

# System House

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## Has IT agency growth reached its peak?

Long term readers of *System House* will recognise that we believe that the IT agency/contractor market is about the best barometer of the *future* health of the IT services industry that you are likely to find. It was the first sector to point towards a downturn in the late 1980s - a situation

which hit the rest of the industry in the early 1990s. The IT agency marketplace took off again in late 1993/1994 - signalling the current boom conditions for others in our industry.

Indeed if you look at the growth in the companies operating in the sector in the last few years you would have ample reason for continued optimism.

Much of the reported headline revenue growth has, of course,

been as a result of acquisition activity. The IT contractor marketplace had been highly fragmented before Philip Swinstead moved into Comac (now Parity) and Roger Graham moved into Computer People (now Delphi). They both embarked on acquisition sprees resulting in revenues

more than doubling in 1995. There have been many other "consolidations" at CRT, INLINE KPG, Hunterskil Howard, Hays, P&P (who bought Myriad recently) and others.

Freelance Informer, the trade journal for IT contractors, concluded in 1995 that there were about 45,000 contractors - we do not

have any argument with this figure. However, they also concluded that their average annual revenue was nearly £50,000. Given that the average staff costs for the 100,000+ people in our database was just £29,000, we find this average hard to stomach. Indeed, Tony Coombes at CRT's Software Personnel found, in their survey, that average daily fee rates were c£220. Given normal type utilisation rates, allowing time off for holidays, sickness,

training, job interviews etc., we would suggest average revenues of c£33K and a market size in 1995 of c£1.5b.

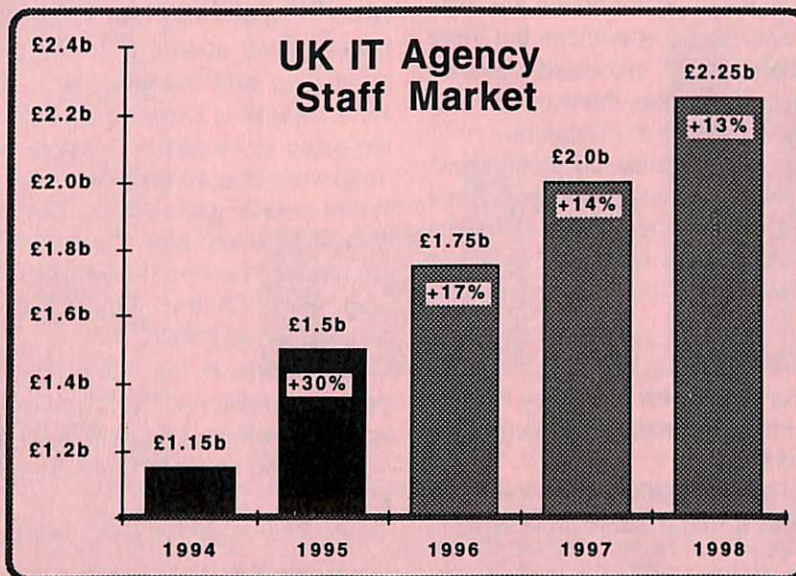
In turn, that market size excludes the "captive" IT contractor market. Around 50% of FI Group's workforce are subcontractors but few come via agencies - indeed the

only "employer" they have is FI Group. Many other IT services companies have a similar pool of captive IT contractors.

There seems little doubt that the IT agency marketplace grew by in excess of 30% in 1994 and 1995.

This high growth rate has been reflected in the share prices of the leading players with Parity up a mind blowing 16-times since Swinstead's involvement and

Delphi up threefold since Tony Reeves' took the helm in 1994. On top of that can be added the phenomenal 61% share price increase at CRT (owners of Software Personnel) since Education Technology took their stake a couple of months ago.



Rank	Company	Parent	Estimated UK IT contractor & recruitment revenue in 1995
1	Delphi		£127m
2	CSS Trident	Parity	£112m
3	CRT		£48m
4	Modus and Comtex	Hays	£42m
5	Elan		£39m
6	MSB		£39m
7	Hunterskil Howard	Wolseley	£31m
8=	DP Support	Manpower	£30m
8=	Abraxus		£30m
10=	Myriad	P&P	£29m
10=	Lorien		£29m

So what of the market now?

- we see growth reaching a plateau. Still high at 17% in 1996 but lower than the 30%+ levels of 1994 and 1995.

- we see the straightforward supply of IT contractors becoming a commodity item. "Mark-ups" have been

c18-20% for short term contracts and c11%-12% for long term contracts. Out of that gross margin, sales costs (c5%) and admin. etc. costs (c5%) have to be paid which means that almost all the IT staff agencies have PBT margins of between 4-6%.

- our "informal" discussions with the MDs of all the main IT agencies indicate that margins are currently being

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squeezed. All those MDs see their futures in a variety of added-value services - rather than IT staff contracting. Those services would make such agencies much more like "conventional" systems houses.

- the "great white hope" of such one-off events as the Year 2000, or even the introduction of the single European currency, are seen as *substitutes* for spend on new developments rather than providing the substantial *additional* revenue so many other pundits are suggesting.
- the market will polarise into demand for staff with skills in short supply - who will be able to raise fee rates substantially - and the bulk of IT staff of "average" ability. As growth rates moderate, the IT contractors in the latter category will find it tough to maintain their current fee rates. Some will revert to the "relative" safety of permanent employment.

When Swinstead and Graham moved into the IT agency market they recognised the need for consolidation. Much has been achieved. The larger companies are now becoming much more well rounded operations but there are still quite a few privately owned, mid-sized agencies with few value-added activities. We see these companies as becoming increasingly vulnerable to predators.

The values ascribed to such companies will moderate in the future. Indeed we do not see valuations staying at their current high levels for long. It will only take an event like one of the recent new issues in the IT agency sector to announce disappointing results for the whole sector to fall.

### Intelligent Environments

**Intelligent Environments** was a new AIM entry in June 96 at 94p. Their new product - Amazon - is designed to build Intra/Internet applications.

Maiden results for the six months to 30th June 96 showed static revenues of £2m but a minor £35K profit against the £3K loss last time.

Peter Harrop - lately Chairman at Kalamazoo and currently Chairman at private (*well, at the moment*) market research company Ovum, joins as non-exec. Chairman joining ex-Logica Dr. Tim Cooke who is CEO.

The new products seem to have collected a blue chip customer base including Tesco and Honda. Additional expenditure on R&D and sales & marketing will, however, lead to "large net losses this year and next year" whilst "a strong platform for future growth" is established.

Actually we think that it is this kind of internet service/product company which could really reap the benefits from the www. The management team is highly experienced and, if you are prepared to accept the very high risks, the rewards might just be spectacular. Intelligent Environment share price was static to end Sept. 96 on 70p,

### IT Agency Results

Following up on our page one feature on the future fortunes of the IT staff agency market, the two largest practitioners have both declared their interim results this month:

#### Delphi (formally Computer People)

**Delphi** announced revenues up 20% at £100.2m, PBT up 39% at £5.7m and EPS up 29% in the six months to 30th June 96. Margins therefore increased from 4.9% to 5.7%. Although in no way disappointing, "organic growth in the UK IT contracting business grew revenues by 16%". Permanent placements were up a rather higher 24%. The UK represents 72% - or £72.2m - of total revenues.

US revenue growth at 17% (to £19.7m or 20% of the total) were a little disappointing considering that even some of this was as a result of the acquisition of the LA branch of **Automated Concepts** in Mar. 95 for \$2m. US business will be further enhanced by the acquisition, announced this month, of **Alpine Computer Systems Inc.** for \$24.5m (\$8m in cash - the rest in Delphi shares). Alpine is a conventional systems house providing a range of IT consulting and development services in North East America and is growing rapidly. Revenues in 1996 are expected to be \$25m - almost twice those achieved in 1995 when operating profits "after investments to enhance future growth" were \$800K. Delphi will have US business exceeding \$90m after the acquisition.

Continental Europe business growth was also lacklustre - up 9% at £8.2m - although operating profits were up from £200K to £300K.

Delphi is one of the companies which has told us that price competition in the "commodity" IT agency market is having an effect. Delphi is quite rightly moving into more value added services in the conventional systems house mould.

Delphi shares ended Sept. 96 up 4% at 545p.

### PARITY

**Parity** announced revenues up 24% at £76.4m, PBT up 40% at £4.3m and EPS up 40% in their interims to 30th June 96. Again excellent results, but Parity too has been moving more towards the value-added consultancy/systems development activities associated with the systems house backgrounds of Messrs. Swinstead, Davies and Jennings. Indeed we understand that Parity Solutions had a particularly good performance.

Most of Parity's recent acquisitions - including the latest purchase of **Britech** (IT training) for £2m in May 96 - have been higher up the value chain. In Jan. 96 Parity relaunched its Continental Europe business under the "Eurosoft" banner and "is now seeing good growth from the Dutch, German, French and Swiss offices".

### Compel continues to prosper in toughest market

**Compel** is one of the very few PC dealers which is quoted on the Stock Exchange. Its much bigger rivals - Computacenter and Specialist Computer Holdings - preferring (for the time being anyway) to remain private.

They were a new issue back in Sept. 94 at 125p. Given the nature of their business, their latest results for the year to 30th June 96 were pretty good. Revenues were up 22% at £85.6m (the easy bit), PBT was up 21% at £3.24m (a lot harder!) and EPS was up 17% (extremely difficult). But in the scheme of this type of business, the 3.7% profit margin was "typical". Although Computacenter managed just 2.4% in 1995, Peter Rigby's SCH managed an impressive 4.8% margin. We reckon that "services" represent around 10% of revenues and is probably growing more strongly than systems. This will be the main key to enhancing margins - and shareholder value - in the future.

Since their float in 1994, Compel's shares are up 64% - about the same as the 61% rise in our SCSI Index.





Martin Read's three years at the helm of **Logica** has seen a complete transformation of its fortunes. In July 1993 he was appointed as the CEO of the UK's premier systems house. Logica had oodles of technical ability but a depressing financial record since the heydays of 1988. The markets had lost confidence in its management and we all awaited the (seemingly inevitable) take over bid from a foreign predator.

