

System House

The monthly review of the financial performance of the UK computing services industry
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January 1991

That was the year that was

Many would wish good riddance to 1990 - if only they didn't feel that 1991 might be even worse. **System House would like to present its awards for the year:**

Most prophetic comment - "Systems integration is the easiest way to lose money the industry has so far invented" Philip Hughes, then Chairman of Logica, at the CSA Conference in March. Both Logica and SD-Scicon later announced multi-million pound losses on fixed price SI contracts.

Worst share tip - "Ten Shares for the Decade - Headland". Andrew Lorenz, Sunday Times 31st December 1989. Headland shares rise to 48p. "Headland shares are worth buying". Hex in Microscope 27th June 1990. Headland went into receivership on 26th July 1990.

Most misleading Chairman's statement. "The Chairman is confident that 1990 will prove a very rewarding year for Ferrari shareholders". Ferrari Press Release March 1990. Ferrari shares have fallen from 90p to 12p in 1990.

Most truthful Chairman's statement. "Trading conditions in the months ahead will worsen considerably and in consequence his outlook was cautious". Misys Chairman, Kevin Lomax, quoted in FT 2nd Jan 90. Misys full year results to May 90 subsequently showed profits doubling to £11m but EPS up just 3%. Misys shares have been hammered in the year - falling from £3.43 to 76p.

Largest loss. SD-Scicon announced losses of £9.8m to June 90 and wrote off £15m on fixed price project overruns.

ACT favourite person award. To Sir John Harvey Jones for taking all the credit away from ACT's Roger Foster for his superb sale of Apricot to Mitsubishi for £39m in April 90.

Biggest one day capitalisation fall. £120m (25%) fall in Sema capitalisation on 23rd Nov, as CGS bid hopes temporarily evaporated, followed by Logica's £50m (27%) fall on 29th May after profits warning.

Wisest acquisition. Kewill purchased Austrian Han Dataport for £8.4m in March 90. Han Dataport contributed profits of £720K for the half year to Sept 90. Rather than showing a profits reduction, Kewill showed a 35% increase and their shares have risen by 5% this month.

Statement which annoyed the industry the most. "None of the UK software houses have upgraded their management systems to match a rise in average value of contracts from £500K to £15m". Philip Swinstead, Chairman of SD-Scicon, quoted in FT 7th August 90.

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Most satirical annual report front cover. "In life, what lets you down is not what you know or what you don't know - it's what you think you know that isn't so". Proverb from Microgen Annual Report after Chairman, Peter Barbour, said he "had made a provision of £839K against the possibility of a deliberate and systematic fraud".

Best share performance. Micro Focus shares have risen by 76% from £4.46 to £7.83. They also produced the best 1990 results with PBT up 190% to £7.1m for the six months to July 90 and EPS up 176%.

Disaster Man of the Year. Geoff Bristow managed to take Headland into receivership and persuade the City to back the Alphameric rights issue to the tune of £3.6m. Alphameric shares have fallen from 20p to 6p in 1990.

Largest acquisition/Most lucrative golden handcuffs. GEC/Plessey sold their 70% stake in Hoskyns to CGS for £199m on 18th July 90. Hoskyns top 200 managers were fitted with golden handcuffs, worth at least £19m, to encourage them to stay with Hoskyns - at least until 1995.

Best 1989 newcomer. Both Capita and Sage came to the market in 1989 and have performed well since. Capita shares closed 1990 up 59% on the

launch price of 100p and Sage is up 51% on their launch price of 130p in Dec 89.



Olde Holway's Almanac for 1991

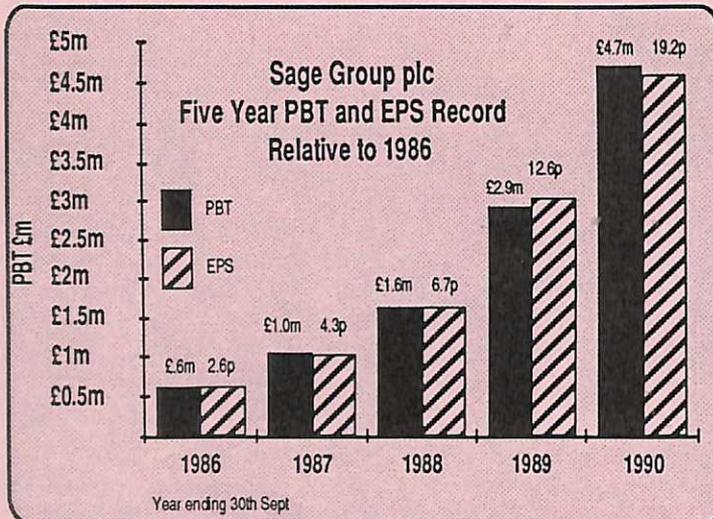
- The French will continue their buying spree of UK CSI companies which might include at least one of the UK's remaining major companies.
- The recession in the industry will get worse before improvements are seen in Q4.
- At least 7 of the currently quoted CSI companies will not survive 1991 in their current form.
- Fujitsu will acquire at least one more major hardware manufacturer.
- People will stop saying that open systems and UNIX are all hype and get down to the serious business of making money from them.
- Acquisitions will continue at their usual frenetic pace.

We hope we'll still be around to bring you the news.

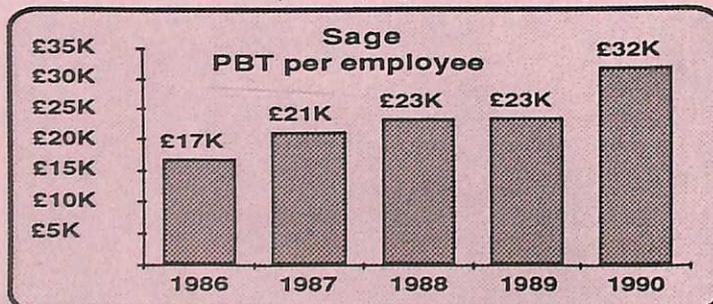
Super Sage sparkles

Sage, which supplies accounting software and network products, has continued to defy the recession with its first full year's results since it obtained its full listing.

Revenue is up 44% at £13.4m and PBT has increased by an impressive 63% to £4.73m. EPS was also up 52%. EPS growth has topped 50% in every year since 1986 - and that's some record to beat.



Profit margins increased to an impressive 30.5% and cash balances at the year end were up from £3m to £5.4m. Recurring revenue now constitutes 31% of total revenues and 27,000 users now subscribe to SageCover which increased revenue by 130% to £1.74m. PBT per employee also increased to £32K - impressive, but still not as good as the £50K per employee achieved by Macro 4.



The only part of Sage to have a less than impressive year was MainLan where sales remained static at £1.92m. Sage Inc produced a small loss of £81K on revenues of £711K in this its first trading year. R&D expenditure has never exceeded 5% of revenue and in 1990 development expenditure seems firmly under control as it accounted for £450K, or just 3.4%, of revenues.

Sage is particularly pleased that, according to Romtec, its market share increased from 30.4% in Jan 90 to 40% in Aug 90; whereas archrival, Pegasus, has seen its share decline from 27.4% to 13.4% in the same period.

