

System House

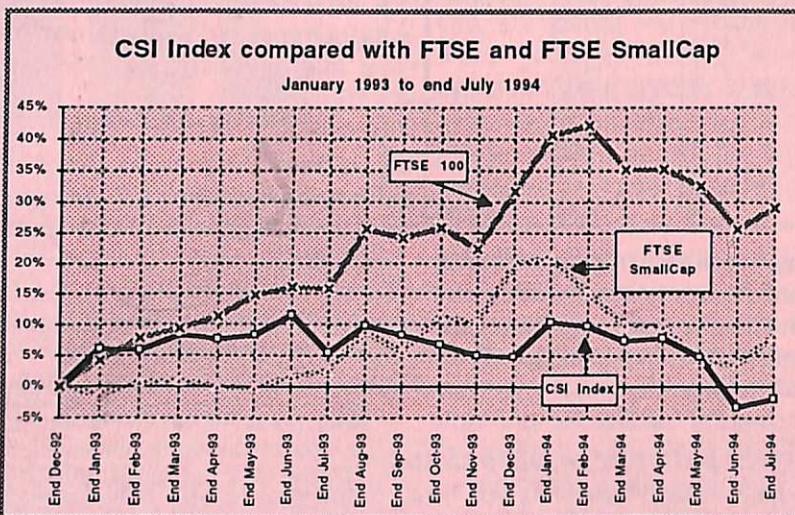
The monthly review of the financial performance of the UK computing services industry
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Day of reckoning for new issues

July was a classic month for demonstrating the perils of being a quoted company. Since Jan. 93 a record 20 SCSi companies have come to the market. They helped to fuel

froth - no trading record, no current product - just hype and hope for the future. It is no wonder that their share prices have shown massive volatility.

a dramatic rise in our CSI Index which hit a peak of 1777 in June 93. Since then it has fallen by over 12%. Indeed, in the last three months alone, during which the FTSE 100 index has staged a minor recovery, the CSI Index has fallen by an unprecedented 9%.



The UK SCSi market has weathered the recession better than most other industries

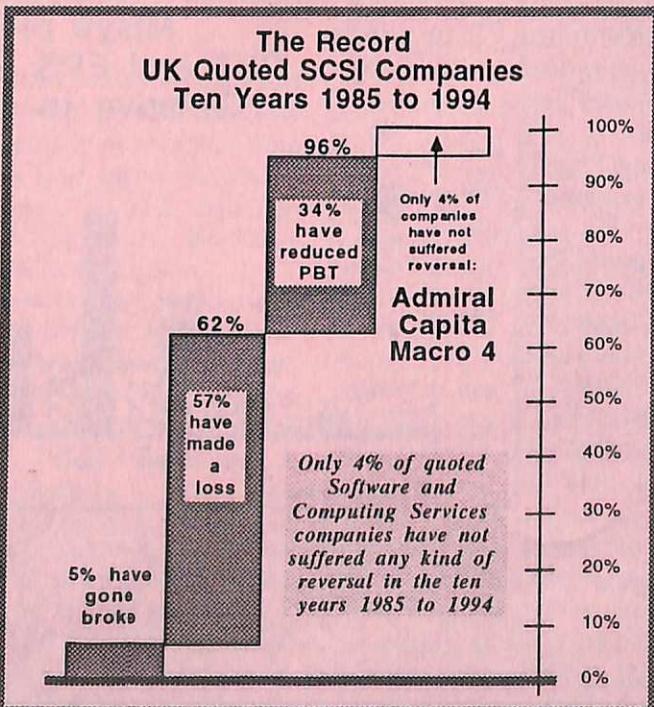
and has witnessed a 11% growth in the last year. But quoted SCSi companies have fared particularly badly:

- non quoted SCSi companies have performed much better than their quoted competitors in each of the last three years. In 1993, quoted SCSi companies' PBT rose by 23% against an average of 34% and a massive 44% PBT growth for private companies.
- in the last ten years the performance record of the 82 companies, at one time listed on the Stock Exchange, has been abysmal. 96% have announced a reversal of fortunes at some time. Only three companies - Admiral, Capita and Macro 4 - have consistently reported increased PBT and EPS.
- only nine of the 61 currently quoted companies have a capitalisation >£100m. Indeed 11 have a capitalisation <£10m. Is it really in the best interests of these smaller companies to

be subject to the pressures demanded by a quote? • many of the companies floated recently have been pure *froth* - no trading record, no current product - just hype and hope for the future. It is no wonder that their share prices have shown massive volatility.