We have written about Logica in-depth on many occasions. We still remember our very first interview with Read back in 1993 when he stated firmly that "anyone who refuses to undertake profitable work has no place in future at Logica". We retold the story to many other industry CEOs who, at that time, still refused to accept that Logica might just have seen the light...at last.

The chart below, which chronicles the renaissance at Logica under Read's stewardship, is real enough. But the analysis even surprised us. The share price is up 187% since Read arrived (by the way making Read a richly deserved capital gain of over £1.5m on his options...if/when he exercises them). But that is marginally less than the rise in EPS in the same period. More learned analysts might therefore draw the conclusion that, given the major revaluation of the sector of the same period, Logica is still a bit undervalued.

Results for the year to 30th June 1996 were just about what we had sensibly been led to expect. EPS was up 25%, PBT was up 22% at £24.7m but revenues were only up a modest 14% at £284.8m. Cash increased by £3.1m to £20.1m.

The UK put on a "solid performance" with revenues up 11% at £163.3m - or 57% of the total. Revenues from Continental

Europe rose by 35% to £61.5m (35% of the total - but "in order to secure this growth we invested in a number of start up operations...this depressed margins to 9.6%" (from 10.3%)) but North America revenues declined by 4% to £37.6m

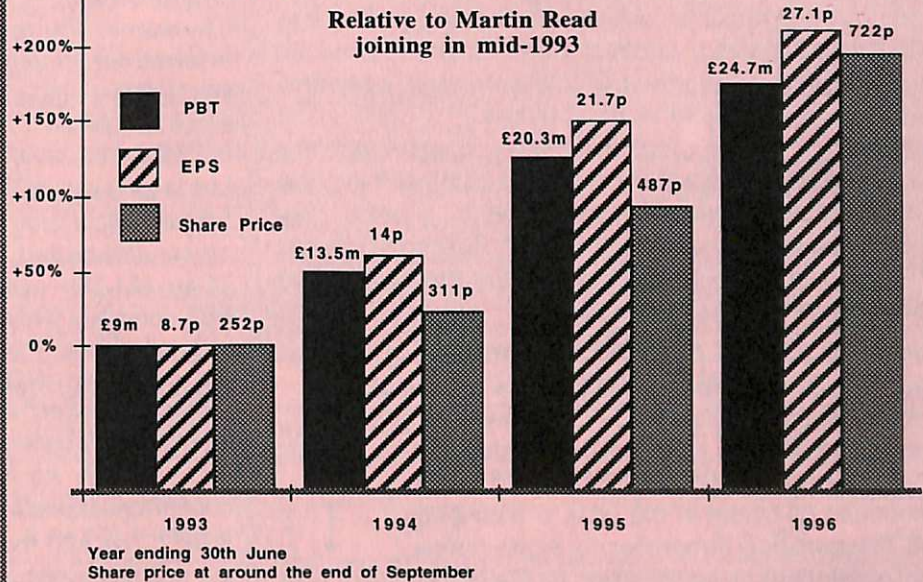
Logica - FY 96	Revenue	Growth	Op/profit	Growth	Op. Margin
United Kingdom	£163.3m	11.0%	£15.9m	15.0%	9.8%
Continental Europe	£61.5m	35.0%	£5.9m	26.0%	9.6%
North America	£37.6m	-4.0%	£1.2m	94.0%	3.3%
Asia Pacific/Middle East	£22.4m	24.0%	£0.6m	97.0%	2.6%
<b>TOTAL</b>	<b>£284.8m</b>	<b>14.0%</b>	<b>£23.6m</b>	<b>22.0%</b>	<b>8.3%</b>

(13% of the total). The USA had been Logica's profits *bête noir*. This time they managed to double profits to £1.2m...albeit a still low 3.3% margin.

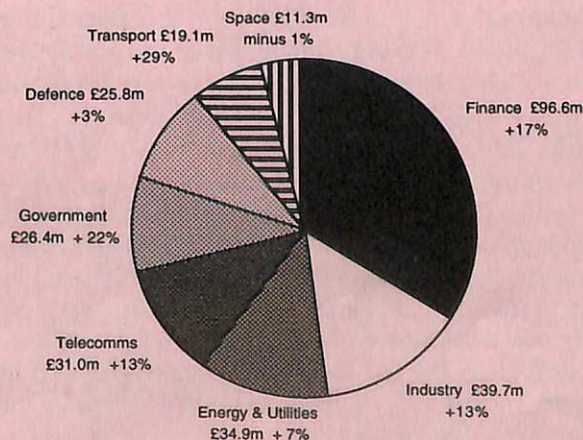
Indeed, the Logica headline story in the other press seemed to be all about margins. Overall profit margins improved from 8.1% to 8.7% - a highly creditable performance. UK margins - at 9.8% - just failed to break the magic 10% barrier. Indeed, Read "believes that Logica will achieve further good revenue growth in FY97 and make further progress towards our 10% margin targets".

The finance sector is now by far the largest for Logica - representing a third of revenues - although Government and Transport are the fastest growing. So what could we possibly criticise about this performance? At every level, the boards of Sema, CGS, Misys and many others must wish they could have given their shareholders the kind of performance provided by Read. But Read's problem - as we have said so many times to his face - is that he has got to get his revenue growth motoring. He is clearly adept at boosting profits/earnings using all

## Logica plc The Martin Read Years



### Logica Revenue and Growth by Client Sector - FY96



Logica - continued page 4



## Logica - continued

the management techniques he learned at GEC and Courtaulds. But, in our business, *man cannot live by profits alone*.

Read has achieved so much but now he MUST move onto a higher plain. He must prove that he is capable of not just cost cutting but of profitable high revenue growth. That is, as they say, a *completely new ball game*. Read says acquisitions will only be contemplated if they "*add shareholder value*". But shareholders will have to realise that, in today's climate, they will have to pay a fair market price - probably 60%+ higher, on a relative basis, than a year ago - and that almost all acquisitions of any size depress earnings in the short term. But if Logica - and its shareholders - do not face up to that it will continue to slip down the rankings, will find it increasingly difficult to win the kind of size of contract to which it aspires and, as an increasingly rare breed of "*medium-sized*" company, continue to be vulnerable to predators.

But we have another agenda. Logica is one of a very few UK-owned companies which *might just* make it into the senior league. Logica is indeed "*delivering world class products and services to customers*". But can it become "*world-sized*"? Read is the key. **He has the ability...but does he have the guts?**

## Losses mount at Clinical Computing

Clinical Computing develops/sells a clinical records system called PROTON. They were a new issue at 124p in Feb. 94 soon after they had announced record PBT of £1.16m on revenues of £2.6m in the year to 31st Dec. 93. Readers may remember our highly critical review at the time commenting on the highly unorthodox manipulation of the historic results records.

Maiden results for Clinical - after the directors had extracted £1.5m at the float - was a loss of £689K on reduced revenues of £1.16m. The shares crashed to a low of 26p.

Results for the six months to 30th June 96 are even worse with losses increasing from £357K to £573K on rev. up from £924K to £1.23m. The board says "*the strategy and geographic focus being implemented will generate strong growth and shareholder value*" - two commodities in short supply at Clinical so far. Clinical's shares rose by 2% in Sept. to 46p.



## CMG "Performance very satisfactory"

In January 96 - a few days after CMG's delayed, but highly successful, float onto the London and Amsterdam Stock Exchanges at 290p - we were invited to address the CMG UK board. We were asked "*What threats do we face?*" Amongst several comments, I said "*a bid from a predator at, say, 500p a share*". "*You must be joking*" a director from the back of the room shouted "*our share price will be 500p by the end of 1996 without any bid*".

**We were both wrong** (but me rather more than him!)...CMG's share price was 685p on 24th Sept. 96! Anyway, they can't have been too upset as they invited me back to address the whole company this month.

Maiden results for the six months to 30th June 96 were as we had expected. Revenues were up 23% at £116.6m, PBT was up 31% at £11.3m and EPS was up 28%. That's a profit margin of 9.7% - one of the highest in the industry and we are sure a cause of much envy around the board room tables at CGS, Sema and even Logica (see page 3).

But the results were patchy. The Netherlands grew revenues by 31% and, at £79.8m, now represent 68% of CMG's total. However operating margins slipped from 14.8% to 13.4% - still, of course, a pretty impressive figure! UK revenues grew a very modest 6% to £26.3m (due in part to the completion of the BP share registration contract) although operating profits were up 80% at £1.66m. Losses in Germany (confined to the Frankfurt operation) increased from £224K to £391K on revenues up 15% at £10.6m.

CMG traditionally has a better second half and analysts are forecasting PBT of £26m - up 30% on 1995.

## INSTEM PLC

I N S T E M

demonstrates the rich diversity of companies covered by our SCS Index. If you want the exact opposite of a "commodity" software products company, look no further than INSTEM who develop control systems for power stations, water boards etc. which sell for all of £1m each, as well as selling laboratory systems. They have been continuously profitable - well at least for the last ten years during which we have followed them. But their results are *boring* in the true sense of the word. In 1985 their PBT was £872K...it was £1.24m ten years later in 1995.

Latest results for the six months to 30th June 96 show revenues down 4% at £10.7m, PBT down 30% at £402K and EPS off 31%. But, to be fair to INSTEM, they had fully warned the markets of this - David Gare has long received our "*most honest Chairman*" award. Indeed when you sell such high value systems you are bound to get some "*lumpiness*" in the results pattern.

INSTEM also announced that it had acquired **Apoloco Ltd** "*a long established and profitable UK-based software house specialising in systems for the pharmaceutical, agrochemical and food industries*". Consideration was £1.4m (£1.15m initially) for this £1.64m revenue/£140K PBT company. This seems a very good move - intended to "*extend both the product and customer base*". It will also strengthen INSTEM's presence in the USA. INSTEM report "*an upturn*" in the laboratory systems market and that the other divisions "*are currently meeting their plans for the year*". As we said before, Gare is not one to encourage expectations which he cannot meet.