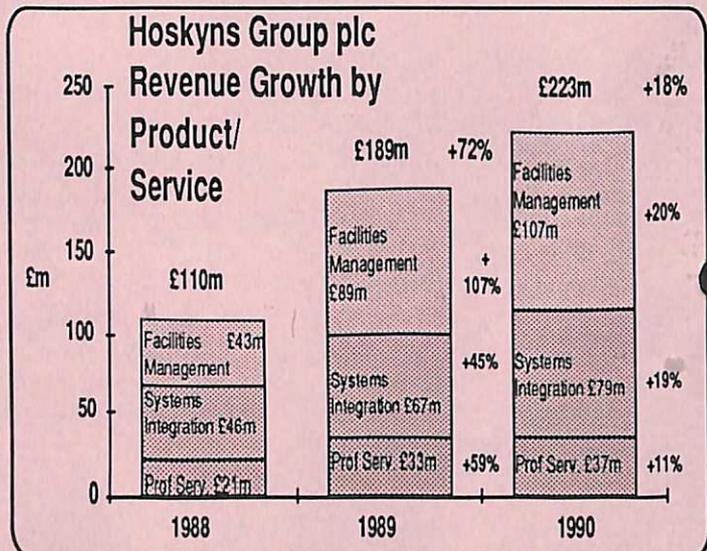
Even the prospects for the current year look good. "In the first two months of the current year, sales and profits have exceeded internal targets. Despite the hostile business environment, we are confident that 1991 will be another year of continued growth".

In every way, Sage should be congratulated for an excellent performance and for providing a beacon of light in the current gloom. Sage shares have reflected company performance; rising by 51% since their launch in Dec 89 - one of the best performers in the sector.

Hoskyns does it again

Hoskyns latest full year results to Oct 90, and the first since CGS acquired 70% in July, are excellent considering the current climate and the dismal results from the other large UK CSI players. Revenues were up 18% to £223m and PBT was up 13% to £17.25m. This makes Hoskyns not only the largest supplier of computing services to the UK market but also the most profitable UK CSI company in 1990. EPS also grew a respectable 8%.

Facilities management provided the largest boost - up 20% to £107m and 24 new contracts were signed in the year. But professional services was hit by the recession - growing just 11%.



IBM is still the largest technology sector - 42% of revenues and up 10% this year to £93.5m. But open systems, after the purchase of the **Instruction Set** for £12.2m in Oct 89, contributed £8m and "has proved strategically sound as demand in this sector continues to gather pace".

UK revenues grew by a respectable 16% to £194m but it was German revenue - up nearly three times at £12.1m which was the real star after the June 89 purchase of **Programm-Standard** for £15.3m. Hoskyns has recently undertaken its second German purchase of **Technodata** for £11.1m. Australasia revenues, however, halved to £1.2m.

Chairman, Geoff Unwin, warns that "1991 is likely to be a difficult year, particularly in the UK". This is compounded as "Next year we need to replace the £20m of revenue which will be lost as a result of the planned run down of the FM contract with the London Residuary Board and GEC's decision not to continue with their existing FM contracts following the resolution of our ownership situation. This factor, together with the uncertainty in the economic outlook, imply that it is unlikely that our revenues will grow materially next year. However, steps have been taken to manage our business accordingly."

However, with cash in the bank of £7.7m (up 45% on 1989), an increasing demand for FM services (where Hoskyns is head and shoulders the UK leader), the "benefit from the resolution of the three years of uncertainty over its ownership and the advantages of belonging to CGS...the largest computing services group in Europe and one of the top three IT organisations in the world" we would not expect Hoskyns to disappoint in 1991.

Vistec disappoints

At least Bob "the bear" Morton, Chairman of Vistec, had warned shareholders a year ago that "Anyone who says the corporate market is not getting tougher is a liar" and six months ago that "the current year has started slowly". Latest interim results for the six months to Oct 90 show a 20% decrease in revenue to £13.9m and PBT fell from £1.1m to just £78K. EPS fell from 0.7p to 0.04p. If the losses associated with National Computer Supplies, which was sold in July for £500K cash, are included Vistec would have made a loss of £78K. The proceeds from this disposal were reinvested in the acquisition of loss-making Sphinx from Pegasus; which has now been "absorbed into" Level V. Sphinx is now back in profit, making £50K in Nov. But it was Vistec's rental and Viewdata terminal maintenance business, contributing around £1m pa, which really saved the day.

"Trading conditions during the period continued to deteriorate and they remained extremely difficult with volumes down and margins squeezed". Gearing has increased from 28% to 55% due to a two year extension of of the Nat West five year £2.5m loan. Cash balances were, however, £1.5m at period end.

"The decline in the Group's performance was not arrested until the latter part of the period. Current performance is beginning to show an encouraging improvement and we look forward to the future with confidence tempered only by the current economic uncertainties that surround all of us".

Morton bought another £133,000 of shares at 7p on the day the results were announced taking his holding to 17%. Given Morton's realistic statements in the past, his almost bullish statements should be given some credence.

Reason to smile at Rolfe & Nolan

We understand that when Mike Warburg, Rolfe & Nolan's MD, received last month's *System House* showing that his company had been voted as one of the best in the UK, he walked around with a broad smile on his face all day. Alternatively he could have been anticipating presenting yet another set of excellent results to shareholders.

Interim results for the six months to Aug 90 show revenues up 32% at £2.97m, PBT up 28% at £661K and EPS up 25%. In anyone's book, that's worth smiling about.

R&N provides bureau services and software products to the futures and options sector of the financial services market. Bureau and FM revenues surprisingly increased by 9% with "high trading volumes compensating for the loss of a number of major clients". Licence sales, particularly to existing clients in Germany, have had a very successful period and "the outlook for further licence sales in Continental Europe remains excellent". Further proof, if you need it, that those companies which expanded into Europe in the last two years are bucking the UK's recessionary climate.

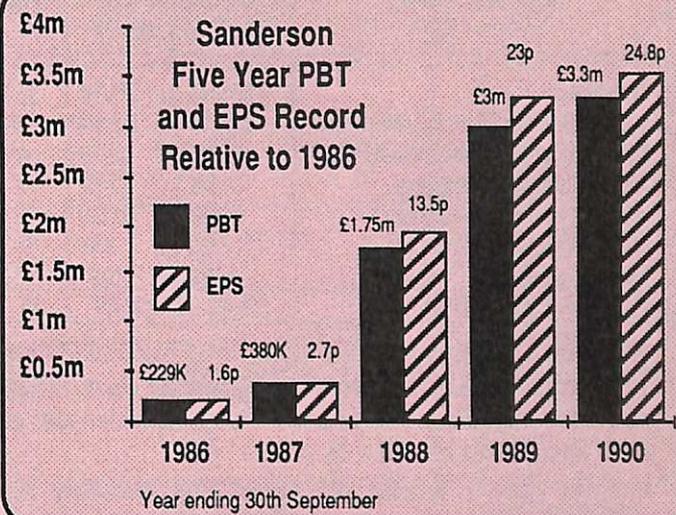
Cash "remains strong" with interest receipts up 70% at £180K in the period. R&N is now moving to a full listing - one of the smallest companies in the sector to do this.

Although UK bureau revenues "are likely to remain relatively static", European sales prospects "are excellent". "We are confident of achieving further profit and earnings growth in the current year and the outlook for 1991/92 is encouraging". Warburg deserves to smile.

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Profit growth slows at Sanderson

Some say that any profits growth in today's climate is cause for celebration. Sanderson Electronics announced PBT up 10% to £3.3m on revenues up 19% at £14.3m. EPS grew 8%. Sanderson's five year record is exemplary - one of the few companies where EPS has grown faster than PBT over the period.



Retained profits were boosted further by an extraordinary gain of £279K on the sale of GA interests overseas and by the decision to cancel the final dividend in favour of a "first interim" dividend to be paid in Feb 91.

Sanderson is a truly worldwide computing services group, via a number of associate companies, with a combined turnover in excess of £50m. Around 50% of revenues now come from outside the UK with Australasia contributing profits of £1m on revenues of £14m. The strengths of the group are its wide range of PICK based application solutions and its base of recurring maintenance and support revenues. These have increased by 115% to £5m in the year although, with associated companies, the group can boast a recurring revenue base of £15m pa.

Perhaps one of the worrying signs, however, is the £329K interest charge this year compared to interest earned of £82K last year. The utilised overdraft at year end was £1.7m and term loans and HP facilities add a further £2.5m to borrowings.

