30/6/95 (£p)	Capitalisation 30/6/95 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 30/6/95	Share price % move since 26/5/95	Share price % move in 1995	Capitalisation move (£m) since 26/5/95	Capitalisation move (£m) in 1995
Admiral	£6.75	£83.00m	20.5	1.68	4891.30	2.27%	6.30%	£7.10m	£10.60m
Azlan	£1.91	£41.60m	15.3	0.46	830.43	6.70%	42.54%	£2.60m	£12.30m
Capita	£1.80	£98.60m	18.5	1.34	5405.41	-2.70%	9.76%	£2.80m	£9.10m
Cedardata	£1.15	£35.20m	14.6	3.94	1095.24	6.48%	13.86%	£2.20m	£4.30m
Centregold	£0.50	£21.50m	6.8	0.24	400.00	-15.25%	-56.90%	£3.90m	£25.20m
Clinical Computing	£0.32	£5.18m	Loss	3.52	258.06	-11.11%	-52.24%	£0.65m	£5.72m
Coda	£1.26	£33.00m	Loss	1.41	536.17	23.53%	63.64%	£6.30m	£12.80m
Compel	£1.14	£17.40m	11.0	0.32	912.00	0.00%	4.59%	£0.00m	£0.80m
Computer People	£2.90	£71.00m	Loss	0.73	1193.42	7.01%	19.83%	£4.60m	£11.70m
Computerised Financial	£0.78	£3.67m	22.0	1.18	866.67	2.63%	-24.27%	£0.10m	£1.17m
Cray Electronics	£0.56	£132.60m	6.5	0.49	327.49	-15.15%	-65.33%	£23.90m	£250.80m
CRT	£0.94	£63.30m	Loss	1.34	1044.44	-3.09%	18.99%	£2.00m	£10.10m
DCS Group	£0.78	£7.41m	21.9	1.16	1300.00	2.63%	6.85%	£0.19m	£0.50m
Division Group	£0.74	£32.50m	Loss	6.17	1850.00	-15.91%	-36.75%	£6.10m	£7.00m
DRS Data & Research	£0.23	£8.26m	6.0	0.94	209.09	-4.17%	-28.13%	£0.36m	£3.14m
Electronic Data Processing	£1.30	£34.10m	12.7	2.43	3980.40	-5.80%	-9.09%	£2.10m	£3.40m
Gresham Computing	£0.31	£10.10m	23.8	1.55	333.33	-6.06%	-16.22%	£0.70m	£2.00m
INSTEM	£1.24	£5.58m	7.4	0.33	1240.00	-5.34%	-17.33%	£0.31m	£1.22m
JBA Holdings	£1.55	£51.50m	13.2	0.57	968.75	-7.74%	1.97%	£3.90m	£1.30m
Kalamazoo	£0.93	£18.00m	7.9	0.30	2657.14	-5.10%	-14.68%	£1.00m	£23.50m
Kewill	£2.82	£34.70m	9.9	1.03	1114.62	-7.54%	17.99%	£2.80m	£5.70m
Learmonth & Burchett	£2.73	£59.80m	Loss	2.52	2275.00	34.48%	241.25%	£15.50m	£42.40m
Logica	£3.75	£232.90m	20.1	1.02	1027.40	-2.09%	15.38%	£4.90m	£32.10m
Lynx Holdings	£0.43	£21.80m	10.0	1.01	1075.00	-12.24%	-8.51%	£3.00m	£2.00m
Macro 4	£4.43	£96.10m	12.5	3.94	1786.29	-1.56%	1.14%	£1.60m	£1.10m
MAID	£0.85	£69.10m	74.1	7.77	772.73	-4.49%	23.19%	£3.30m	£13.00m
McDonnell IS (MDIS)	£0.94	£93.50m	20.5	0.64	359.62	3.89%	-7.43%	£3.50m	£7.50m
Micro Focus	£7.70	£116.30m	24.0	1.29	3719.81	4.76%	-6.10%	£10.50m	£1.80m