**AIM?** The AIM market has come in for a lot of stick in the last few months. It is interesting therefore that, after initially signalling that they would move from the USM to AIM, INSTEM has decided on a full quote. One of the main reasons for this was that a significant number of its private shareholders had their shares in PEPs - which are not permitted to hold AIM shares.

## Is a bid that far way?

Last year US **Harnischfeger** bought **Dobson Park Industries** which in turn has a 35% stake in INSTEM. Apparently they harboured ambitions to make this 100%. The Investors Chronicle reckons the lacklustre INSTEM, perhaps, is "*not trying hard enough*" and anticipates a "*shake up or a shake out*". Source - Investors Chronicle 13th Sept. 96.



**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

Action Computer Supplies plc				Electronic Data Processing plc					
	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison		Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 699,119	£ 1,088,905	£ 721,108	+3.1%	REV	£ 6,328,000	£ 12,605,000	£ 7,894,000	+24.8%
PBT	-£ 314,850	-£ 625,546	-£ 427,844	Loss both	PBT	£ 1,807,000	£ 3,083,000	£ 1,505,000	-16.7%
EPS	-1.50p	-2.40p	-1.40p	Loss both	EPS	4.55p	7.53p	3.93p	-13.6%
Admiral plc				F.I. Group plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Apr 95	Final - Apr 96	Comparison	
REV	£ 30,204,000	£ 85,480,000	£ 43,009,000	+42.4%	REV	£ 61,703,000	£ 78,824,000	+27.7%	
PBT	£ 5,589,000	£ 9,832,000	£ 5,180,000	-7.3%	PBT	£ 3,260,000	£ 3,763,000	+15.4%	
EPS	6.40p	10.72p	5.50p	-14.1%	EPS	7.60p	7.70p	+1.3%	
AFA Systems plc				Firecrest Group plc					
	Final - Dec 95 (5 mos)	Final - Apr 96	Interim - Jun 96	Comparison		Final - Dec 94	Final - Dec 95	Comparison	
REV	£ 0	£ 217,000	£ 237,000	n/a	REV	£ 7,126,671	£ 6,809,068	-7.3%	
PBT	-£ 121,000	-£ 133,000	-£ 229,000	Both loss	PBT	£ 414,929	£ 603,027	+45.3%	
EPS	-1.62p	n/a	-3.06p	Loss both	EPS	2.30p	2.30p	+0.0%	
Anite Group plc				Flomerics Group plc					
	Final - Apr 95		Final - Apr 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 284,838,000		£ 262,838,000	-0.8%	REV	£ 1,541,240	£ 4,147,187	£ 2,146,559	+39.3%
PBT	£ 835,000		-£ 19,378,000	Profit to loss	PBT	-£ 110,288	£ 415,565	-£ 154,643	loss both
EPS	-0.30p		-8.40p	Loss both	EPS	n/a	11.00p	n/a	n/a
Azlan Group plc				Gresham Computing plc					
	Final - Mar 95		Final - Mar 96	Comparison		Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison
REV	£ 90,488,000		£ 196,459,000	+117.1%	REV	£ 3,803,000	£ 7,895,000	£ 4,579,000	+20.4%
PBT	£ 3,906,000		£ 10,507,000	+169.0%	PBT	£ 521,000	£ 1,281,000	£ 708,000	+35.9%
EPS	12.50p		30.30p	+142.4%	EPS	0.98p	2.36p	1.32p	+34.7%
British Data Management plc				INSTEM plc					
	Final - Jun 95		Final - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 17,042,000		£ 19,831,000	+16.4%	REV	£ 11,205,000	£ 21,324,000	£ 10,740,000	-4.1%
PBT	£ 1,575,000		£ 2,647,000	+68.1%	PBT	£ 577,000	£ 1,244,000	£ 402,000	-30.3%
EPS	3.80p		8.30p	+118.4%	EPS	8.40p	18.10p	5.80p	-31.0%
Capita Group plc				Intelligent Environments Group plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 43,418,000	£ 86,994,000	£ 50,087,000	+15.3%	REV	£ 2,028,000	£ 4,051,000	£ 2,028,000	+0.1%
PBT	£ 4,011,000	£ 9,420,000	£ 4,588,000	+14.4%	PBT	£ 3,000	£ 202,000	£ 35,000	Loss to profit
EPS	5.00p	11.80p	5.50p	+10.0%	EPS	-0.10p	1.00p	0.20p	Loss to profit
Cedardata plc				JBA Holdings plc					
	Final - Mar 95		Final - Mar 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 8,932,000		£ 12,071,000	+35.1%	REV	£ 49,464,000	£ 124,693,000	£ 69,822,000	+41.2%
PBT	£ 3,572,000		£ 4,384,000	+22.7%	PBT	£ 754,000	£ 8,714,000	£ 1,362,000	+80.8%
EPS	7.90p		9.50p	+20.3%	EPS	1.43p	16.31p	2.33p	+62.9%
CFS Group plc				Kalamazoo Computer Group plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Mar 95	Final - Mar 96	Comparison	
REV	£ 1,278,000	£ 2,986,520	£ 1,751,000	+37.2%	REV	£ 60,719,000	£ 66,685,000	+9.8%	
PBT	-£ 66,000	£ 384,675	£ 26,000	Loss to profit	PBT	£ 6,815,000	£ 5,882,000	-13.7%	
EPS	-1.50p	4.77p	1.60p	Loss to profit	EPS	11.80p	10.20p	-13.6%	
Chemical Design Holdings plc				Kewill Systems plc					
	Final - Dec 94		Final - Dec 95	Comparison		Final - Mar 95	Final - Mar 96	Comparison	
REV	£ 410,000		£ 1,811,000	+341.7%	REV	£ 33,687,000	£ 35,242,000	+4.7%	
PBT	-£ 76,000		£ 239,000	Loss to profit	PBT	£ 5,067,000	£ 6,061,000	+19.6%	
EPS	n/a		n/a	n/a	EPS	28.39p	33.70p	+18.7%	
Clinical Computing plc				Learmonth & Burchett Management Systems plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Apr 95	Final - Apr 96	Comparison	
REV	£ 924,000	£ 2,355,178	£ 1,238,000	+33.8%	REV	£ 23,761,000	£ 25,855,000	+8.8%	
PBT	-£ 357,000	-£ 548,832	-£ 573,000	Loss both	PBT	-£ 5,251,000	-£ 539,000	Loss both	
EPS	-2.20p	-3.40p	-3.40p	Loss both	EPS	-24.70p	-2.30p	Loss both	
CMG plc				Logica plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Jun 95	Final - Jun 96	Comparison	
REV	£ 94,859,000	£ 196,484,000	£ 118,816,000	+23.3%	REV	£ 250,135,000	£ 284,810,000	+13.8%	
PBT	£ 8,640,000	£ 18,460,000	£ 11,340,000	+31.3%	PBT	£ 20,310,000	£ 24,710,000	+21.7%	
EPS	8.90p	18.20p	11.40p	+28.1%	EPS	21.70p	27.10p	+24.9%	
Coda Group plc				Lorien plc					
	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison		Interim - May 95	Final - Nov 95	Interim - May 96	Comparison
REV	£ 15,229,000	£ 32,791,000	£ 15,284,000	+0.2%	REV	£ 11,527,000	£ 29,109,000	£ 17,997,000	+56.1%
PBT	£ 993,000	£ 1,030,000	-£ 3,688,000	Profit to loss	PBT	£ 414,000	£ 971,000	£ 600,000	+44.9%
EPS	2.70p	2.50p	-13.90p	Profit to loss	EPS	6.17p	12.10p	7.05p	+14.3%
Compel Group plc				Lynx Holdings plc					
	Final - Jun 95		Final - Jun 96	Comparison		Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 70,019,000		£ 85,620,000	+22.3%	REV	£ 12,605,000	£ 32,018,000	£ 38,133,000	+202.5%
PBT	£ 2,684,000		£ 3,235,000	+20.5%	PBT	£ 741,000	£ 2,564,000	£ 2,069,000	+179.2%
EPS	11.10p		13.00p	+17.1%	EPS	1.27p	4.70p	1.73p	+36.2%
CRT Group plc				M.A.I.D. plc					
	Final - Apr 95		Final - Apr 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 72,782,000		£ 103,282,000	+41.9%	REV	£ 5,782,000	£ 13,842,000	£ 9,584,000	+65.3%
PBT	£ 5,972,000		£ 6,515,000	+9.1%	PBT	£ 408,000	-£ 4,045,000	-£ 3,284,000	Profit to loss
EPS	6.30p		5.70p	-9.5%	EPS	0.33p	-4.42p	-3.68p	Profit to loss
DCS Group plc				MMT Computing plc					
	Interim - Dec 94	Final - Jun 95	Interim - Dec 95	Comparison		Interim - Feb 95	Final - Aug 95	Interim - Feb 96	Comparison
REV	£ 4,007,000	£ 8,694,833	£ 14,335,000	+257.7%	REV	£ 6,442,000	£ 13,957,949	£ 8,255,000	+28.1%
PBT	£ 105,000	£ 609,530	£ 1,204,000	+1046.7%	PBT	£ 1,387,000	£ 3,075,053	£ 2,372,000	+71.0%
EPS	0.88p	5.02p	4.27p	+385.2%	EPS	7.40p	16.30p	13.00p	+75.7%
DRS Data & Research Services plc				M-R Group plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Jun 95	Final - Jun 96	Comparison	
REV	£ 4,269,000	£ 8,488,000	£ 2,918,000	-31.6%	REV	£ 41,429,000	£ 38,361,000	-7.4%	
PBT	£ 512,000	£ 594,000	-£ 363,000	Profit to loss	PBT	£ 1,309,000	£ 4,810,000	+267.5%	
EPS	0.95p	1.33p	-0.72p	Profit to loss	EPS	1.60p	5.70p	+256.3%	
Delphi Group plc				McDonnell Information Systems Group plc					
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Dec 94	Final - Dec 95	Comparison	
REV	£ 83,188,000	£ 175,006,000	£ 100,174,000	+20.4%	REV	£ 148,911,000	£ 146,805,000	-1.4%	
PBT	£ 4,101,000	£ 9,015,000	£ 5,709,000	+39.2%	PBT	£ 7,157,000	-£ 39,420,000	Profit to loss	
EPS	11.70p	25.42p	15.10p	+29.1%	EPS	3.10p	-37.02p	Profit to loss	
Division Group plc				Macro 4 plc					
	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison		Final - Jun 95	Final - Jun 96	Comparison	
REV	£ 2,489,000	£ 4,830,000	£ 3,034,000	+22.9%	REV	£ 25,035,000	£ 25,317,000	+1.1%	
PBT	-£ 1,575,000	-£ 3,893,000	-£ 2,283,000	Loss both	PBT	£ 11,602,000	£ 12,147,000	+4.7%	
EPS	-3.80p	-9.20p	-5.20p	Loss both	EPS	35.20p	37.50p	+6.5%	
Eidos plc				Micro Focus plc					
	Final - Dec 94		Final - Mar 96	Comparison		Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison
REV	£ 254,225		£ 3,706,000	n/a	REV	£ 36,802,000	£ 77,258,000	£ 34,140,000	-7.2%
PBT	-£ 107,623		-£ 1,949,000	Loss both	PBT	-£ 4,470,000	-£ 6,542,000	-£ 9,463,000	Loss both
EPS	-4.16p		-44.60p	Loss both	EPS	-30.00p	-43.60p	-62.20p	Loss both