We were pleased that Sanderson had taken its first steps into UNIX with the acquisition of Sheffield Computer Group (*System House* - Dec 90). Sanderson has an excellent record and good management. In terms of the future, Chairman, Paul Thompson, said "Immediate progress in the UK continues to be limited by the economic climate and high interest rates which are influencing capital expenditure decisions...but the Group is well positioned to take advantage of any economic recovery".

Current estimates are for profits of £3.7m in 1991.

Andersen Consulting 40% revenue rise

Andersen Consulting reported that its fee income in Europe rose by 40% to \$653m in the year to August 90. Germany and Italy did particularly well. We reported in Nov that KPMG had doubled revenues from systems development. Yet again, the management consultancies are outstripping the revenue growth of the conventional CSI companies. If they are your competitors, they are now becoming a major threat.

Thorn EMI Software grows 15%

After our comments in the December edition of *System House*, **Thorn EMI Software** has now provided us with revenue figures for their operations in the six months to Sept 90. These show that revenues increased by 15% to £58.5m but staff numbers remained static at 2,031.

Thorn EMI Software Revenue £000	6 months to Sep-90	6 months to Sep-89	Increase %
Datasolve	£24,579	£21,835	13
Software Sciences - Govt & Public Sector	£19,229	£15,374	25
Software Sciences - Commercial & Financial	£8,253	£8,771	-6
Thorn EMI Software - Nedelands	£4,875	£2,752	77
Informatik-Form GmbH - Germany	£1,633	£1,607	2
Thorn EMI internal network	£683	£669	2
Intercompany trading	(£792)	(£301)	163
Thorn EMI Software TOTAL	£58,460	£50,707	15

The Dutch operations have performed particularly well and "profits reflect this". Software Sciences' government, public sector, defence and space related activities also did well - increasing revenue by 25%.

For the year to March 90, Thorn EMI Software had previously provided us with a revenue figure of £134m and staff numbers of 2,600 for their main operating subsidiaries of Thorn Software, Software Sciences and Datasolve.

However, the discrepancy results from discontinued businesses that have been excluded from the latest figures. These include the shut-down of Thorn EMI Micrologic, the sale of the Australian operation, the education business which was sold to Hoskyns and the Software Sciences operation in the US.

Software Sciences was established in 1970 and was acquired, together with Datasolve, in 1978 as part of BOC's grand strategy to diversify into computing services. These operations were subsequently sold to Thorn EMI in 1982. Thorn EMI later purchased EPS consultants which was renamed Thorn EMI Computer Software.

Software Sciences was just one of the companies who were somewhat miffed at the comments made by Philip Swinstead of SD-Scicon concerning the UK's inability to run large fixed price contracts. Bill Ellis told us "In the experience of Software Sciences, who have been successfully delivering large, fixed price SI projects for at least ten years, much of their success can be attributed to our major projects organisation". These large contracts, often running for up to five years, should protect them from some of the effects of the current recession.

Under the new management of ex-CAP MD, Mike Smith, Thorn Software has been streamlined. However, computing services represents just 3% of Thorn EMI's revenues and there must be a continuing question mark over where it fits within the overall strategy.

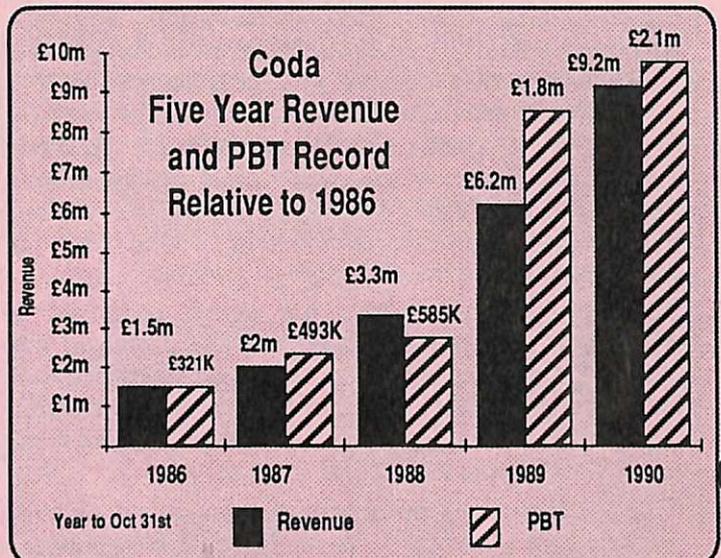
IBM revises mid-range commissions

IBM mid-range agents have had a tough year after their commissions were slashed earlier in the year. Now IBM has announced significant changes which could provide commissions of up to 25% for new business sales of the smaller AS/400 boxes.

Some agents have said the new scheme is more generous than they expected.

Bullish Coda bucks trends

As we have recorded before, some of the best performances at present are coming from private companies. One of the finest, in our opinion, is **Coda**. Latest results for the full year to Oct 90 show PBT up 17% at £2.1m on revenues up 48% at £9.2m. The record, so far, has been exemplary.



Coda produces financial accounting software for DEC VAX VMS (£6.3m), IBM AS/400 (£1.3m) and HP 3000 platforms. 550 licences have so far been sold worldwide. Coda's US subsidiary had an excellent year; contributing revenues of \$4.8m.

"Considerable resources" are currently being invested in the production of an open systems version of the Coda products which MD, Rodney Potts, hopes will be the last.

Potts continues to be bullish about the future and is looking for revenues of £14m and PBT around £2.8m in 1991. The HP business has "levelled off" but the IBM AS/400 based product is "going leaps and bounds" and is budgeted to double to £2.5m. 77 new name DEC VAX accounts have been added in the last year and again Potts describes current VAX business as "excellent".

Potts, said "1990 has been a year in which we have seen a worsening economic climate with many software companies in great financial difficulties...customer satisfaction is the ultimate bottom line...Although our deals take a little longer to close - they don't go away".

Proteus announces mad cow vaccine

Proteus International develops a software product (Prometheus) for the modelling and design of biomolecular structures. On 6th Dec, it was announced that they had successfully completed the initial research towards the development of a synthetic vaccine against Bovine Spongiform Encephalopathy (BSE). Computational modelling of proteins associated with the infection in various species revealed features likely with the immune system. Animal trials will begin in early 1991.

Proteus shares jumped by 32% to 103p. They were placed on 29th May 90 at 84p which valued the company at £18m. However, they had no trading record and had incurred costs of £1.7m to launch date.

Proteus is the strangest company in our index but is as much a computing services company as, say, Instem.