Microgen	£1.29	£50.80m	14.0	0.86	551.28	0.78%	26.47%	£0.40m	£10.60m
Microvitec	£0.37	£27.20m	12.6	0.62	902.44	-6.33%	1.37%	£1.90m	£3.90m
Misys	£3.99	£333.20m	12.5	3.57	992.54	12.08%	-2.44%	£28.10m	£138.50m
MMT	£1.89	£21.40m	13.4	1.97	1125.00	-0.53%	-7.80%	£0.10m	£1.70m
MR Data Management	£0.69	£38.50m	8.5	0.95	273.81	-23.33%	-37.27%	£11.70m	£22.90m
On Demand	£0.68	£34.70m	Loss	2.39	871.79	1.49%	1.49%	£0.50m	£0.50m
Oxford Molecular	£0.78	£33.90m	Loss	12.24	975.00	39.29%	30.00%	£9.60m	£11.80m
P&P	£1.13	£89.20m	13.8	0.34	504.48	11.39%	52.03%	£9.10m	£31.30m
Parity	£1.35	£56.60m	18.8	0.64	7499.97	-4.93%	7.14%	£2.90m	£10.40m
Pegasus	£1.89	£11.90m	14.1	2.47	514.99	2.16%	26.00%	£0.20m	£2.51m
Persona	£2.00	£24.20m	17.5	0.77	1250.00	7.53%	25.00%	£1.70m	£4.90m
Phonelink	£2.27	£80.60m	Loss	64.95	1464.52	-10.98%	6.57%	£9.90m	£5.00m
Proteus	£0.69	£22.60m	Loss	n/a	821.43	-29.59%	-60.57%	£9.40m	£31.80m
Quality Software	£4.92	£42.80m	16.9	2.60	1294.74	11.06%	28.46%	£4.30m	£9.50m
Radius	£0.39	£10.80m	13.5	0.43	282.61	5.41%	2.63%	£0.50m	£0.20m
Real Time Control	£1.82	£12.70m	13.8	1.49	3714.29	10.30%	6.43%	£1.10m	£0.70m
RM	£2.15	£36.20m	11.8	0.55	1228.57	-5.29%	4.37%	£2.00m	£1.50m
Rolle & Nolan	£1.65	£20.10m	24.6	1.41	1964.29	0.00%	-10.81%	£0.00m	£2.30m
Sage Group	£9.57	£204.80m	15.8	4.02	7361.54	-0.31%	41.99%	£0.30m	£63.90m
Sanderson Electronics	£0.95	£39.00m	12.3	1.15	1617.02	-5.94%	20.25%	£1.00m	£8.60m
Sema Group	£3.83	£357.00m	18.3	0.60	1204.40	0.26%	-6.13%	£1.00m	£21.60m
Sherwood	£1.39	£9.87m	Loss	0.39	1158.33	0.72%	73.75%	£0.07m	£4.99m
Spargo Consulting	£0.80	£10.00m	12.7	1.66	842.11	-3.61%	-12.09%	£0.40m	£1.40m
Standard Platforms	£0.22	£6.89m	Loss	5.26	97.77	25.71%	57.14%	£1.41m	£4.37m
Superscape	£1.81	£9.59m	Loss	11.15	914.14	-1.63%	-11.27%	£0.16m	£1.21m
Total	£0.25	£2.50m	26.0	1.20	471.70	0.00%	-28.57%	£0.00m	£1.00m
Trace	£0.35	£4.90m	16.2	0.26	280.00	-12.50%	-14.63%	£0.70m	£0.83m
Unipalm	£2.36	£48.40m	265.2	4.50	2360.00	-1.67%	100.00%	£0.80m	£24.50m
Vega Group	£2.90	£40.90m	21.5	3.27	2377.05	-2.68%	10.27%	£1.10m	£3.70m
Virtuality	£2.03	£56.20m	Loss	6.16	1194.12	-11.35%	-8.14%	£4.30m	£1.60m
Vistec	£0.15	£17.90m	Loss	0.36	630.43	-1.69%	11.54%	£0.30m	£1.90m
Wakebourne	£0.41	£8.91m	7.2	0.25	225.00	-20.59%	-48.73%	£2.29m	£7.59m