**Quoted Companies - Results Service**

Note: Shaded = Results announced this month.

Microgen Holdings plc					Recognition Systems Group plc				
	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison		Final - Sep 94	Interim - Mar 95	Final - Sep 95	Comparison
REV	£ 34,868,000	£ 69,029,000	£ 38,291,000	+9.8%	REV	£ 625,000	£ 245,000	£ 669,000	+7.0%
PBT	£ 4,470,000	£ 8,383,000	£ 4,875,000	+9.1%	PBT	£ 6,000	£ 292,000	£ 397,000	Loss both
EPS	7.30p	14.80p	8.00p	+9.6%	EPS	0.00p	-1.40p	-2.10p	Loss both
Microvitec plc					Riva Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Dec 94		Final - Dec 95	Comparison
REV	£ 26,550,000	£ 55,050,000	£ 33,840,000	+27.5%	REV	£ 58,007,000		£ 73,022,000	+25.9%
PBT	£ 1,607,000	£ 3,411,000	£ 1,610,000	+0.2%	PBT	£ 1,610,000		£ 182,000	Loss to profit
EPS	1.47p	3.10p	1.40p	-4.8%	EPS	-1.50p		0.10p	Loss to profit
Misys plc					Rolfe & Nolan plc				
	Final - May 95		Final - May 96	Comparison		Final - Feb 95		Final - Feb 96	Comparison
REV	£ 153,395,000		£ 279,867,000	+82.4%	REV	£ 14,288,000		£ 17,128,000	+19.9%
PBT	£ 26,345,000		£ 50,437,000	+91.4%	PBT	£ 1,512,000		£ 2,517,000	+66.5%
EPS	35.10p		44.00p	+25.4%	EPS	6.70p		12.33p	+84.0%
Moorepay Group plc					Romtec plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison
REV	£ 2,342,152	£ 4,632,538	£ 2,717,248	+16.0%	REV	£ 1,614,000	£ 3,731,000	£ 1,990,000	+23.3%
PBT	£ 666,324	£ 1,142,110	£ 851,417	+27.8%	PBT	£ 105,000	£ 257,000	£ 128,000	+21.9%
EPS	5.88p	10.22p	7.52p	+27.9%	EPS	1.50p	3.60p	1.70p	+13.3%
MSB International plc					Sage Group plc				
	Final - Dec 94		Final - Dec 95	Comparison		Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 18,087,000		£ 38,555,000	+113.2%	REV	£ 50,622,000	£ 102,234,000	£ 71,836,000	+41.9%
PBT	£ 1,417,000		£ 3,420,000	+141.4%	PBT	£ 11,740,000	£ 22,362,000	£ 16,116,000	+37.3%
EPS	1.82p		4.90p	+169.2%	EPS	7.46p	13.88p	9.92p	+33.0%
OmniMedia plc					Sanderson Electronics plc				
	Final - Dec 94		Final - Dec 95	Comparison		Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 124,594		£ 275,275	+120.9%	REV	£ 27,078,000	£ 57,801,000	£ 30,583,000	+12.8%
PBT	£ 421,354		£ 1,023,344	Loss both	PBT	£ 2,805,000	£ 5,305,000	£ 3,317,000	+18.3%
EPS	-3.84p		-6.06p	Loss both	EPS	4.60p	8.80p	5.30p	+15.2%
On Demand Information plc					Sema Group plc				
	Interim - Jan 95	Final - Jul 95	Interim - Jan 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 5,120,000	£ 8,786,000	£ 5,677,000	+10.9%	REV	£ 321,892,000	£ 677,725,000	£ 426,919,000	+32.6%
PBT	£ 1,333,000	£ 3,646,000	£ 1,284,000	Loss both	PBT	£ 16,034,000	£ 36,927,000	£ 19,754,000	+23.2%
EPS	-2.60p	-7.20p	-2.50p	Loss both	EPS	10.47p	24.79p	13.23p	+26.4%
Oxford Molecular plc					Sherwood International plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 2,832,000	£ 6,179,000	£ 4,350,000	+53.6%	REV	£ 13,195,000	£ 26,248,000	£ 11,801,000	-10.6%
PBT	£ 2,112,000	£ 3,693,000	£ 950,000	Loss both	PBT	£ 615,000	£ 8,850,000	£ 705,000	+14.8%
EPS	-4.20p	-7.20p	-1.80p	Loss both	EPS	5.90p	66.20p	5.60p	-5.1%
P & P plc					Spargo Consulting plc				
	Interim - May 95	Final - Nov 95	Interim - May 96	Comparison		Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 171,100,000	£ 341,990,000	£ 179,200,000	+4.7%	REV	£ 3,328,000	£ 7,379,000	£ 4,040,000	+21.4%
PBT	£ 6,200,000	£ 12,574,000	£ 6,500,000	+4.8%	PBT	£ 192,000	£ 902,000	£ 602,000	+213.5%
EPS	5.30p	11.00p	5.80p	+9.4%	EPS	0.90p	4.43p	3.10p	+244.4%
Parity plc					Staffware plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Dec 94		Final - Dec 95	Comparison
REV	£ 61,512,000	£ 127,711,000	£ 76,363,000	+24.1%	REV	£ 2,679,469		£ 4,267,000	+59.2%
PBT	£ 3,069,000	£ 6,540,000	£ 4,303,000	+40.2%	PBT	£ 257,792		£ 536,000	+107.9%
EPS	4.82p	10.34p	6.75p	+40.0%	EPS	1.70p		3.90p	+129.4%
Pegasus Group plc					Superscape VR plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Interim - Jan 95	Final - Jul 95	Interim - Jan 96	Comparison
REV	£ 3,038,000	£ 8,426,000	£ 3,729,000	+22.7%	REV	£ 478,000	£ 1,590,000	£ 1,589,000	+232.4%
PBT	£ 172,000	£ 893,000	£ 511,000	+197.1%	PBT	£ 843,000	£ 1,746,000	£ 897,000	Loss both
EPS	1.80p	10.30p	6.50p	+261.1%	EPS	-14.90p	-30.70p	-13.10p	Loss both
Persona plc					Systems Integrated Research plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - May 94		Final - May 95	Comparison
REV	£ 24,780,000	£ 53,375,000	£ 65,164,000	+163.0%	REV	£ 2,258,320		£ 1,901,000	-15.8%
PBT	£ 1,350,000	£ 2,832,000	£ 2,707,000	+100.5%	PBT	£ 798,139		£ 41,000	Loss both
EPS	6.88p	14.41p	7.78p	+13.1%	EPS	n/a		n/a	n/a
PhoneLink plc					Total Systems plc				
	Final - Mar 95		Final - Mar 96	Comparison		Final - Mar 95		Final - Mar 96	Comparison
REV	£ 2,085,000		£ 4,356,000	+108.9%	REV	£ 2,289,437		£ 2,832,802	+26.4%
PBT	£ 3,702,000		£ 6,711,000	Loss both	PBT	£ 53,516		£ 222,329	+315.4%
EPS	-10.40p		-17.30p	Loss both	EPS	0.34p		1.60p	+370.6%
Proteus International plc					Trace Computers plc				
	Final - Mar 95		Final - Mar 96	Comparison		Interim - Nov 94	Final - May 95	Interim - Nov 95	Comparison
REV	N/A		£ 1,063,000	n/a	REV	£ 9,472,000	£ 19,676,832	£ 10,269,000	+8.4%
PBT	£ 7,925,000		£ 5,395,000	Loss both	PBT	£ 223,000	£ 482,746	£ 50,000	Profit to loss
EPS	-25.47p		-16.49p	Loss both	EPS	1.19p	2.55p	-0.35p	Profit to loss
Quality Software Products Holdings plc					Triad Group plc				
	Final - Dec 94		Final - Dec 95	Comparison		Final - Mar 95		Final - Mar 96	Comparison
REV	£ 16,494,732		£ 21,385,842	+29.7%	REV	£ 6,699,570		£ 11,680,000	+74.3%
PBT	£ 2,512,400		£ 502,697	-80.0%	PBT	£ 1,059,350		£ 2,131,000	+101.2%
EPS	26.90p		5.20p	-80.7%	EPS	3.30p		7.09p	+114.8%
RM plc					Vega Group plc				
	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison		Final - Apr 95		Final - Apr 96	Comparison
REV	£ 33,598,000	£ 80,691,000	£ 45,162,000	+34.4%	REV	£ 12,516,000		£ 16,032,000	+28.1%
PBT	£ 1,041,000	£ 5,023,000	£ 1,322,000	+27.0%	PBT	£ 2,910,000		£ 3,452,000	+18.6%
EPS	4.00p	18.80p	5.00p	+25.0%	EPS	13.49p		16.16p	+19.8%
Radius plc					Virtuality Group plc				
	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison		Final - Dec 94		Final - Dec 95	Comparison
REV	£ 13,424,000	£ 26,052,000	£ 13,934,000	+3.8%	REV	£ 9,126,000		£ 12,779,000	+40.0%
PBT	£ 835,000	£ 1,809,000	£ 1,006,000	+20.5%	PBT	£ 1,397,000		£ 565,000	Loss both
EPS	1.96p	4.37p	2.40p	+22.4%	EPS	-5.30p		-2.10p	Loss both
Real Time Control plc					Wakebourne plc				
	Final - Mar 95		Final - Mar 96	Comparison		Final - Dec 94		Final - Dec 95	Comparison
REV	£ 13,463,000		£ 11,903,000	-11.6%	REV	£ 35,336,000		£ 38,714,000	+3.9%
PBT	£ 1,782,000		£ 2,207,000	+23.8%	PBT	£ 1,865,000		£ 3,384,000	Profit to loss
EPS	20.00p		20.80p	+4.0%	EPS	5.70p		-12.20p	Profit to loss
Rebus Group plc					Xavier Computer Group plc				
	Final - Mar 95		Final - Mar 96	Comparison		Final - Dec 94		Final - Dec 95	Comparison
REV	£ 56,963,000		£ 60,041,000	+5.4%	REV	£ 1,193,277		£ 1,201,884	+0.7%
PBT	£ 6,535,000		£ 1,969,000	-69.9%	PBT	£ 63,176		£ 70,472	+11.5%
EPS	5.85p		0.33p	-94.4%	EPS	n/a		n/a	n/a
Oracle boosted its services revenues by 45% to \$462m or 44% of total sales in Q1 against a "mere" 36% growth overall. Europe was still an underperformer.					Zergo Holdings plc				
	Final - Apr 95		Final - Apr 96	Comparison		Final - Apr 95		Final - Apr 96	Comparison
REV	£ 7,074,520		£ 8,483,877	+19.9%	REV	£ 7,074,520		£ 8,483,877	+19.9%
PBT	£ 12,769		£ 214,693	Profit to loss	PBT	£ 12,769		£ 214,693	Profit to loss
EPS	n/a		n/a	n/a	EPS	n/a		n/a	n/a