Richard Holway Limited - Results Service

Admiral plc	Results Revenue PBT EPS	Interim - June 89 £7,221,000 £1,104,000 6.1p	Final - Dec 89 £15,971,000 £2,653,000 16.2p	Interim - June 90 £9,785,000 £1,511,000 9.1p	Interim Comparison +35.5% +36.9% +49.2%
ACT plc	Results Revenue PBT EPS	Interim - Sept 89 £56,435,000 £2,023,000 1.86p	Final - Mar 90 £140,712,000 £8,026,000 7.07p	Interim - Sept 90 £46,162,000 £5,364,000 4.01p	Interim Comparison -18.2% +165.2% +115.6%
Butler Cox plc	Results Revenue PBT EPS	Interim - June 89 £4,194,600 £633,800 8.1p	Final - Dec 89 £9,370,000 £1,324,095 16.43p	Interim - June 90 £5,239,100 £400,100 4.7p	Interim Comparison +24.9% -36.9% -42.0%
Capita plc	Results Revenue PBT EPS	Interim - June 89 £3,630,000 £560,000 4.4p	Final - Dec 89 £6,880,000 £1,300,000 10.39p	Interim - June 90 £9,167,000 £956,000 5.9p	Interim Comparison +152.5% +70.7% +34.1%
Computer People plc	Results Revenue PBT EPS	Interim - June 89 £32,400,000 £1,810,000 9.5p	Final - Dec 89 £69,919,000 £4,219,000 21.8p	Interim - June 90 £38,988,000 £2,138,000 11.25p	Interim Comparison +20.3% +18.1% +18.4%
Electronic Data Processing plc	Results Revenue PBT EPS	Final - Sept 89 £16,034,000 £1,040,000 8.45p		Final - Sept 90 £16,645,000 £2,100,000 17.38p	Final Comparison +3.8% +101.9% +105.7%
Ferrari Holdings plc	Results Revenue PBT EPS	Interim - June 89 (9 mons) £14,496,000 £604,000 2.9p	Final - Dec 89 (15 mons) £32,003,000 £1,419,000 6.6p	Interim - June 90 £27,503,000 (£390,000) (2.5p)	Not comparable due to different accounting periods
Hoskyns Group plc	Results Revenue PBT EPS	Final - Oct 89 £188,706,000 £15,229,000 12.0p (adjusted)		Final - Oct 90 £223,263,000 £17,253,000 13.0p	Final Comparison +18.3% +13.3% +8.3%
INSTEM plc	Results Revenue PBT EPS	Interim - June 89 £4,012,000 £382,000 5.32p	Final - Dec 89 £8,003,000 £885,000 12.9p	Interim - June 90 £5,349,000 £505,000 7.07p	Interim Comparison +33.3% +32.2% +32.9%
Kewill plc	Results Revenue PBT EPS	Interim - Sept 89 £8,064,000 £1,125,000 11.03p	Final - Mar 90 £17,107,000 £2,668,000 27.11p	Interim - Sept 90 £15,924,000 £1,513,000 12.02p	Interim Comparison +97.5% +34.5% +9.0%
LBMS plc	Results Revenue PBT EPS	Interim - Oct 89 £8,032,000 £513,000 2.7p	Final - Apr 90 £18,470,000 £450,000 2.3p	Interim - Oct 90 £9,643,000 (£618,000) (3.4p)	Interim Comparison +20.05% Profit to loss Profit to loss
Logica plc	Results Revenue PBT EPS	Final - Jun 89 £179,505,000 £18,835,000 20.0p		Final - June 90 £187,489,000 £9,011,000 9.0p	Final Comparison +4.5% -52.2% -55.0%
Logitek plc	Results Revenue PBT EPS	Final - Mar 89 £29,200,387 £2,752,013 15.28p		Final - Mar 90 £59,580,000 £3,830,000 16.27p	Final Comparison +104.0% +39.2% +6.5%
Macro 4 plc	Results Revenue PBT EPS	Final - Jun 89 (amended) £13,131,000 £6,132,000 17.3p		Final - June 90 £14,775,000 £7,353,000 20.6p	Final Comparison +12.5% +19.9% +19.1%

Richard Holway Limited - Results Service

Micro Focus plc	Results Revenue PBT EPS	Interim - July 89 £14,807,000 £2,459,000 12.4p	Final - Jan 90 £35,639,000 £8,223,000 37.4p	Interim - July 90 £23,298,000 £7,127,000 34.2p	Interim Comparison +57.3% +189.8% +175.8%
Microgen plc	Results Revenue PBT EPS	Interim - Apr 89 £22,982,000 £4,847,100 8.0p	Final - Oct 89 £45,071,000 £7,179,000 11.1p	Interim - Apr 90 £25,050,000 £4,530,000 7.1p	Interim Comparison +9.0% -6.5% -11.3%
Misys plc	Results Revenue PBT EPS	Final - May 89 £25,386,000 £5,630,000 22.8p		Final - May 90 £76,741,000 £11,070,000 23.5p	Final Comparison +202.3% +96.6% +3.1%
MMT plc	Results Revenue PBT EPS	Final - Aug 89 £7,443,898 £2,151,953 12.8p		Final - Aug 90 £7,524,390 £1,865,165 10.4p	Final Comparison +1.1% -13.3% -18.8%
NMW Computers plc	Results Revenue PBT EPS	Interim - June 89 £4,663,000 £48,000 0.1p	Final - Dec 89 £9,119,000 £87,000 0.2p	Interim - June 90 £4,423,000 £210,000 0.6p	Interim Comparison -5.2% +337.5% +500%
P&P plc	Results Revenue PBT EPS	Interim - May 89 £79,850,000 £5,000,000 10.5p	Final - Nov 89 £168,869,000 £11,066,000 20.8p	Interim - May 90 £109,400,000 £6,800,000 11.7p	Interim Comparison +36.8% +36.0% +11.4%
P-E International plc	Results Revenue PBT EPS	Interim - June 89 £27,444,000 £2,429,000 9.4p	Final - Dec 89 £58,017,000 £5,622,000 21.1p	Interim - June 90 £32,381,000 £2,753,000 10.3p	Interim Comparison +18.0% +13.3% +9.6%
Pegasus plc	Results Revenue PBT EPS	Final - Jul 89 £10,873,000 £3,084,000 36.7p		Final - July 90 £13,039,000 £2,554,000 30.4p	Final Comparison +19.9% -17.2% -17.2%
Proteus plc	Results Revenue PBT EPS	Final - Sept 88 nil (£436,000) not available		Final - Sept 89 £21,000 (£588,000) not available	Final Comparison Not comparable Loss both Loss both
Quotient plc	Results Revenue PBT EPS	Interim - June 89 £9,203,000 (£1,984,000) (10.73p)	Final - Dec 89 £19,095,000 (£1,577,000) (8.8p)	Interim - June 90 £9,924,000 £747,000 3.19p	Interim Comparison +7.8% Loss to profit Loss to profit
Radius plc	Results Revenue PBT EPS	Interim - May 89 £13,445,000 £1,015,000 2.5p	Final - Nov 89 £28,630,000 £2,000,000 4.74p	Interim - May 90 £14,521,000 £1,394,000 3.2p	Interim Comparison +8.0% +37.3% +28.0%
Rolfe & Nolan plc	Results Revenue PBT EPS	Interim - Aug 89 £2,250,000 £517,000 6.4p	Final - Feb 90 £5,460,000 £1,142,000 13.8p (adjusted)	Interim - Aug 90 £2,969,000 £661,000 8.0p	Interim Comparison +32.0% +27.9% +25.0%
Sage Group plc	Results Revenue PBT EPS	Final - Sept 89 £9,304,000 £2,911,000 12.6p		Final - Sept 90 £13,359,000 £4,731,000 19.2p	Final Comparison +43.6% +62.5% +52.4%
Sanderson Electronic plc	Results Revenue PBT EPS	Final - Sept 89 £12,008,000 £3,013,000 23p		Final - Sept 90 £14,259,000 £3,302,000 24.8p	Final Comparison +18.8% +9.6% +7.8%