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.

Eventful couple of years at Azlan

Background

Azlan is "one of the UK's leading value added distributors to the network computing market". After the CINVen backed £4.3m MBO from Logitek in late 1990, Azlan was launched onto the Stock Exchange at 230p per share in Nov. 1993. This equated to a very high historic P/E of 27. CINVen and some (but not all) of the directors took the opportunity to off load around a third of their stock. The share price rose to a high of 281p. Since then the Azlan story could be described as turbulent.

Soon after the float it was announced that Madge, whose network products had formed a significant part of the Azlan products portfolio, was to sell direct in the UK. Filling the gap left by Madge, and other product suppliers who also decided to take similar action, initially proved difficult.

In May 1994, Azlan acquired **Research & Development**, a distributor of network products in France, for an initial £650K. In June 1994, Azlan issued a profits warning and the share price fell to around 180p.

Also in June 1994 they bought £4.5m revenue, Danish networking company **Damgaard Data** for £1.05m.

In September 1994, Dave Randall was replaced as Azlan's CEO by Chris Martin.

In October 1994 Azlan added to their European presence by acquiring the distribution division of German **Asonic Computer Equipment**. £700K in cash was paid initially with a further £1.3m (i.e. £2m in total) to be "paid over the subsequent two year period".

On 20th October 1994 an institutional owner of about 1% of the equity decided to get out of high tech. stocks. The share price plunged to a low of 116p as a result. Azlan then put out a statement expressing its confidence in "a significant improvement" in H2.

In March 1995 Azlan shares rocketed by 20% on news that it was to distribute IBM's networking products in Europe.

Latest results

Results for the year to 31st Mar. 95 did indeed show the "strong recovery in H2" predicted earlier with operating profits up 54% on H2 last time. For the year, however, PBT was static at £3.9m on revenues up 47% at £90.5m. Acquisitions accounted for £14.7m additional revenues but continuing operations also grew by an impressive 28%. Sales in continental Europe were the real star and now account for 40%, or £37m, of sales. Although UK sales had "a strong second half" total revenues increased only marginally in the year. EPS was also largely unchanged at 12.5p but cash reduced from £6.1m to £4.5m largely due to acquisitions.

Buys in Italy

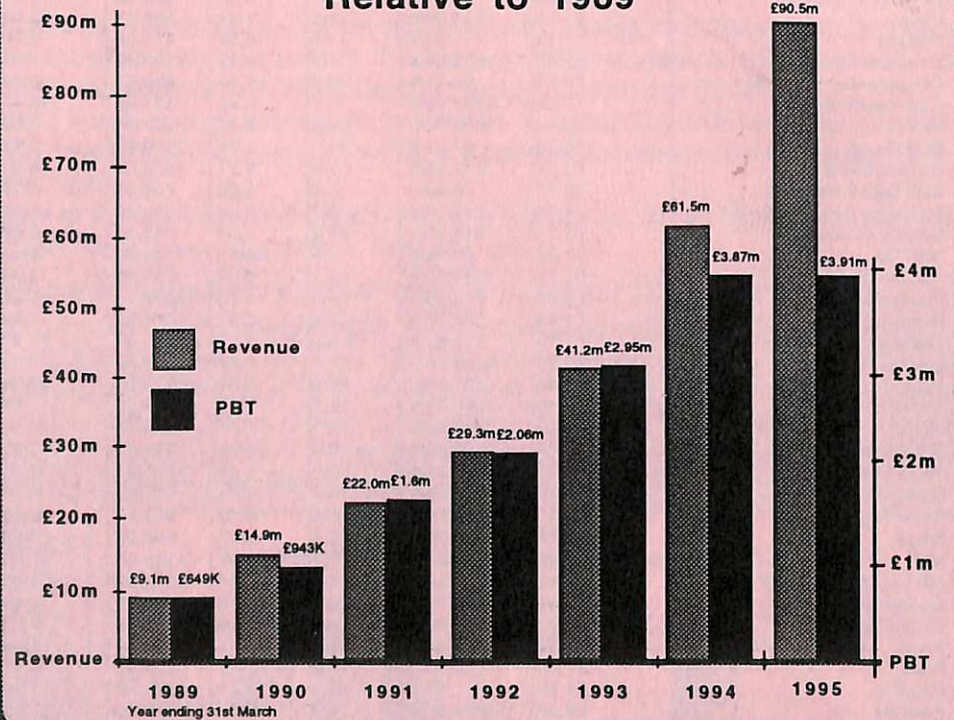
Azlan also announced this month that it was acquiring Italian network VAR, **Adcomp Data Systems**, for an initial £80K + £70K in July 95 + a max. of £600k based on profits to 1998.