## UK M&A

**Text Systems** has completed a £7.1m "Bimbo" backed by The Royal Bank of Scotland. Southampton dealer **Peregrine Techsoft Associates** has gone into liquidation. **Quantec Computer Services International** has called in the receivers. PC repairer **4th Party Services** has gone into liquidation.

Another **AppleCentre** has failed - this time the Swansea operation. They reported a loss of £1K on revenues of £3.5m in the year to 30th June 95. According to *MicroScope* (11th Sept. 96), **Das Securities** was interested in buying Swansea but pulled out at the last minute. A spokesman said "we are looking to acquire five *AppleCentres* in the UK in strategic locations and have the funds in place".

Maurice Saatchi's venture - **Megalomedia** - has acquired a 11% stake in **Webmedia** (incl. **Netnames Ltd** and **Webdevelopment Ltd** - at least we do not have to explain what they do!) for £201K and 222K *Megalomedia* shares (i.e. about £440K in total). Of course *Webmedia* made a loss of £70K on revenues of £383K last year - but what do you expect of an Internet company?

Peter Rigby's **Specialist Computer Services** has acquired **Hugh Symons Data Preparation** and its 20 staff. **Sanderson Electronics** has acquired Australian **Wacher** for £3.5m. *Wacher* provides health insurance, freight forwarding, local government, finance and distribution software.

### Anite Exclusive!

Last month we basked in our worldwide exclusive on **Cray Electronics'** change of name to **Anite** and our detailed analysis of the new structure. We also confidently predicted the sale of the US operations. And, quite amazingly, *Anite* this month announced the sale of **Cray Communications Inc.** to **Osicom Technologies** for \$14m (\$11m cash - rest in *Osicom* shares). Seems like a good deal considering that *Cray Inc.* lost \$3.8m last year! Mind you we did think that CEO Jon Richards was pushing it a bit in his fax congratulating us on our amazingly accurate predictions following our meeting with him the previous week.

### Comino makes another investment

**Comino Group** was formally known as **BCS Ltd.** *BCS* was the IT investment vehicle set up by Mike Brooke (of *MBS* and *Azlan* fame) and Gordon Skinner (*MBS* and *TIS*). They have made a number of investments to date; like fashion software house **Prologic** and housing association systems provider **Context**. They have also disposed of investments in loss-making **IT Professional** (to *Radius* - see p8).

In Apr. 96 *BCS* became *Comino* and VC shareholders (total 38%) now include **Questor** and **Abingworth**.

This month *Comino* have taken a 65% stake in electronic document management and workflow company, **ISE Ltd.** The companies in the *Comino* Group now have revenues of around £10m p.a.

Finance Director Paul Clifford says "we are still seeking acquisition/merger opportunities with a view to a listing in 1997/98".

After the acquisitions of several software games developers, **BCE** is changing its name to **Rage Software** and moving from the *USM* to a full listing.

### Digital Computer Services appoints receivers...

There cannot be a reader who is not aware of our warnings - which started in our very first edition back in 1989 - of the terminal decline of the *TPM* market. We have since reported on the demise of so many...*DCM*, *SRH* et al.

This month we are very sad (sad, in particular, because they have been a long term *System House* subscriber) to report that **Digital Computer Services** (*DCS*) has appointed the receivers. The last accounts we had were for the year to 31st Oct. 94 when *DCS* lost £207K on revenues of £13.6m. *KPMG* are trying to secure some future for the 240 staff.

*DCS* had been valiantly trying to move into other areas like helpdesks but, as readers will know, changing the profile of an ailing business is no easy matter. Back in May 96 *DCS'* sales director was reported as saying "some competitors are charging about £25 per PC per year - we can't go below £75 per PC because we don't make a profit". That perhaps says it all!

### ...and is snapped up by 4Front??

We featured **4Front** last month as a still quite rare *NASDAQ*-quoted UK company (98% of revenues are generated in the UK). They raised \$20m by the IPO and last month bought UK distributor **Hammer** for £1.85m.

As we go to press this month, *4Front* is the lead contender to secure a deal with the receiver for the remnants of *DCS*. We say "remnants" as *DCS'* largest deal with the *BBC* seems to have already been lost to *Compel*.

...indeed what is a failed *TPM* worth? The contracts and staff disappear within days leaving a pile of unwanted, but grossly overvalued, spares.

### Other TPMs

**Technology House** (which acquired the contract base of *DCM* from the receivers in May 96) has acquired **Buxhall Computing**. *Buxhall* maintains networks and has revenues of £1m.

### British Data Management sold

As predicted last month, **British Data Management** has been acquired by **Mentmore Abbey** for £42.6m or 170.6p per share. The deal was at a discount to the market price but had been drawn up in anticipation of *BDM'*s disappointing results for the year to 30th June 96 which showed *PBT* of £2.64m against forecasts of £4m - £1.6m last time. Revenues increased by 16% to £19.8m - so the valuation is over twice revenues and an exit *P/E* of c20! We had been uneasy about the inclusion of *BDM* in our *SCSI* Index - they basically provide safe storage for data and computer records. So we will not be unhappy to delete them from henceforth; even though they have shown that you don't have to build software product to get lofty valuations.

### Capita acquires RAS

**Capita** won the race to acquire **Recruitment and Assessment Services Ltd** (*RAS*) from **HM Govt.** for £7.25m. *RAS* had revenues of £9.7m and "a surplus on ordinary activities of £683K" in the year to 31st Mar. 96. *RAS* provides recruitment services to the Civil Service. It is expected to make "a positive contribution to *Capita's* 1997 earnings".

*Capita* also announced a placing to raise £7.4m at 400p a share. It was well received and *Capita* ended Sept. 96 up 19% at 421p. *BZW* has amended its forecasts for *FY96* marginally upwards to a *PBT* of £11.8m.



### ***We bid you a fond good bye***

Of course we all knew it was going to happen years ago. One of the oldest established names on the UK computing services scene was going to go the same way as Systems Designers, CAP, Software Sciences, SCICON et al. We understand that the reluctance to make the ultimate sacrifice and dispense with the **Hoskyns** name in favour of **Cap Gemini UK plc** was such that eventually tempers frayed.

Hoskyns has also implemented a new vertical organisation covering the Telecoms, Pharmaceutical, Travel & Tourism and Insurance sectors. Again an organisation which was first announced in 1993 but until now had remained unimplemented.

The Cap Gemini Group also announced a 21.6% increase in revenues to FF6.68b, a 6.1% increase in operating profits to FF406m and net profit of FF136m "2.7 times higher than for the first half of 1995".

All aspects of outsourcing did well with a 35% growth in Application Management and a 86% growth in Distributed Computing Services (desktop outsourcing?) "Forecasts for the second half of the year confirm this improved trend".

#### ***A personal note***

As many readers know we joined Hoskyns back in the 1960s and spent many years at the group ending up as the Group Marketing Director. The name Hoskyns - and indeed Sir John himself - has a very special place in our affections. But nostalgia has no place in the world today... either for us or Cap Gemini UK.

We were, however, greatly amused at the way the name change was handled. On 28th Aug. we were invited (like all the other press) to a conference on 11th Sept. "to mark one of the most significant and far-reaching announcements in the 30 year history of **Hoskyns**". A remarkably strange way of announcing the demise of the very same name! This announcement was to be embargoed until 16th September.

At the same time we received prior announcement that all Hoskyns e-mail addresses would change from xxx@hoskyns.co.uk to xxx@capgemini.co.uk. This news was *not* embargoed.