Richard Holway Limited - Results Service

SD-SCICON plc	Results Revenue PBT EPS	Interim - June 89 £143,771,000 £1,060,000 0.37p	Final - Dec 89 £283,304,000 £7,230,000 0.59p	Interim - June 90 £138,192,000 (£9,794,000) (6.16p)	Interim Comparison -3.9% Profit to loss Profit to loss
Sema Group plc	Results Revenue PBT EPS	Interim - June 89 £137,682,000 £7,124,000 4.8p	Final - Dec 89 £293,021,000 £17,457,000 11.6p	Interim - June 90 £189,921,000 £7,185,000 4.5p	Interim Comparison +37.9% +0.9% -6.3%
Sherwood Group plc	Results Revenue PBT EPS	Interim - June 89 £12,171,000 £580,000 7.7p	Final - Dec 89 £25,397,000 £2,024,000 25.0p	Interim - June 90 £12,249,000 £883,000 9.5p	Interim Comparison +0.6% +46.6% +23.4%
Star plc	Results Revenue PBT EPS	Interim - Dec 88 £6,911,000 £464,000 3.5p	Final - Jun 89 £14,213,000 (£930,000) (11.7p)	Interim - Dec 89 £6,392,000 (£649,000) (9.5p)	Interim Comparison -7.5% Profit to Loss Profit to Loss
Synapse plc	Results Revenue PBT EPS	Final - Jul 89 £9,074,050 £1,096,967 20.19p		Final - Jul 90 £10,226,373 (£331,919) (8.9p)	Final Comparison +12.7% Profit to loss Profit to loss
Systems Reliability plc	Results Revenue PBT EPS	Interim - June 89 £44,606,000 £3,022,000 6.21p	Final - Dec 89 £134,586,000 £7,863,000 12.76p	Interim - June 90 £95,345,000 £5,012,000 6.25p	Interim Comparison +113.8% +65.9% +0.6%
Tele-computing plc	Results Revenue PBT EPS	Interim - Mar 89 £1,310,000 (£332,000) (6.97p)	Final - Sep 89 £2,519,080 (£777,000) (16.47p)	Interim - Mar 90 £1,232,000 (£44,000) (0.99p)	Interim Comparison -6.0% Loss both Loss both
Total Systems plc	Results Revenue PBT EPS	Interim - Sept 89 £860,474 £39,865 0.29p	Final - Mar 90 £1,777,084 (£6,722) (0.08p)	Interim - Sept 90 £966,765 £19,949 0.13p	Interim Comparison +12.4% -50.0% -55.2%
Touchstone plc (was MBS)	Results Revenue PBT EPS	Interim - Jul 89 £64,398,000 (£7,101,000) (7.0p)	Final - Dec 89 £77,317,000 (£4,817,000) (4.7p)	Interim - Jun 90 £9,809,000 (£66,000) (0.0p)	Interim Comparison Not comparable Loss both Loss both
Trace plc	Results Revenue PBT EPS	Final - May 89 £9,814,976 £1,709,233 9.96p		Final - May 90 £13,933,504 £1,807,644 10.49p	Final Comparison +42.0% +5.8% +5.3%
Vistec Group plc	Results Revenue PBT EPS	Interim - Oct 89 £17,362,000 £1,117,000 0.7p	Final - Apr 90 £36,048,000 £1,580,000 0.92p	Interim - Oct 90 £13,908,000 £78,000 0.04p	Interim Comparison -19.9% -93.0% -94.3%

Dowty also suffers IT downturn

In July 90, Dowty purchased Danish networking company, **Dataco**, for "up to £36m" - making it one of the largest acquisitions of 1990. "This secures our position in the rapidly growing Local Area Network market". Latest results for the **Dowty Information Technology** division show revenues static at £90.3m "suffering some softness in the marketplace" but profits down 22% at £7.1m. "Order intake in the North American market fell in the early part of the year". In the full year to March 90, the division made £21.7m profit on revenues of £196.5m. Source - Dowty Press Release. Then, in Dec 90, it was announced that DIT's MD, Bob Jones, was the subject of an "enforced resignation"

More change at SD-Scicon

On 3rd Dec, it was announced that **SD-Scicon's** Chairman, Philip Swinstead, was to also become Chief Executive. Previous joint CEO, Ian Scoggins, becomes Deputy Chief Executive and Geoff Holmes becomes a non-executive director. Swinstead had also been FD.

The IoD advises against the combining of the Chairman and MD roles and few medium to large companies now follow the practice. We can only assume that it is evidence of increasing problems at SD with, perhaps, policy disagreement at the top. It is particularly sad to see Geoff Holmes relinquishing his executive role.

Acquisitions, disposals and liquidations

Dun & Bradstreet calls off Datastream sale?

On 27th Nov, Dun & Bradstreet announced that the "For Sale" notices were coming down from the UK's Datastream and US Interactive Data. Datastream was purchased in 1984 for £60m and is one of the UK's oldest established suppliers of on-line financial information.

We would suspect, however, that the reason for the decision is purely that D&B could not get the high price, in the current economic climate, that they expected. If a buyer arrived tomorrow, with a big enough cheque book, the decision would be reversed. That thought cannot do too much for the motivation of the UK management.

P&P adds to European operations

P&P has bought Cidron AB of Sweden for a consideration of up to £6.4m. Cidron, last year, made profits of £1m on revenues of £9.2m but claims a "gross margin in excess of 30%". An initial £2.9m is being paid in cash and £0.7m in shares or cash in Dec 91. The rest is performance related. Cidron distributes PCs and trades as Nordic Datadistribution.

P&P bought two Belgian PC businesses in Dec 89 for £4.8m and added UNIX HP workstation supplier, Perrin, in May 90 for £4.5m.

P&P shares have slipped 58% in 1990 and their full year profits to Nov 90 are rumoured to be half what analysts were expecting.

The others.....Receivers have been appointed at London Systems Interface, which supplies networking systems and Apple systems, and had revenues of £2.4m. Danatre Business Systems has taken over the customers of ICL VAR Pennline Systems; apparently because CEO Victoria Penney "wants to concentrate on motherhood". Apple dealer, APL Systems has been placed in administrative receivership. Apple's largest dealer SAMS - seems to be experiencing problems with office closures and making around 20% of staff redundant. IBM lost another AS/400 agent when the Midland Bank decided to close its Packaged Computer Solutions which had employed 50+ staff. IBM has taken a 10% stake in QSP, which produces mainframe accounting systems. Source - Computing 29th Nov. We understand that IBM has taken similar stakes in around 120 software companies worldwide in the last two years. SRH's subsidiary Datarwork Computer Services has bought IES from the receivers. Droitwich based CSL Computer Services ("annual sales £1m and profitable") and System Software UK ("annual sales £0.8m and profitable") have gone into receivership along with their holding company, Arley Holdings. The Bank of New York has acquired a 3.87% stake in MicroFocus. Kalamazoo has acquired Logic Business Systems - an IBM and Tetra dealer - for an undisclosed sum. Jarogate has gone into receivership. PI Holdings has continued its buying spree by purchasing communications consultancy Eosys for around £250K. Eosys had profits of £116K on revenues of £1.6m and was 50% owned by Electra. It was Pi's third acquisition in 1990. PC TPM PAP Group has gone into receivership.

Yes, we have no Apples

Our prediction (*System House* - Nov 1990) that Apple had "made one of its best moves for years" by producing a low priced Mac seems to be correct. Demand for the Classic with hard disc - priced at less than £900 - has been incredible and there are now serious stock shortages. According to Rothwell Group plc, one of the leading corporate AppleCentres where the editor of *System House* is Chairman, demand is coming from across the board including managers who have a Mac in the office and now want one at home too. Unlike many others, business at Rothwells is bucking the recessionary trend. Much of their revenue comes from the corporate sector where long term relationships have been built.

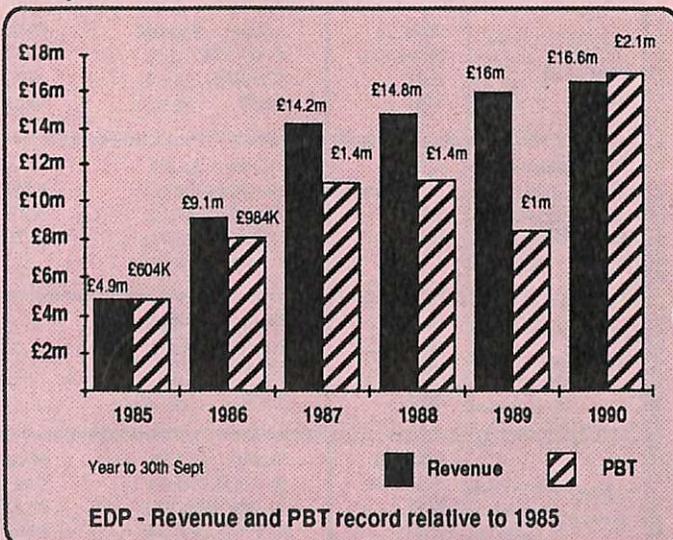
Sales of IBM's PS/1 are reported to be "sluggish". Would you want a higher priced IBM when you can have a Mac?