Outlook

A "strong start" to the current year is indicated. The network market is one of the fastest growing throughout Europe. Although Azlan majors on distributing third party network products, we believe it could really enhance shareholder value by more fully exploiting its network expertise via its services offerings. In any event, it looks as if the troubles are a thing of the past and Azlan is now, as Martin said, "back with a vengeance".

Azlan shares ended June up 7% at 191p.

Azlan Group plc
Seven Year Revenue and PBT Record
Relative to 1989



Crawford takes on Oracle

After many leaks, it was confirmed this month that Philip Crawford, **BULL UK's** CEO, was to take on the job vacated by Mike Harrison as MD at **Oracle UK**.

Oracle seems to have difficulty with its stance towards services. Given that Crawford's success at **BULL UK** was firmly founded on services, we will watch with interest.

Peter Snook, has taken Crawford's place at **BULL UK**.

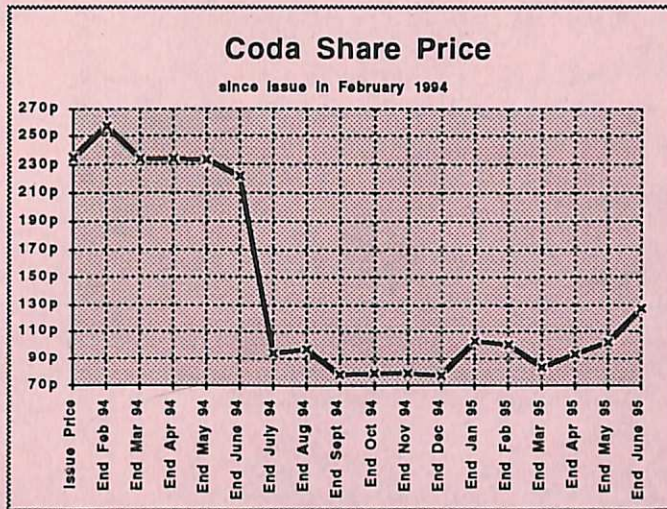
Arrival on TRACK

We reported last month both on Jeff Trendell's success at **Arrival** and, completely separately, on the problems at the **Intelligent Office Company (IOC)**. Unfortunately the receivers were appointed at **IOC** soon after and this month **Arrival** has bought **IOC's TRACK** executive information system from the receivers. This means **Arrival** now operates in the US for the first time.

Coda... "Please be Boring again"

In our long history, we have never got our reporting more wrong than that relating to Coda. Coda received every accolade we have ever given. We even gave them a rare *System House™ Boring* award. Well, as we know, Coda has unfortunately been far from boring in the last year.