• to the *froth* this month has been added some disquieting allegations. Some CODA shareholders believe that both Warburg's and CODA should have pointed out the downturn in DEC VAX licence sales at the time of the float. Both parties refute this allegation. CODA shares have plunged from a launch price of 235p to 94p this month. Clinical Computing

was launched, like CODA, in Feb. 94 at 124p, The shares rose to 186p before crashing to a low of 66p when interim losses were unexpectedly announced this month. The Stock Exchange is investigating share dealing prior to the announcement.



The majority of the funds raised by the placing at both Clinical and CODA went straight to existing shareholders rather than new money for the company. Although the market is often rightly accused of short termism, some of the new issues have deserved their harsh treatment. Some investors now treat statements made by both brokers and chairmen of high tech. companies with scepticism - if not contempt. There must be a better way for smaller companies to raise money for growth. Otherwise the well run and larger SCSi companies are going to find themselves tarred with the same brush. And that will put yet another brake on the international expansion of UK SCSi companies.

Storming performance from Cray Electronics

If you had just announced full year figures at the high end of analysts' expectations, with operating profits and EPS from continuing operations up 53% and 24% respectively, you too might feel a little aggrieved with an FT headline reading "**Cray 10% down**". PBT did decline by 10% but only because it is a bit difficult to make an £8m exceptional gain on disposals every year! To help readers understand the full figures, we present a detailed breakdown below.

CRAY ELECTRONICS	Year to 30th April 93	Year to 30th April 94	Change %
REVENUE			
Cray Communications	£126,951K	£165,348K	+30.2%
Cray Systems	£35,244K	£57,643K	+63.6%
P-E International		£21,063K	
Total Continuing Ops	£162,195K	£244,054K	+50.5%
Discontinued ops	£38,590K	£27,664K	
TOTAL Revenue	£200,785K	£271,718K	+35.3%
OPERATING PROFIT			
Cray Communications	£12,688K	£20,890K	+64.6%
Cray System	£3,706K	£4,513K	+21.8%
P-E International		£581K	
Total Continuing Ops	£16,821K	£25,784K	+53.3%
Foreign Exchange Profit	£3,425K	£0K	
Discontinued Ops	£1,675K	£473K	
Total Operating Profit	£21,921K	£26,257K	+19.8%
Exceptionals	£7,964K	-£235K	
Profit before interest	£29,885K	£26,022K	-12.9%
Net interest	-£871K	£146K	
PBT	£29,014K	£26,168K	-9.8%
EPS			
Continuing operations	6.8p	8.4p	+23.5%
EPS	13.8p	8.6p	-37.7%
EPS from disposals/gains	-6.7p		
Adjusted EPS	7.1p	8.6p	+21.1%

Cash flow from existing operations of £15.6m and disposals helped to offset the P-E acquisition costs and Cray ended the year with £18.9m cash.

After the final disposal in May 94 of the last remaining bits of Cray Technology, Cray now consists of three parts:

- **Cray Communications**, in the main resulting from the DOWTY IT purchase, is storming ahead and should really benefit from the ever increasing growth of data networks.
- **Cray Systems**, run by Mike Shone, now includes the non management consultancy parts of P-E, acquired in Sept. 93. Even so, organic growth was 15% although turning around the loss making P-E operations depressed margins from 11% to a still quite respectable 8%. "*Profit margins will improve in the current year*" - we are confidently told.
- **P-E International**, run by Peter Smith, managed to return to a £581K profit.

Now over 42% of Cray's revenues come from outside the UK. Indeed Cray made great play of comparing their performance with their US counterparts in order to highlight the enormous potential of the group's offerings.

Comment. In 1989 when the current management team "*rescued Cray from almost certain receivership*", the share price was around 60p and its market capitalisation under £60m. The share price ended July three times higher at 181p (a rise of 17% on the month) and Cray is now worth over £400m. Management bonuses are firmly linked to EPS and share price which means that they tend to walk away from some of the more "*fully priced*" acquisitions offered. All this is only the beginning. Cray is looking to margins of 20% from its communications activities in the medium term. Analysts are now forecasting PBT of £33.2m for FY95.