Market debut for Eidos

Eidos makes image manipulation software for Acorn hardware. They were launched onto the USM on 3rd December at 100p but have fallen to 95p since. They could have an interesting future if the RISC chip joint venture with Apple materialises.

Excellent results from EDP

Readers of *System House*, from our first issue, might have questioned our unflinching support for Electronic Data Processing. Hopefully the latest full year results to Sept 90 will dispel any doubt. On revenues up a minimal 4% to £16.6m, PBT more than doubled to £2.1m. EPS was also up 106%. And that's very good in anyone's books in today's climate.



EDP distributes the Mentor range from NCR and is very strong in PICK based solutions. "In particular, EDP's own package Mentor Merchant and increased maintenance revenues..now running at a rate in excess of £7m pa" are the main contributors to the current excellent results.

There was, however, an extraordinary item of £243K relating to costs associated with an aborted acquisition in the US.

But Chairman, Michael Heller, is "confident that this improvement in profitability will continue and another successful year is anticipated".

EDP shares shot up on the news and now stand at 79p - a gain of 27% in 1990. As ever, we remain ardent supporters.

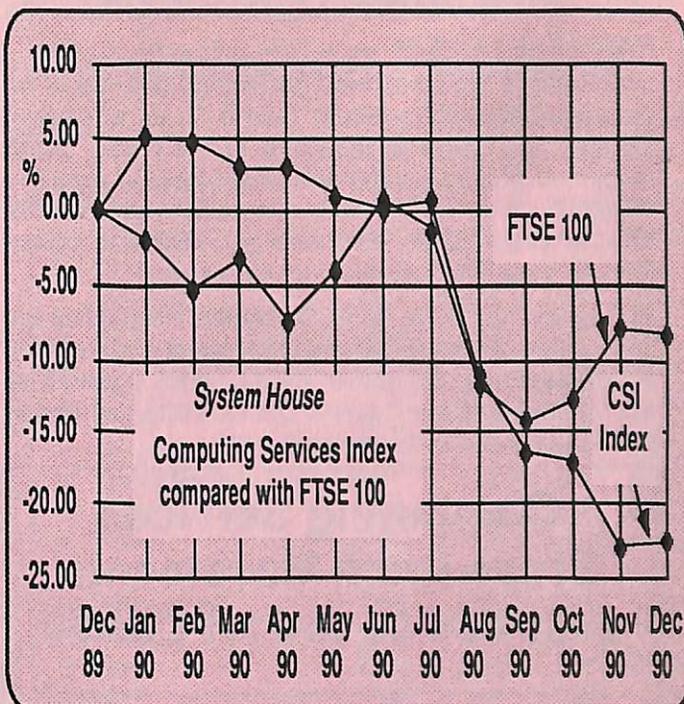
1990 - The Winners and Losers

CSI stocks continued to suffer in 1990 with a 23% fall in our index compared to an 8% fall in the FTSE 100.

Only 10 companies experienced any gains with **Micro Focus** taking the honours again with a 76% increase on the year; closely followed by **Hoskyns** after the CGS acquisition. **Sema** gained 37% in the year buoyed by continued bid expectations. **Sage** (up 32%) and **Rolfe & Nolan** (up 29%) did it because of excellent results.

At the other end of the scale, **Headland** shareholders lost all as the company went into liquidation in July. **Ferrari** shareholders fared little better with a near 90% fall. The Ferrari stake was also hardly good news for **Telecomputing**, which has fallen 80% this year.

Poor old **Misys** shareholders experienced a 78% fall. Misys shares had been as high as 450p in 1989. Misys started 1990 with a capitalisation of £108m - the fifth highest in the sector - and ended the year at just £24m. It is not surprising that no acquisitions have been undertaken since July 89.



1990 Share Price Movements

Rank	Company name	See note	Share Price		%
			End 1989	End 1990	
1	MicroFocus		£4.46	£7.83	75.56
2	Hoskyns Group		£2.43	£3.55	46.39
3	Sema Group		£3.66	£5.01	36.89
4	Sage Group		£1.48	£1.96	32.43
5	Rolfe & Nolan		£1.15	£1.48	28.70
6	Electronic Data Proc.		£0.62	£0.79	27.42
7	ACT		£0.67	£0.77	14.93
8	Proteus	1	£0.84	£0.95	13.10
9	Caplta Group		£1.46	£1.59	8.90
10	Admiral		£2.05	£2.23	8.78
11	Microgen		£1.19	£1.19	0.00
12	Quotient		£0.59	£0.57	-3.39
13	INSTEM		£1.00	£0.90	-10.00
14	Sherwood		£1.02	£0.88	-13.73
15	Macro 4		£2.83	£2.35	-16.96
16	Optim	2	£0.21	£0.17	-19.05
17	NMW		£0.33	£0.23	-30.30
18	Total Systems		£0.15	£0.10	-33.33
19	Radius		£0.73	£0.48	-34.25
20	Kewill		£3.05	£1.95	-36.07
21	Vistec		£0.16	£0.10	-37.50
22	MMT		£1.44	£0.89	-38.19
23	P-E International		£2.27	£1.38	-39.21
24	Butler Cox		£1.78	£1.07	-39.89
25	Logica		£3.32	£1.67	-49.70
26	Trace		£1.13	£0.56	-50.44
27	Synapse		£2.18	£1.07	-50.92
28	Systems Reliability		£1.09	£0.49	-55.05
29	Pegasus		£3.62	£1.60	-55.80
30	P&P		£2.03	£0.86	-57.64
31	Computer People		£2.56	£1.05	-58.98
32	Sanderson		£2.98	£1.20	-59.73
33	SD SCICON		£0.70	£0.26	-62.86
34	Learmonth & Burchett		£1.40	£0.45	-67.86
35	Touchstone (was MBS)		£0.20	£0.06	-72.50
36	Star		£0.66	£0.16	-75.76
37	Logitek		£1.21	£0.28	-76.86
38	Misys		£3.45	£0.76	-77.97
39	Telecomputing		£1.05	£0.21	-80.00
40	Ferrari		£0.88	£0.12	-86.29
41	Headland	3	£0.44	£0.00	-100.00

Notes 1 - Proteus floated in May. 2 - Optim purchased by SRH in May 90. 3 - Headland in receivership.

Major profits fall at Granada Business Services

When Granada Group plc announced results for the year to Sept 90, they revealed that their TPM business - **Granada Business Services** - had reduced profits (before interest) by 68% from £20m to £6.5m on revenues up 3% at £206.7m.

Granada built its TPM business with some pretty expensive acquisitions such as DPCE for £110m in 1988. Other TPMs like CFM, Mainstay and SMS were also acquired. Granada must have spent over £200m to date. Just servicing that debt would cost over £30m pa so, Chairman, Alex Bernstein's description of their £6.5m profit as "disappointing" is an understatement.

Stockbrokers, Henderson Crosthwaite, reckon they only broke even in the second half and will probably go into loss in 1991. "Increased attention has now been focused on the elimination of excess costs and greater efficiency...the productivity of mobile engineers in the UK has increased by 50%". Source - Granada Press Release.