Coda was one of the many new entrants in 1994. The placing in Feb. 1994 at 235p valued Coda at £61.7m (equivalent to a P/E of 24.5 - a record for the year). But around 80% - or £20m - of the funds raised in the float went straight into the pockets of the Coda shareholders - rather than into the business.



But the maiden interims in July 94 contained the first warning. This was followed in Sept. 94 by another. Results for the year to 31st Oct. 94 showed an operating loss of £3.1m and a loss before tax of £8m. In essence, Coda's problems were due to a faster than expected slowdown in sales of their IAS product on proprietary systems - HP, AS/400 and, in particular, DEC VAX.

On 18th Jan. 1995, Chairman Rodney Potts bought a further 200,000 shares at 88p boosting his holding to 21.5%. General Atlantic also bought another 880,000 shares boosting their holding to 13.5%.

Their confidence was rewarded in the results for the six months to 30th April 95. PBT of £993K compared with losses of £2.6m last time. Operating profits improved threefold. Revenues were up 14% at £15.2m. And we must stress (see page 1 article) that, unlike others, this result was struck after expensing £3m of R&D spend.

Although the results showed declines in both HP and DEC VAX revenues, IBM AS/400 revenues increased by a surprising 10% and revenues from the all important new open systems version were up over 80%. Once again maintenance (up 21% at £3.7m) and professional services (up 19% at £3.9m) were the star performers. Product licence sales now represent only 50% of Coda's revenues. All geographic territories were profitable. A few days later, Coda announced a deal for CINCOM to resell Coda's open systems products.

We should all remember Coda's reputation for excellent product and sound management. Nothing would give us more pleasure than for the last year to be seen in retrospect as a "blip". Certainly, the share price - up another 24% this month at 126p (that's a 63% rise this year so far) - is showing signs of recovery. Still a long way to go to reach the 235p launch price though.

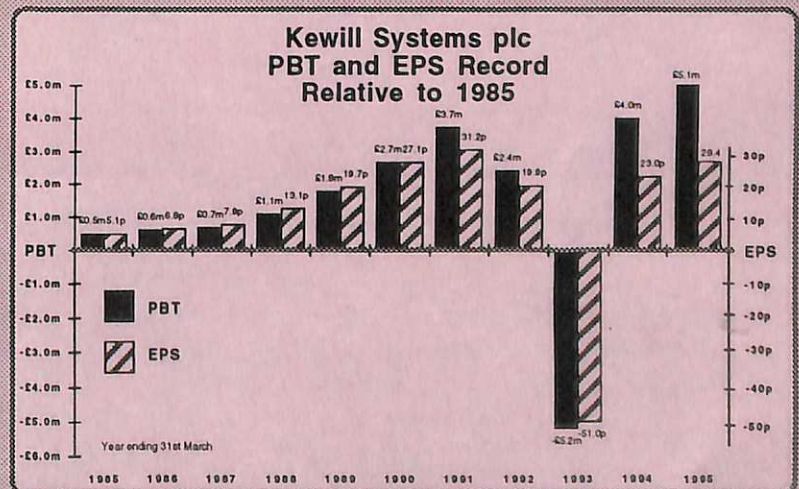
Kewill back on track again

The story of "one bad acquisition brings superb company to its knees" has been told far too many times, for far too many companies, in our organ. But we are pleased to say that, at long last, one of the examples, Kewill has managed to put the trauma of its ill-fated German Weigang subsidiary firmly behind it. Results for the full year to Mar. 95 are solid rather than spectacular with a 6% revenue rise to £33.7m, PBT up 25% to a record £5.1m but, as is the case in acquisitive companies, EPS although up 23% is still lower than in 1990. The PBT was stated after a further charge of £254K against profits from the MBO sale of the remaining software rights of Weigang for nil consideration. Kewill has at last also eliminated net borrowings and finished the year with £3.6m in the bank.