Stop press (1st Aug. 94) - Cray has bought Manchester UNIX software house SAM Systems for £2.7m - more next month.

Booming Misys? - just a matter of base dates

Reviewing Misys depends on which base date you take. In the year to 31st May 1994, revenues increased by a minimal 5% to £93.4m as the hardware content was further reduced. Indeed, if Kapiti's two months/£4.8m revenue contribution is excluded, revenues actually fell. PBT was up 23% at £18.6m and EPS advanced by 19%. As a "*conversion rate from profits to cash continues at 100%*", cash balances increased from £21m to £33m.

The April 94 purchase of banking software specialist Kapiti for £38m (which many in the industry regard as a full price) has "*internationalised the Group*" by boosting Misys' overseas revenues from 3% to 25%.

Misys has two main operating divisions:

- **Financial Systems** (Insurance activities including Countrywide) contributed 29% of the revenues but nearly 60% of operating profits.

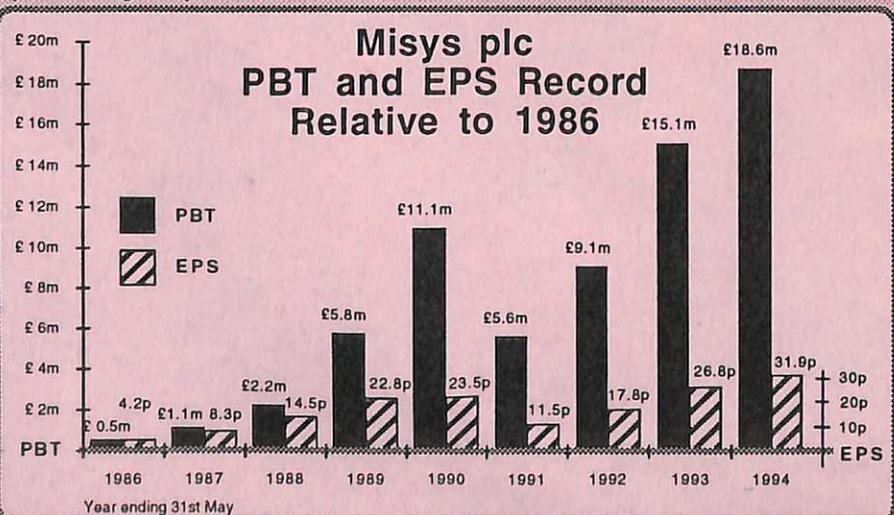
- **Computer Services** (including Kapiti, Mentor, ICC, TIS, CHA etc.) increased profits by 34%.

Now all that looks rather good. So readers may wonder why the Misys share price was 520p in June 93 but only 450p in June 94? Indeed this represents an historic P/E of a mere 14.1 and a prospective P/E of 11.6 (based on PBT of c£26m in the current year); both at least 50% lower than the market average.

The answer might lie in a longer historic view. Companies hate our long term performance charts (*which is why we produce them!*). The Misys chart shows that PBT has increased by 220% since 1989 but EPS is up just 40%. In 1989, the shares hit a high of 450p. They then slumped to a low of 68p before recovering to end July 94 on...447p. Since 1989, Misys has "*spent*" £117m on 15+ acquisitions. But Misys is still only capitalised now at just £211m.

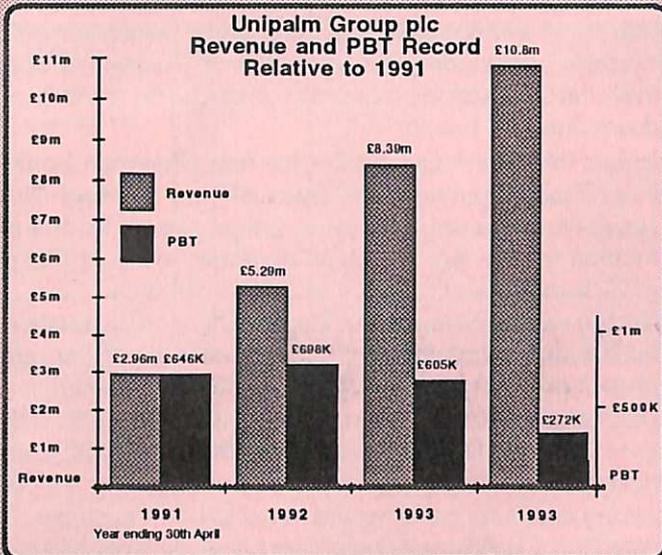
What happens now will largely depend on how much Misys' top management has learnt about the industry since 1989. We must admit that the high price they paid for Kapiti does not inspire high hopes.