### ***DRS - "somewhat short of the mark"***

**DRS** was a new issue in Apr. 94 at 110p. It launched on the expectation that schools would buy its optical mark reading systems with grants from HM Govt. But these grants were withdrawn soon afterwards and DRS shares crashed to a low of 20p.

Latest results for the six months to 12th July 96 showed revenues down from £4.27m to £2.9m and a loss before tax of £363K (PBT £512K last time). DRS had little choice but to try to move out of the education market which now accounts for "only about a quarter" of its business. The new markets are health, survey research, local government and financial services. Shareholders will be encouraged (?) that "substantial new business has been achieved in Taiwan with examination processing and in Sierra Leone with electoral registration".

"There is still some way to go but despite the difficulties of current trading, we are making good progress". DRS shares ended Sept. up 6% at 28p.

### ***Trace Computers issues warning of loss***

New issues disappointing the market are hardly a new phenomenon. **Trace Computers** floated in June 1989 at 125p after declaring PBT of £1.7m to 31st May 89. The performance since has been nothing short of disastrous and the shares had fallen to a low of 12p.

This month Trace issued a statement warning of a pre tax loss of "about £855K" in the year to 31st May 96. Indeed it could be even worse as they are also looking at the balance sheet carrying values of certain fixed assets. The long anticipated garage sale has commenced. The distribution arm - **Proteus** - which was apparently making a loss before interest of over £180K, has been sold in what looks like an MBO for £525K. Long standing directors Zig Levy and Derek Webb have fallen on their swords and John Perry has taken over as exec. Chairman. He takes over from Mr. Careful who had the dubious honour of using the "confidence" word in every Chairman's statement - whether reporting losses, declines in earnings or whatever. Perhaps wisely, the new Chairman was "unavailable for comment". C Clarke and R Wolfe, who own over 50% of the equity, "stay on the board as executive directors to oversee the restructuring process". Trace, like other companies such as Total, just should not be quoted companies in the first place.

### ***Radius - Still going round in circles and going nowhere***

**Radius** is one of those UK quoted SCSI companies that have been around for a very long time, are involved in lots of different types of business, have completed a multitude of acquisitions and, bluntly, never seem to be going anywhere. In our decade reporting Radius, we alternate between reporting losses and recovery all too frequently. *Indeed EPS was higher in 1986 than 10 years later!*

Although latest results for the six months to 30th June 96 show PBT up 20% at £1m and EPS up 22%, revenues were up a very modest 4% at £13.9m. Indeed both revenues and profits from continuing operations declined.

The main acquisition in Jan. 96 was of **IT Professional** (see Comino p7) - which is not an IT staff agency, but supplies computer systems to professional accountants etc. IT Professional had been making losses on its c£1m revenues and indeed had negative net assets and a £300K overdraft when Radius stepped in. The unit, now combined with the existing Radius Professional, "is performing well in what has traditionally been a difficult market".

The Commercial division is associated with a wide range of application software products. This division had contributed to licence sales increasing 40% in 1995; which had fuelled a rise in Radius share price to 84p. But "the improvement in revenues which we reported at our year end has not been sustained". Local Govt. business has been "steady" and Radius is still working on initiatives to improve performance in computer maintenance.

The Retail and Print businesses, where US revenues now account for 25% of total revenues, "both performed well". Chairman Mike Roberts "looks forward to being able to report another period of considerable progress at our year end". The market was less optimistic and marked Radius shares down with a 5% fall in Sept. to 64p.



There was no change in our SCS Index this month. Of course that covered some major changes in individual shares. **Coda** is staging another recovery - up 26% at 134p - still 100p lower than its new issue price. **Virtuality** was up 23% and **Capita** put on 19% on "Buy" notices and winning RAS. Last month's AIM newcomer, **Chemical Design**, is now up 68% on its issue price! **LBMS** continued its headlong plunge - down another 24%. That's 72% lower on the year so far. *So much for the rejuvenating powers of the new US management!* **Phonelink** was also down 21%. **Note: Our SCS Index was compiled early this month - on 24th Sept. See our web page for later update.**

24th Sept 96		SCSI Index		2762.85
SCSI Index = 1000 on 15th April 1989		FTSE 100		3910.50
		FTSE SmallCap		2175.42
Changes in Indices		CSI Index	FTSE 100	FTSE Small Cap
Month (27/8/96 - 24/9/96)		+0.00%	+0.12%	+0.76%
From 15th Apr 89		+176.29%	+90.42%	
From 1st Jan 90		+200.28%	+65.56%	
From 1st Jan 91		+290.30%	+81.01%	
From 1st Jan 92		+164.42%	+56.85%	
From 1st Jan 93		+73.37%	+37.38%	+56.80%
From 1st Jan 94		+65.48%	+14.40%	+16.41%
From 1st Jan 95		+84.29%	+27.56%	+24.57%
From 1st Jan 96		+22.33%	+6.00%	+12.05%