Peter Edwards, recently appointed MD of Granada Computer Services Europe, commented on the problems in an interview with Computer Weekly in Aug 90. "Granada bought DPCE in 1988 and then went to sleep for a year....There was open warfare between CFM and DPCE....The organisation chart looked like a blueprint for Spaghetti Junction". Since then nearly 10% of the engineers have gone, layers of middle management have been wiped out and offices closed.

However, whether even Edwards can make a silk purse out of this particular sow's ear is highly questionable. As we have reported on many occasions, TPM is in rapid decline. We doubt if Granada has what it takes to become the "total system support" organisation required for the 90s. The best solution would be for Granada to sell the lot. But they would probably get just a fraction of the £200m+ they have paid to build the group and that would make a significant dent on Granada's already depressed balance sheet.

Major gainers and losers - again!

The index was static for the month but this disguises some of the most violent share price movements since we started *System House*.

Bob Morton's **Vistec** showed the highest gain - up 25% - despite disappointing results (see p 3); as a result of several "buy" recommendations in the press. **Sema** recovered all of its last month's losses as CGS went into buying mode again. **Proteus** were up 22% as a result of their successful BSE trials (see p4). **EDP** also gained 20% as a result of excellent results (see p 8).

At the other end of the scale, **Computer People** has lost 38%. Although growth slowed in the latest interims, they still managed an 18% growth in PBT. **LBMS** slipped 31% after declaring interim losses of £618K. **Total** also slipped 29% on depressing figures (see p 10).

Computing Services Share Price Movements 24th Nov 90 to 21st Dec 90

Rank		% Change 24/11/90 to 21/12/90	% Change 20/4/90 to 21/12/90	Historic P/E
1	Vistec	25.00	-25.93	10.87
2	Sema Group	24.94	12.58	43.19
3	Proteus	21.79	13.10	n/a
4	Quotient	21.28	-45.71	Loss
5	Electronic Data Processing	19.70	17.91	4.55
6	ACT	14.93	-9.41	10.89
7	Logica	10.60	-43.96	18.56
8	Touchstone (was MBS)	10.00	-69.44	Loss
9	Micro Focus	9.82	40.32	20.94
10	Kewill	5.41	-32.29	7.19
11	NMW	4.55	-25.81	115.00
12	Macro 4	0.86	-20.61	11.41
13	Ferrari	0.00	-82.22	1.82
14	INSTEM	0.00	0.00	6.98
15	Logitek	0.00	-80.28	1.72
16	Microgen	0.00	9.17	10.72
17	Radius	0.00	4.35	8.05
18	Trace	0.00	-45.63	5.34
19	Admiral	-0.89	1.36	13.77
20	Synapse	-0.93	-9.32	Loss
21	Rolfe & Nolan	-1.33	21.31	10.72
22	Capita	-1.85	-4.79	15.30
23	Hoskyns	-1.93	2.60	27.31
24	Sage Group	-2.49	4.26	15.56
25	Sanderson	-4.00	-59.04	4.84
26	Butler Cox	-4.46	-46.23	6.51
27	SD-Scicon	-5.45	-67.09	n/a
28	Pegasus	-5.88	-45.39	5.26
29	Telecomputing	-8.70	-40.00	Loss
30	Systems Reliability	-10.91	-52.88	3.84
31	MMT	-11.00	-45.40	8.56
32	P-E International	-12.66	-45.67	6.54
33	Misys	-15.56	-66.22	3.23
34	Star	-20.00	-66.67	Loss
35	Sherwood	-20.00	-39.31	3.52
36	P&P	-23.89	-61.78	4.13
37	Total	-28.57	-37.50	Loss
38	Learmonth & Burchett	-30.77	-61.54	19.57
39	Computer People	-37.50	-60.82	4.82

Computing Services Index 21st December 1990

April 15th 1989 = 1000

712.67

P&P has been one of the star companies over the last two years with latest interim PBT up 36%. But their predominately PC based market has been the worst effected by the gathering recession. As we went to press there were rumours that Hoare Govett had halved their estimates for full year profits to Nov 90; expected early in the new year. The stock has been savaged with a 24% fall this month. There were also rumours circulating about **Sherwood** which caused a 20% fall this month.

There has been much volatility this month in the sector. Rumours abound which effect stock prices dramatically. We reported last month on the six companies most likely to provide the best returns for shareholders in the next three years. We see no reason to revise the choices but we would like to add a secondary list including **EDP, ACT, NMW, MMT, Sage and Sanderson**.

Changes in Indices	Computing Services Index	FTSE 100
Month 24th Nov 90 to 21st Dec 90	+0.37%	-0.39%
20 months 15th April 89 to 21st Dec 1990	-28.73%	+5.40%
1st Jan 90 to 21st Dec 1990	-22.54%	-8.37%

Depression continues for Total

Total Systems is the first quoted CSI company on our lists to fall to a capitalisation of just £1m - pretty depressing as they were capitalised at £8.5m when they were placed on the USM in March 88 at 85p. Shares now stand at 10p. Total develops custom software on a time & materials basis, particularly in the financial services area.

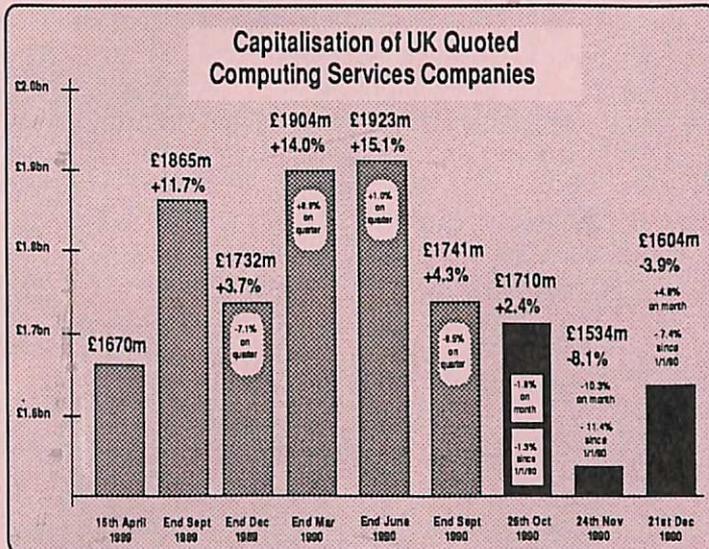
Latest interim results to Sept 90 show revenue up 12% at £967K but PBT down 50% at just £20K. EPS fell 55%. In the year before they came to the market, Total made PBT of £835K. A year ago Chairman, Terry Bourne, said "We are in a position to take advantage of an upturn in the market which surely must come". Those were interesting words when everyone else was starting to warn about the impending recession. Then in Aug 90 he said "We face the future with more confidence than we have had over the last two years". Now Bourne is clearly pleased that his revenue has increased and "assuming that we can maintain this momentum for the second half of the year, the group should at least begin to recover....Capital expenditure is negligible, so the current level of turnover can be financed from cash flow".

But the recession will deepen in 1991. Given the problems Total had in the relatively good market of 1989, we do not suggest readers hold their breath for a quick recovery.

Sema recovers

Sema recovered much of its last month's recovery - up £90m on the month and the single reason for the recovery in our latest capitalisation total. Our expectation last month that Hoskyns might overtake Sema was a little premature as the gap has widened to £132m.

P&P lost £20m (see p 10) and Computer People are now valued at just £14m - down £8.5m on the month. And Total is capitalised at just £1m.



When the going gets tough, the tough get...

Michael Williams is the last of the old guard to leave Ferrari. Having helped rescue Fletcher Dennys, he went on to head Cifer before it became Ferrari. As we have said many times before, TPM is a dying business and it looks as if Ferrari has finally realised the inevitable.

Quite how many people will shed a tear for Williams is questionable. We remember our first meeting with Ferrari's Bob Woodland (also now departed). He said to us "Mike and I make a great team. I'm the nice guy who does the negotiation pre-acquisition and Michael is the person we then send in to bayonet the wounded".