But there are many others with deep pockets who might pay a premium price for the Misys portfolio. That at least would be a comfort to disillusioned Misys shareholders.



Spot on at Unipalm

Unipalm was launched on 1st Mar. 94 @ 100p with a forecast that profits for the year to 30th Apr. 94 would be "not less than £250K after taking into account losses of £450K at PIPEX". In the event they achieved PBT of £272K, against PBT of £605K last time, on revenues up 28% at £10.8m. EPS dived by 69%.



The "core" TCP/IP networking software side of Unipalm increased revenues by 16% to £9.3m but operating profits slipped 19% to £739K. But, of course, the real excitement (froth?) at Unipalm (which apparently warrants its £24m capitalisation and P/E of 134) is PIPEX which provides Internet connections to UK businesses. "PIPEX has had a remarkable year, achieving growth of 10% per month with record orders achieved in June 94. More than 250 organisations are using PIPEX". Unipalm received a lot of publicity when it won the BBC Networking Club contract. Froth or not, it's good to see the market backing an innovative UK company where the potential overseas is huge. As Peter Daws, PIPEX' MD, said "we've shown we can put the foundations in. Now we're building the upper storeys".

IBM "delights"

IBM "delighted Wall street with much better than expected Q2 results". It is interesting to note that software revenues were static at \$2.73 billion, particularly as revenues from proprietary operating systems had fallen. However, services revenues continued apace - up 24% - although its margins are still not sufficient to be profitable. Hardware maintenance fell again - by 3.3% to \$1.8 billion. But the problems facing IBM on its mainframes were highlighted in recent surveys. Market researchers, Soundview, determined that worldwide mainframe sales revenues dropped by 40% to \$6.4 billion in 1993. The decline is set to continue as Computer Intelligence InfoCorp showed that, at existing US mainframe sites, a mere 6% were planning new applications to run on their mainframes. 72% of new applications were planned to run on LANs and 16% on workstations.

Frontline profits from distribution

Frontline has shown that hardware distribution can still be a money earner. Profits for the year to 1st Oct. 93 were up 80% at £5.6m on revenues up 65% at £210m. Margins therefore increased to 2.7%. Revenues this year are expected to top £340m and would mostly come from their recently launched retail operations.

COM bureaux suffer...

Microgen suffers as microfiche declines

Although Microgen describes itself as "a broadly based provider of computer output services" their main market is microfiche based. But as we have said on many previous occasions, microfiche is in terminal decline as CD-ROMs and other digital forms of mass storage take over. Microgen has been moving into other areas - in particular electronic printing. But it has also extended its COM activities with acquisitions like Scottish Computer Services (SCS) for £1.5m announced in June.

Given the state of their market, the latest results for the six months to 30th April 94 are really rather better than could have been expected. Revenues were up 11% to £29.1m as COM revenues "held up well". But competition has forced PBT down 8.4% to £3.44m and Microgen, in response, "intends to make a dramatic reduction in UK COM operating costs". EPS was down 9.8%.

Only six months ago Chairman Douglas Lee said there were "good grounds for being confident of a more successful year ahead". Now Lee admits that "there is more work to be done in the second half of the year to put the new lower cost structure fully in place". Analysts have revised full year profit forecasts down from £7.9m to about £6.5m.

MR Data Management issues profits warning

After Microgen, MR Data Management is the second largest COM bureau in the UK. On 11th July, MR issued a warning that their PBT for the year to 30th June "will not meet expectations" as delays had been experienced in orders for its Memex business "from both sides of the Atlantic". Memex is a text retrieval system used by police forces. MR reported that orders had been delayed, not lost, at least in part due to the burdensome tendering processes required by the EC. Analysts reduced expectations from £9.3m to £6.2m.