## System House SCSI Share Prices and Capitalisation

	Share Price 24/9/96 (£p)	Capitalisation 24/9/96 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 24/9/96	Share price % move since 27/8/96	Share price % move in 1996	Capitalisation move (£m) since 27/8/96	Capitalisation move (£m) in 1996
Action Computer	£1.31	£42.00m	Loss	39.25	62.55	-10.92%	-11.82%	-£5.10m	£36.84m
Admiral	£3.23	£202.20m	33.0	3.09	11674.35	-0.31%	96.95%	-£0.60m	£100.80m
AFA Systems	£1.51	£15.00m	n/a	n/a	1254.17	2.03%	25.42%	£0.30m	£3.02m
Azlan	£7.38	£201.30m	24.4	1.02	3206.52	-1.01%	46.04%	-£2.10m	£65.50m
British Data Management	£1.68	£41.90m	20.1	2.11	1340.00	-6.16%	35.08%	-£2.70m	£10.90m
Capita	£4.21	£245.90m	34.8	2.83	12642.64	19.09%	47.72%	£47.20m	£85.40m
Cedadata	£1.97	£60.10m	20.7	4.98	1871.43	-3.44%	18.37%	-£2.20m	£9.30m
Chemical Design	£1.85	£12.70m	58.4	7.02	1681.82	15.99%	68.18%	£1.80m	£5.17m
Clinical Computing	£0.46	£7.74m	Loss	3.50	366.94	2.25%	46.77%	£0.17m	£2.72m
CMG	£6.85	£437.30m	30.7	2.23	2362.07	3.40%	108.21%	£14.40m	£227.30m
Coda	£1.34	£35.60m	53.6	1.09	570.21	25.82%	-37.38%	£6.70m	-£20.50m
Compel	£2.05	£31.20m	15.1	7.80	1636.00	0.99%	8.20%	£0.30m	£2.40m
CFS	£1.20	£8.84m	16.4	2.96	1327.78	1.70%	40.59%	£0.14m	£4.67m
Cray Electronics	£0.35	£81.80m	Loss	0.31	201.75	-5.48%	-16.87%	-£4.70m	-£17.80m
CRT	£2.41	£328.30m	42.3	3.18	2672.22	9.07%	109.13%	£178.60m	£250.70m
DCS Group	£1.90	£36.40m	29.7	4.19	3158.33	-3.56%	152.67%	-£1.90m	£22.20m
Delphi Group	£5.45	£139.00m	19.0	0.79	2242.80	4.21%	47.30%	£5.60m	£45.00m
Division Group	£0.71	£30.90m	Loss	6.40	1762.50	-12.42%	-38.70%	-£4.40m	-£19.60m
DRS Data & Research	£0.28	£9.58m	21.1	1.48	254.55	5.66%	12.00%	£0.52m	£1.03m
Eidos	£6.65	£87.70m	Loss	23.64	6650.00	-6.01%	-4.04%	-£5.60m	£33.00m
Electronic Data Processing	£0.77	£20.00m	11.1	1.59	2342.31	1.32%	-34.05%	£0.20m	-£10.40m
FI Group	£4.05	£120.30m	35.3	1.53	1723.40	3.58%	72.34%	£4.20m	£50.50m
Firecrest (suspended)	£0.45	£10.50m	19.0	1.59	1112.50	-17.59%	-63.52%	-£2.20m	-£9.80m
Flomerics	£2.15	£5.51m	19.5	1.33	1653.85	2.38%	14.36%	£0.13m	£0.70m
Gresham Computing	£0.66	£21.80m	28.0	2.76	709.68	-1.49%	57.14%	-£0.10m	£8.10m
INSTEM	£1.75	£8.05m	11.1	0.38	1750.00	-2.23%	1.16%	£0.00m	£0.26m
Intelligent Environments	£0.70	£15.70m	50.5	3.93	744.68	0.72%	-25.53%	£0.20m	-£5.33m
JBA Holdings	£5.20	£177.30m	31.0	1.42	3250.00	6.12%	32.99%	£10.20m	£44.00m
Kalamazoo	£1.23	£35.30m	13.5	0.53	3500.00	-2.39%	6.52%	-£0.80m	£12.90m
Kewill	£4.57	£56.60m	13.5	1.61	1804.35	0.22%	30.06%	£0.10m	£13.10m
Learmonth & Burchett	£0.80	£20.40m	Loss	0.79	666.67	-23.81%	-71.93%	-£6.40m	-£51.70m
Logica	£7.22	£457.40m	26.2	1.61	1976.71	5.87%	57.19%	£25.30m	£170.10m
Lorien	£3.43	£38.00m	26.6	1.31	3425.00	12.30%	65.46%	£3.20m	£26.20m
Lynx Holdings	£0.77	£73.70m	16.3	2.30	1912.50	-4.97%	9.29%	-£3.80m	£7.10m
Macro 4	£5.10	£105.60m	13.6	4.17	2056.45	-1.45%	20.57%	-£1.50m	£18.50m
MAID	£2.94	£269.10m	Loss	19.73	2668.18	-2.81%	27.06%	-£7.80m	£57.30m
McDonnell IS (MDIS)	£0.60	£60.00m	Loss	0.41	230.77	-11.76%	46.34%	-£8.00m	£19.50m
Micro Focus	£8.40	£126.80m	Loss	1.64	4057.97	12.37%	48.67%	£13.90m	£41.50m
Microgen	£1.49	£58.70m	10.1	0.85	634.62	4.21%	-17.04%	£2.40m	-£12.00m
Microvitec	£0.33	£25.60m	10.9	0.47	810.98	-12.50%	-32.14%	-£3.40m	-£11.50m
Misys	£8.56	£726.30m	19.5	2.59	2128.11	1.06%	50.09%	£9.30m	£248.60m
MMT	£5.33	£62.30m	26.2	4.46	3169.64	12.11%	116.46%	£6.70m	£33.50m
Moorepay	£2.30	£17.50m	19.7	3.78	2771.08	-2.13%	45.57%	-£0.30m	£5.50m
MR Group	£0.90	£50.20m	15.8	1.31	357.14	4.65%	28.57%	£2.20m	£11.10m
MSB International	£2.50	£50.70m	20.7	1.31	1313.16	1.22%	31.32%	£0.60m	£12.10m
OmniMedia	£0.34	£8.37m	Loss	30.44	453.33	-20.00%	-47.69%	-£2.13m	-£3.23m
On Demand	£1.40	£78.90m	Loss	8.75	1788.46	7.31%	7.31%	£5.30m	£10.60m
Oxford Molecular	£3.24	£196.70m	Loss	31.83	4043.75	-6.50%	21.62%	-£13.70m	£59.00m
P&P	£1.51	£121.90m	14.4	0.36	677.13	7.47%	-0.66%	£8.50m	£0.90m
Parity	£3.01	£126.80m	24.6	0.99	16694.38	3.62%	71.71%	£4.40m	£52.90m
Pegasus	£3.78	£23.80m	25.3	3.70	1028.61	-7.36%	79.76%	-£1.90m	£10.60m
Persona	£3.02	£74.80m	25.3	1.40	1884.38	-2.60%	6.16%	-£2.00m	£40.40m
Phonelink	£0.74	£35.50m	Loss	8.14	474.19	-20.97%	-61.32%	-£9.40m	-£40.40m
Proteus	£0.49	£26.90m	Loss	25.38	583.33	-2.00%	-59.17%	-£0.60m	-£12.30m
Quality Software	£2.23	£28.90m	43.1	1.35	585.53	2.30%	-66.08%	£0.60m	-£52.40m
Radius	£0.64	£17.70m	13.1	0.68	460.14	-5.22%	19.81%	-£1.00m	£3.00m
Real Time Control	£1.91	£13.40m	9.2	1.13	3897.96	-0.52%	7.91%	£0.00m	£1.00m
Rebus	£0.76	£55.30m	230.3	0.92	863.64	-15.08%	-13.64%	-£9.90m	-£10.70m
Recognition Systems	£0.83	£22.30m	Loss	33.28	1178.57	-13.16%	17.86%	-£3.30m	£3.40m
Riva	£0.26	£7.70m	255.0	0.11	181.23	10.87%	-12.07%	£0.75m	-£1.06m
RM	£6.28	£111.70m	31.2	1.38	3585.71	4.15%	47.30%	£4.50m	£40.00m
Rolle & Nolan	£3.78	£47.20m	30.6	2.76	4494.05	8.63%	40.33%	£3.80m	£13.60m
Romtec	£0.98	£5.04m	22.9	1.53	1560.00	5.41%	56.00%	£0.26m	£1.76m
Sage Group	£4.62	£495.70m	28.3	4.85	17769.23	7.07%	42.15%	£32.70m	£148.30m
Sanderson Electronics	£1.51	£66.70m	16.2	1.15	2561.70	5.99%	5.99%	£7.60m	£8.10m
Sema Group	£7.99	£886.10m	31.4	1.31	2511.01	8.27%	48.97%	£67.70m	£384.40m
Sherwood	£2.00	£17.20m	12.1	0.66	1666.67	-9.09%	8.11%	-£1.70m	£1.30m
Spargo Consulting	£1.61	£20.10m	24.1	2.72	1689.47	2.56%	11.46%	£0.50m	£2.10m
Staffware	£2.78	£32.10m	71.2	7.52	1233.33	4.13%	23.33%	£1.20m	£6.05m
Superscape	£4.53	£38.00m	Loss	23.90	2285.35	-2.69%	5.72%	-£1.10m	£2.00m
Systems Integrated	£0.65	£8.71m	n/a	4.58	565.22	-19.25%	-43.48%	-£2.09m	-£6.69m
Total	£0.31	£3.05m	19.0	1.06	575.47	-6.15%	45.24%	-£0.20m	£0.95m
Trace	£0.26	£3.60m	10.1	0.18	204.00	13.33%	-36.25%	£0.43m	-£2.00m
Triad	£2.01	£50.50m	28.3	4.32	1485.19	-1.96%	48.52%	-£1.00m	£16.50m
Vega Group	£3.43	£49.00m	21.3	3.06	2807.38	1.48%	-4.33%	£0.70m	-£2.20m
Virtuality	£2.08	£61.20m	Loss	4.79	1220.59	23.15%	-16.67%	£11.50m	-£7.80m
Wakebourne	£0.24	£5.36m	Loss	0.15	130.56	-14.55%	34.29%	-£0.91m	-£1.37m
Xavier	£0.10	£5.23m	Loss	4.36	1000.00	-9.09%	0.00%	-£0.52m	£0.01m
Zergo	£2.70	£24.90m	n/a	2.94	2769.23	14.89%	58.82%	£3.20m	£9.20m

**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.





We just happen to think that **JBA Holdings** is one of the unsung heroes of our industry. They are making nearly 70% of their revenues from outside the UK - indeed over 50%

(£36.7m) from America. They have boosted profits and earnings so consistently that Holway gave them a rare and much sought after **Boring Award**. They were one of the rare new issues of the class-of-1994 which did not disappoint. Indeed, launched in June 94 at 162p, the share price closed Sept. 96 on 520p. Initially many observers were concerned at their strong reliance on the IBM AS/400 market. But this market has continued to show "strong growth". In turn, "UNIX sales contributed 16% of software product sales".

Latest results for the six months to 30th June 96 were as boringly excellent as we had expected. Revenues were up 41% at £69.8m, PBT was up 81% at £1.36m and EPS up 63%. "Fully expensed R&D" rose by nearly £2.4m to £8.75m in the six months. The 1.9% profit margin looks a bit pathetic but JBA makes almost all of its profit in the second half.

"All classes of revenue increased strongly" but we (as you might expect by now!) were most impressed with the 67% increase in professional services revenues. Indeed services and support now account for around 50% of revenues with product licences accounting for "just" 25%. A year ago Chairman Alan Vickery wrote us a letter expressing his frustration with JBA's media coverage (excepting in *System House* of course!). JBA is indeed one of a rare breed of UK-owned and managed software houses which have really shown how to do it on the international stage. Vickery reckons he will double revenues by 2000.

It is indeed about time for others to take note.

### Sherwood International

**Sherwood** has had a chequered history but always seems to be able to stage a recovery...again and again.

Although latest results for the six months to 30th June 96 show revenues down 11% at £11.8m, PBT increased by 15% to £705K but EPS was down 5%.

That is both a misleading and confusing tale. So much has changed in the period. It formed a JV with ICL's CFM, it sold CityDeal, it bought Beta Computers etc. Indeed revenues from continuing operations increased by 7% to £11.8m and operating profit was up 73%.

In the last six months Sherwood has formed an alliance with Oracle to develop/market the AMARTA Life and Pensions system - that has resulted in R&D more than doubling to £1.1m. "The board is confident of generating growth over the medium term".

Sherwood has seen its shares fall by 9% to 200p in Sept. 96.

### Flomerics forecasts "continued growth in earnings"..as losses increase

**Flomerics** provides software to predict fluid flow and heat transfer. They were a new AIM issue in Dec. 95 at 110p since when the share price has risen by a pretty impressive 95% to end Sept. 96 on 215p.

Maiden results for the six months to 30th June 96 were "in line with directors' expectations". Revenues were up 39% at £2.1m but with increased losses of £155K (loss £110K last time).

Flotherm is due for release in Q4 and "the board continues to see good prospects for continuing growth in revenues and earnings". This seems a rather confusing statement when you have just reported increased losses. David Mann (ex-Logica) is non-exec. Chairman. He has also just joined the board of **Druid Group** - of which more next month!

## SEMA GROUP

Results from **Sema Group** for the six months to 30th June 1996 were excellent. Revenues were up 33% at £427m, PBT (excluding, as usual, disposals) was up 23% at £19.8m and EPS advanced 26%.

Outsourcing was the real star. Revenues grew organically by 40% in the period "mainly in the UK (TSB and DSS), Sweden (LFAB, a large insurance company) and the Far East (Standard Chartered Bank)".	Sema Group - 1st half 1996	Revenue by source	% growth
	United Kingdom	£166.7m	25.2%
	France	£88.1m	21.0%
	Scandinavia	£78.3m	18.5%
	Spain	£23.1m	30.5%
	Germany	£18.5m	-2.1%
	Benelux	£11.7m	12.5%
	South-East Asia	£10.4m	271.4%
	<b>Total, excl TSFM</b>	<b>£396.8m</b>	<b>23.3%</b>
	TSFM	£30.1m	
	<b>TOTAL</b>	<b>£426.9m</b>	<b>32.6%</b>

On top of that, a further £30m was added by the TSFM SA acquisition. Therefore outsourcing revenues grew by 67% to £173.8m in the period - representing 41% of total revenues. Systems integration at £227.8m (or 53% of the total) is still the largest activity but grew by a more modest 15.8%. Products are now just 6% or £25.3m of the total. The UK was once again the star performer. In contrast revenues from Germany declined by 2%.

We have reported before on the success of the £99m rights issue to fund the £55m purchase of Syntax in July. After the CGS share disposal, 53% of Sema's shares are now quite widely spread amongst institutions and private individuals. We suspect that French and UK shareholdings are roughly equal; which makes it even more vital that a UK executive gets onto the Sema board.