We were surprised that Robert Evans has quit as CEO at Systems Reliability (SRH) to join Global. Evans joined SRH from Hillsdown in 1988 and has transformed the company since. SRH has been one of the most acquisitive companies in the past two years. Then, in Sept 90, the Corporate Computers subsidiary was sold for £13m.

Latest interim results to June 90 showed revenues up 114% at £95.3m and PBT up 66% at £5m. However, acquisition indigestion is setting in as EPS was static. Analysts are forecasting just £9m for the full year.

According to the Sunday Telegraph 16th Dec "One possible candidate now **not** expected to take over from Evans is ousted Ferrari chairman **Bob Woodland** who joined SRH as a consultant". SRH's share price has dived from 109p to 50p this year.

On 18th December, David Ewart was made Chairman of Touchstone (nee MBS). Jim Thatcher will resign wef 31/12/90 but Owen Williams will continue as CEO.

At the interim stage Touchstone said "trading conditions are difficult".....they now say "trading conditions are very difficult". Draw your own conclusions.

Computing Services Capitalisation - 21st Dec 90

Rank		Capitalisation 21/12/90 £m	% Change since 15/4/89	% Change since 24/11/90	£m Change since 24/11/90
1	Sema Group	£451.82	59.04	24.95	£90.22
2	Hoskyns	£319.60	93.93	-1.87	(£6.10)
3	Logica	£101.45	-54.05	10.52	£9.65
4	Micro Focus	£98.05	280.03	9.80	£8.75
5	ACT	£72.04	81.93	14.90	£9.34
6	P&P	£64.46	-13.71	-23.89	(£20.24)
7	SD-Scicon	£52.40	-66.67	-5.42	(£3.00)
8	Macro 4	£51.98	-3.55	0.94	£0.48
9	Microgen	£46.01	-47.95	-0.19	(£0.09)
10	Systems Reliability	£35.71	-17.90	-10.94	(£4.39)
11	Sage Group	£32.24	52.08	-2.59	(£0.86)
12	Admiral	£25.37	73.78	-0.89	(£0.23)
13	Misys	£23.55	-68.93	-15.59	(£4.35)
14	P-E International	£22.84	-42.32	-12.82	(£3.36)
15	Proteus	£20.45	13.32	21.75	£3.65
16	Capita	£20.22	149.61	-1.85	(£0.38)
17	Kewill	£18.60	10.71	5.68	£1.00
18	Computer People	£14.26	-53.54	-37.45	(£8.54)
19	Vistec	£11.33	415.15	26.35	£2.36
20	Radius	£11.10	-65.20	0.00	£0.00
21	Sanderson	£10.34	-47.52	-4.27	(£0.46)
22	Pegasus	£9.78	-50.62	-5.98	(£0.62)
23	MMT	£9.41	-45.60	-11.21	(£1.19)
24	Rolfe & Nolan	£7.98	82.61	-1.36	(£0.11)
25	Quotient	£7.80	-49.98	21.16	£1.36
26	Trace	£7.34	-54.41	0.00	£0.00
27	Touchstone (MBS)	£7.14	-88.31	9.85	£0.64
28	Electronic Data Processing	£6.82	-19.38	19.66	£1.12
29	Ferrari	£6.45	-67.08	-0.12	(£0.01)
30	Learmonth & Burchett	£6.00	-58.90	-30.72	(£2.66)
31	Butler Cox	£5.72	-38.63	-4.35	(£0.26)
32	NMW	£4.73	-61.54	4.65	£0.21
33	Logitek	£4.72	-76.74	-0.16	(£0.01)
34	Sherwood	£4.61	-25.10	-20.04	(£1.16)
35	INSTEM	£4.05	-10.00	0.00	£0.00
36	Synapse	£3.78	-62.94	-0.79	(£0.03)
37	Telecomputing	£1.33	-69.98	-8.90	(£0.13)
38	Star	£1.09	-86.58	-19.85	(£0.27)
39	Total	£1.00	-81.13	-28.57	(£0.40)

LBMS plunges into loss

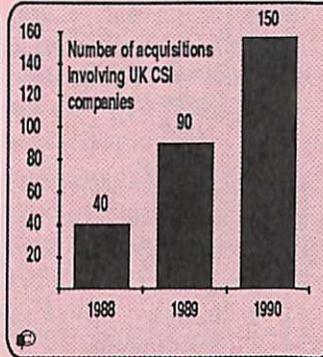
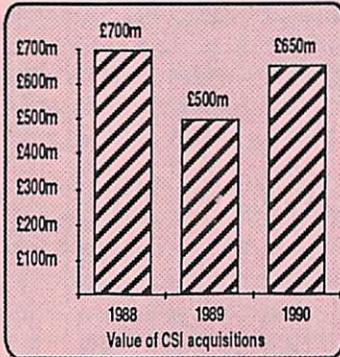
Learmonth & Burchett announced a loss of £618k (profit £513K last time) for the six months to Oct 90 even though revenue was up 20% at £9.6m.

LBMS is clearly suffering from acquisition indigestion and last time Chairman Rainer Burchett admitted that their four acquisitions had "diverted top management attention from our traditional core business". But expectations that the last figures were "a temporary and unexpected dip" were somewhat optimistic.

Now Burchett says "Despite the fact that, for the first time in almost 20 years, a general recession is having a severe effect on the IT industry, the way ahead is clear. Our reinforced balance sheet allows us to maintain development....To improve short term profitability we have implemented further cost saving measures".

Acquisitions - 1990 yet another frenetic year

We are putting the finishing touches to our second annual review of acquisitions involving UK computing services companies. In 1990, the number of acquisitions has reached record levels - up 60% on 1989 - and the considerations paid are also up around 30%.



Each year seems to have a unique characteristic.

1988 was the year of the **megadeal** with Plessey buying Hoskyns (£164m), Granada buying DPCE (£110m), CAP merging with Sema Metra (£94m), Logica acquiring US Data Architects (£26m) and Systems Designers buying Scicon (£82m). With the exception of Hoskyns, all the other companies have suffered greatly since.

1989 was characterised by the **multideal**. Around a dozen companies undertook three or more acquisitions as such companies as Misys, SRH, Headland and Ferrari tried to build big groups from many smaller companies. Again the results have been pretty depressing.

1990 was the year of **divestment**. The biggest deal was GEC/Plessey divesting itself of its 70% stake in Hoskyns to CGS for £199m. SD-Scicon also sold its German operation to CGS and US Warringtons to Sungard. Receivers were also active in the divestment game - around a quarter of sales were distressed when such companies as Headland went under.

Acquisition indigestion turns terminal

A year ago we coined the term **Acquisition Indigestion** - the after effects of acquiring too many companies of the wrong type too quickly. Indigestion is usually only a short term irritant. Sufferers rarely die of the malady. 1990, however, has seen the first deaths and some other patients are in terminal decline.

It is not that acquisitions are wrong, it's just that the UK seems incapable of making the policy work. The original aims behind the Systems Designers, Logica and CAP megadeals were laudable - the results were both unforeseen and highly damaging.

As many readers know, we had a "dream ticket" - Hoskyns and Logica merging to take on the world. Would the dream have turned into a nightmare? We would like to think not. Success and failure in our business is all to do with management. On that criteria, Logica and Hoskyns seem to have cornered much of the UK market. But, depressingly, perhaps they will *both* be French soon.

Review of Acquisitions involving UK Computing Services Companies in 1990

The second edition of our review of acquisitions will be published at the end of January. As in 1989, every known acquisition is listed together with the consideration paid and details of the trading performance of the company involved.

In addition, there are background articles on all the major acquisitions together with an analysis of the effects on subsequent company performance of acquisitions undertaken in previous years.

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