Like Microgen, sales at MR's core COM business have held up well and "reorganisation" would result in much lower cost base. MR shares fell 22% in July.

"Technology wonder stock" at "Vital stage"

Those kind of words should strike fear and trepidation. They also create a volatile share price. Launched in June 93 at 155p, Phonelink rocketed to a high of 440p. They have since slumped back to 272p - still a massive 75% premium to the launch price.

Let's put the trepidation into context. Phonelink has a current capitalisation of £95m - they were at one time valued at over £150m! But latest full year results to 31st Mar. 94 show revenues increased by 35% to £1.24m and a loss before tax of £1.76m. And yes, your eyes do not deceive you.

The froth is due, of course, to "the marketplace for the Tel-Me products". The "vital stage" comment is because Tel-Me was only launched in May. So far 60 PC dealers have signed up to sell the product and eight UK organisations, like the AA and the Press Association, have agreed to provide data. As already announced, IBM are to pre-load the Tel-Me software onto all UK PCs. But how many subscribers will be prepared to pay £300 p.a. plus a charge for every database access?



P & P plc

Completely refocussing any business is a hard task at the best of times but moving a company from high

volume hardware and software distribution to a high value service organisation during a recession is about as difficult as they come. Many have tried - few have succeeded.

That's why we have great respect for P&P. Just over a year ago, P&P sold their product distribution business to Merisel and their Belgian activities to Ingram. In May 94, P&P bought Computers for Business (Scotland) to add to their value-added services. This month they have announced their biggest acquisition to date - QA Training. QA "is one of the leading suppliers in the UK of training in the field of desktop computing". In the year to 30th Apr. 94 QA had revenues of £9.37m and PBT of £1.76m. 80% of QA's equity was owned by the three founding directors and IBM had a 10% stake.

Note: Regent Associates acted for QA Training in this deal.

The consideration is an initial £15m made up of £7.6m cash, £5.2m loan notes and P&P shares. A further payment of up to £3m (i.e. £18m in total) is dependent on PBT to Apr. 95 exceeding £2m.

P&P already had training revenues of £3m. The desktop training market is, according to our researches, currently experiencing significant growth.

P&P also launched a rights issue at 60p to raise £8.6m to fund the purchase. The market clearly liked the deal as the share price remained at 74p - a significant premium. At the same time P&P announced interim results for 31st May 94 showing revenues from continuing operations up 27% at £118.9m. Because of the discontinued volume product activities, total revenues decreased by 2%. PBT was up 35% at £2.7m and EPS was up 43%. This justified a 50% dividend hike. Net cash nearly doubled to £7.5m. David Southworth is quite justified in claiming that these results "clearly demonstrate the success of P&P's strategy".

"Assuming QA achieves no more than it did last time, full year profits at P&P should reach £6.2m. On a prospective P/E of less than 12, the shares look cheap". Source - Investors Chronicle 15th July 1994.

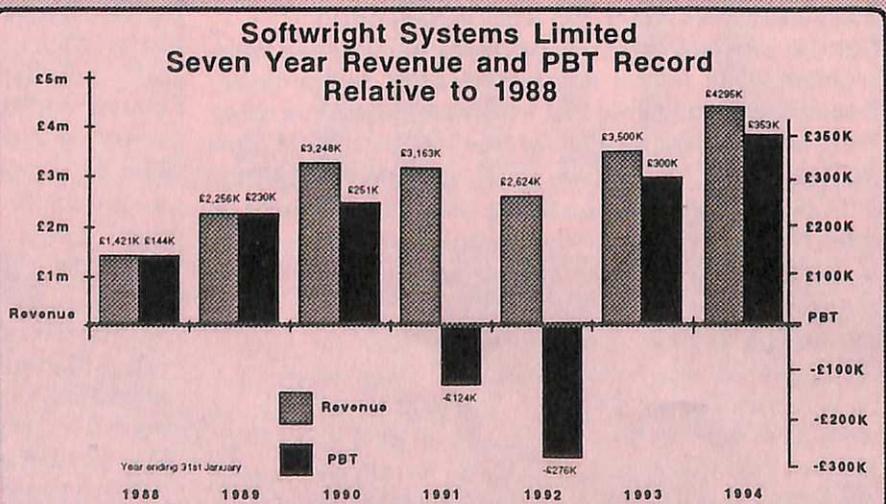
Continued growth at Softwright

"Softwright is an independent computer services company specialising in the development of client/server solutions".