Future prospects look excellent. Order books are now c£1 billion - up 31% on a year back. Sema's Chairman says he "looks forward to the full year and beyond with confidence". Although we have heard that phrase from so many other Chairmen before, we suspect that Sema's future is indeed bright.

### CFS Group continues to cause concern

**CFS Group** worries the hell out of us. The amount of R&D capitalised in the development of their CreditLine software has exceeded profits every year.

In the six months to 30th June 96 we know that revenues increased by 37% to £1.75m, PBT was £26K (loss £66K) and EPS 1.6p. We also know that a net £42K was added to the "developed software" total on the Balance Sheet - i.e. yet again they would have made a loss without this artificial accounting aid. Intangible assets are now £1.94m. Chairman Alex Stein is "confident that this year will show a satisfactory return". Given the revenue increase this might just well be correct. But we will await real tangible profits before we are convinced.



### Romtec "AIMing high"

Romtec is (as far as we are aware) the only IT market research company with a UK Stock Exchange quote. They were a new AIM issue in Apr. 96 at 62.5p and have performed very well since - ending Sept. 96 up 5% at 97.5p.

Maiden results for the six months to 31st July 96 showed revenues up 23% at £1.99m, PBT up 22% at £128K and EPS up 13%. But we were a little concerned that only half the £54K AIM float costs had been taken in the H1. PBT would have declined if they had taken that on the chin. Regardless, the all important operating profits were up 49% at £143K.

The launch of the Global Research Network of like-minded research companies and the opening of a Paris office, were key events in the period. Romtec's brokers Durlacher forecast PBT (after AIM launch costs) of £330K - a forward P/E of 17.7.

We are sure that our subscribers like Ovum will be watching Romtec's record with particular interest.

### Pegasus marriage still not consummated

As we write, the Sage £27m/420p bid for Pegasus is still unresolved. Pegasus, however, unveiled revenues up 23% at £3.7m, PBT up (from a pre exceptional) £95K last time to £511K and EPS (on the same basis) up from 0.8p to 6.5p in the six months to 30th June 96.

Much in their favour "annual licence fees and other service revenues...now account for 33% of total revenues". You may remember that when Hubbard-Ford took the helm the previous management did not have too much empathy with this revenue source - i.e. it was zero. Even so, we should point out that Sage makes 50% of its revenues from such recurring services revenues - in our view the key reason for Sage's incredible success record.

**Comment** We have oft-expressed our concern about the Sage bid for Pegasus. *Why do they need it?* They have all the software in this market position they could need, particularly after the Multisoft purchase. To pay over the odds for Pegasus does not seem all that sensible. It would, in our view, be much more sensible to extend into the higher echelons with a purchase of a Coda or even, dare we suggest, a QSP.

If Sage withdraw their bid, we wonder who else might value Pegasus at such a high price. If we were Hubbard-Ford we would conclude the deal before it evaporated.

### M-R Group turning "prospects into reality"

M-R Group provides document management systems - well, OK, computer output on microfiche (COM) forms the majority of their revenues.

Results for the year to 30th June 96 show revenues down £3m at £38.36m, PBT up from £1.31m to £4.81m and EPS up 256%.

The results last time were, however, struck after a £2.84m exceptional restructuring charge.

M-R Group's record has been pretty depressing of late - as shown in the chart. But changing the profile of a business where your major market is in decline is no easy matter.

If the profits recovery is looked at in that light, it is commendable. The new Chairman - Colin Haylock - says "we are now well positioned in our marketplace - but we must now turn prospects into reality". We are encouraged by that common sense attitude.

### Macro 4 still going nowhere

We usually give at least a half page write up to the full year results of main market quoted SCSI companies. But, to be honest, we are so frustrated and downright bored with Macro 4 that we just can't waste the space.

We will just report that this near 30 year old UK-owned software house continues to waste all the opportunities it had, due to its inability both to understand the market and have the courage to do anything about it. Latest results for the year to 30th June show revenues static at £25.3m - they would have declined by 2.5% had it not been for the acquisition in Oct. 95 of Primary Systems which added £921K revenue in the period. PBT was up 4.7% at £12.15m and EPS up 6.5%. Cash balances were static at £17m - after the completely wasted £4.6m share repurchase programme. *But, OK, so we know that's still a massive 49% profit margin.*

Despite this, Chairman Terry Kelly was "pleased to report another year of improved financial performance, despite some localised difficulties". Why do shareholders let Chairman get away with such comments?

On the day Macro 4 announced their results in Sept. 93, the share price was 663p - by the end of Sept. 96 it had fallen to 510p. Conversely, our SCSI Index has risen by 60% in the same three years.

Quite bluntly, if Kelly and his old team cannot hack it in the new world, perhaps someone should put the shareholders out of their misery.

### Outsourcing grows at Serco

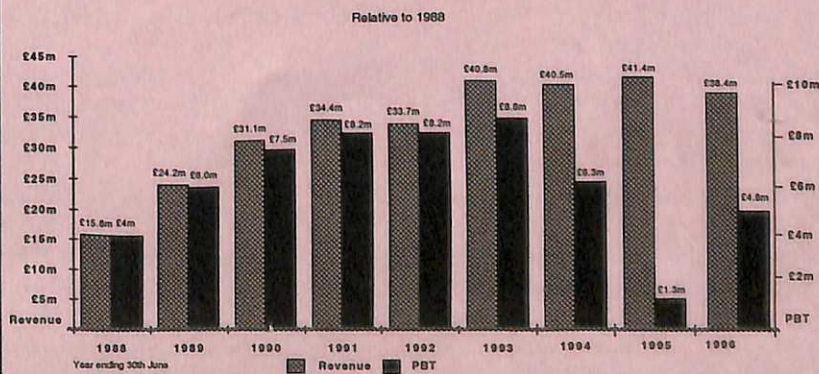
Serco is an outsourcing company - the problem is that much of its outsourcing activities are unrelated to IT. The opportunity is that this seems to be the direction in which many IT FM operations wish to move.

Anyway, latest results for the six months to 30th June 96 show revenues up 25% at £187.8m, PBT up 20% at £8.8m (an ever lower 4.7% margin) and EPS up 20%. Chairman George Gray has just joined the board of Misys as a no-exec. He will learn that these kind of margins are unacceptable in the Lomax camp.

### On Demand Information soars

On Demand Information, a new issue three years back in 1993 at 78p, saw its share price rise - at last - to 140p this month. They have signed a series of multimedia production contracts with BBC, IBM and H-P and major Intranet development contracts with BT and Shell worth £1m+.

### MR Group plc Nine Year Revenue and PBT Record





## The Labour Party...and CGT

Our long running campaign to get the Capital Gains Tax rules changed, so that short termism is taxed highly, but the long term holding of shares might even be tax free, took a new turn this month. As readers know, the Tory Party completely rejected the proposals.



However, they found support at the CBI and, after a call to us from Gordon Brown's office, found their way into Labour's policies.

Our mail bag on the topic is both large and mixed. Our *company owner* subscribers are 110% in favour - our City subscribers are 110% against. Now the National Association of Pension Funds has dismissed the scheme as unworkable - one suspects because they fear their current exemption from CGT may be replaced by a short term gains tax. The CBI also back tracked on their support. The City's fear is that such a tax would inhibit share dealing volume and, anyway, anyone with a clever accountant would get around the tax.

In other words, the City fears it would be bad for its business with not a shred of concern about the benefits for the UK companies it is meant to exist to support.

*So, Mr. Brown, stiffen the sinews, summon up the blood and, just for once, stick to your policies regardless.*

## The Labour Party...and worker directors

The Labour Party hosted a high profile conference for business leaders this month. One of their proposals was the co-opting of worker directors.

The Financial Times (5th Sept. 96) quoted "Mr. Michael Chivers of **Bull Information Systems** saying that Labour was still not listening to businessmen over the issue. *Business doesn't want it at all!*"

You should all take note. Bull is one of the very few IT companies to have a number of both worker and union directors on the board. We have heard the anecdotes and, at least in their situation, it does not seem to have been a success (*to say the least!*)

But we still wonder how Chivers high profile comments were greeted at board level!

## Internet access providers for the very brave

We think that Internet access providers - there are over 100 in the UK market alone - will not survive in the longer term. But that doesn't mean there will be no fortunes to be made (and lost) in the short term.

This month we had two examples of this crazy Internet market. **Microsoft** agreed to bundle access to the Internet via **Easynet** in Windows 96. Easynet, which joined the AIM market back in Feb. 96 at 100p, had seen its share price slump to 38p. Of course, the Microsoft announcement led to a 25% gain to end Sept. on 75p.

Shareholders in **Firecrest** are facing the prospect of making a bomb or losing the lot. Firecrest has a majority stake in **Nethead** which makes a www superindex called GOD. An AIM new entrant in Jul. 95 at 40p, Firecrest shares rocketed to 212p...before plunging all the way back down again when they had to raise £750K in a rights issue at 50p in Apr. 96.

At the end of Aug., Firecrest's nominated advisers (you have to have one on AIM) and brokers resigned after the Stock Exchange publicly censured CEO Roy Capper. He had been granted options over 400,000 shares at 51p. It is alleged that he failed to announce this. As no one else stepped forward to take either the advisers' or brokers' place, the shares were suspended at 44.5p.

Firecrest responded that, as they were in talks which might lead to being taken over, they wouldn't be bothering to reinstate the quote anyway. Indeed the rumours were that the bid was at 260p!

Then on 11th Sept. the two founders of Nethead were suspended "*pending investigation of charges of misconduct*". On 23rd Sept. 96 The Evening Standard started to publish stories of unpaid creditors. At the same time, the Investors Chronicle ran a story connecting a Firecrest adviser to a failed pyramid-selling company. *It never rains but it pours!*

So it could be 260p or zero. *Now that really is a share for the brave!* Much the same as our views on the whole Internet access market.

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