Finance Director Richard Broad said that its recurring maintenance base "is so strong and it's on that platform that we are able to move forward". Does this mean that they are now going to start on the acquisition trail again to fuel further growth? Lets hope that no more "Weigang's" appear! But we doubt that they will make the same mistake again.

In more detail, in the UK operating profits increased 25% to £3.2m with unchanged admin. costs. Manufacturing Systems did well with Micross (the original core product), Trifid Software (mid-range systems) and the smaller Kewill-Xetal (specialist systems for the garment industry) all increasing profits. Financial Systems is evidently building on the well established Omicron Powersystems with new opportunities from the exclusive UK distribution rights for windows-based Dynamics products. EDI sales were up 30% and now account for c10% of total revenue, i.e. over £3m. In the US profits increased 9% to a record £1.3m with windows-based Micromax leading the improvement. In Austria, Germany and Netherlands (through HAN Dataport) profits were static at £900K despite reduced Austrian sales and the loss of a German distributor through bankruptcy.

Prospects for the future now look good and, assuming they don't repeat previous acquisitions errors, Kewill look well poised to resume their previous excellent performance. They are now applying for a full Stock Exchange listing to take effect from next August. Kewill ended the month down 8% at 282p; still a rise of 18% this year.



"Boring" Vega in profit take-off

John Rigg has taken over from Admiral's Clay Brendish as the most "boring" in the industry. He chairs Vega which has held a *System House* "boring" award for some years and last month we gave Triad (which he also chairs) a similar rare award. This month Vega reported the usual *boringly superb* results for the year to 30th April 95. Revenue jumped 29% to £12.5m, PBT took off by 36% to £2.9m with EPS up 35%. Vega's profit margins increased by 1% to 23%! One of the reasons given to us was the move from T&M to fixed price work where over £8m of contracts have been won.

MD Kelvin Harrison commented "Vega is performing extremely well and has, for the third consecutive year since becoming a public company, maintained its growth record in profits and earnings. The Sea Harrier (Navy) contract has gone very well... our two other emulation projects for the RAF are on budget and schedule... We have firmly established our position as the market leader for equipment emulation. With our strong order book and solid financial base, I look forward to another successful year".

Vega has had somewhat of a "breakthrough" in its space technology to equipment emulation (the computer alternative to training on real-life equipment or simulators). The project was "on time and on budget" and is now being marketed internationally. Again the UK appears well in the forefront of this particular technology - let's hope that Vega can now fully exploit it.

As well as the RAF & Navy contracts, Vega are also involved with the European Space Agency - their largest customer - in the successful launch of a new satellite. There are two more launches due later this year.

We have long preached that high skill-based IT services is the place to be. The problem is that the market has not caught on to that yet. But Vega is up 140% at 290p from launch price of 122p in June 92, so perhaps some might at long last be getting the message. We had expected Vega to acquire Triad by now. We now anticipate a separate Triad new issue early next year. Now that's one *boring* event we really look forward to!

Kalamazoo's full year results to Mar. 95 were unexciting compared to the last year's. Revenue was down very slightly at £60.7m, PBT was up just 7% to £6.8m and EPS improved 16%.

Chairman Peter Harrop said "The last financial year has been a year of further progress and 1995 will be an important year for the development of the company. Reshaping and strengthening will continue... The Group has considerable potential for growth in the medium term..." A more detailed review next month.

5.30 pm Wednesday
19th July 1995
Make note to
attend
Richard
Holway's
CSSA
Presentation
at London Portman
Hotel.

This is your **LAST CHANCE** to avoid being the only major CEO not to attend Richard Holway's annual presentation on the financial state of the industry on behalf of the CSSA on 19th July 1995. The CEOs from almost every leading SCSI player are now booked to attend - a veritable *who's who of our industry*. Starting at 5.30 pm, the evening at the London Portman Hotel includes dinner and drinks. **We really would like to see you there.** As usual a **FREE** place for every one who orders a copy of the 1995 Holway Report.

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