They have pioneered the development of Object Management Systems which has resulted in the creation of Integrated Objects - a joint venture with IBM. Celebrating their tenth anniversary, results to 31st Jan. 94 showed revenues up 28% at £4.3m and PBT up 15%. Cash is "at an all time high of £842K" and the forward order book exceeded £2.4m.

Jane Tozer has been promoted to Vice Chairman and Paul Frew takes over the MD role.

This must all sound pretty good for those shareholders who were brave enough to raise £741K to buy out Micro Focus' 54% stake in 1991.



Gresham Telecomputing - Blowing away the froth

When Sid Green was Chairman, he threatened to write his own novel on the "Gresham reverses into Telecomputing" affair. But with Bernard Panton, a DTI investigation, disputed asset ownership and a share price dive to 6p behind him, he quite genuinely thought that the most exciting chapters had already been written. Last year, with the shareprice as high at 186p at one point and market hysteria surrounding the potential of Gresham's open systems transaction processing products, Green stepped down due to ill health.

In Jan. 94 Hamish Donaldson, the new Chairman, bought in ex-Telecomputing Chris Swinbank as MD and Chris Howe-Davis as sales director. Latest results for the six months to 30th Apr. 94 show revenues static at £3.1m, PBT down 42% at £244K and EPS down 50%.

But the new team has taken steps to dampen the euphoria for the open systems products. "Forecasts of the rapid growth and dominance of the open systems market have been over optimistic". One of the disappointments is the tp++ deal with Dun and Bradstreet. In early 1993, it was believed that "more than 20% of its worldwide 14,000-strong customer base" would move to UNIX systems. To date Dun & Bradstreet customers have taken only 30 tp++ licences.

Gresham will now pay more attention to its "loyal traditional mainframe base. This policy is not so much a change of direction as a recognition that we need to be driven by a customer satisfying process rather than a product producing process".

Gresham shares ended July on 54p - down 71% from their euphoric 1993 peak.

ANDERSEN CONSULTING If there has been one dominate theme over the last few years it is the high regard, and therefore demand, for UK SCSI management by international companies.

This month Keith Burgess has been promoted to Worldwide Managing Partner, Business Integration and Practice Competence at Andersen Consulting. James Hall takes his place as UK Managing Partner.

Question to Andersen's PR dept: "Can you confirm that Burgess is British?". Answer: "Well, he's Welsh actually".

Richard Holway Results Service

ACT Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 152,926,000 £ 20,478,000 10.63p	Final - Mar 94 £ 250,630,000 £ 28,469,000 12.15p	Final Comparison +63.9% +39.0% +14.3%	
Admiral plc	Results Revenue PBT EPS	Interim - Jun 93 £ 17,710,000 £ 1,855,000 13.3p	Final - Dec 93 £ 36,640,000 £ 4,608,000 27.6p	Interim - Jun 94 £ 24,560,000 £ 3,198,000 18.5p	Interim Comparison +38.7% +46.4% +39.1%
Azian Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 41,196,000 £ 2,954,000 8.4p	Final - Mar 94 £ 61,506,000 £ 3,871,000 12.4p	Final Comparison +49.3% +31.0% +47.6%	
Capita Group plc	Results Revenue PBT EPS	Interim - Jun 93 £ 22,102,000 £ 2,038,000 2.86p	Final - Dec 93 £ 50,168,000 £ 5,463,000 7.85p	Interim - Jun 94 £ 30,471,000 £ 2,710,000 3.8p	Interim Comparison +37.9% +33.0% +32.9%
Cedardata plc	Results Revenue PBT EPS	Final - Mar 93 £ 5,259,000 £ 1,778,000 4.2p	Final - Mar 94 £ 6,120,000 £ 2,715,000 6.3p	Final Comparison +16.4% +52.7% +50.0%	
Centregold plc	Results Revenue PBT EPS	Interim - Jan 93 £ 36,601,000 £ 2,000,000 4.46p	Final - Jul 93 £ 67,985,000 £ 7,715,000 5.63p	Interim - Jan 94 £ 52,554,000 £ 2,600,000 4.7p	Interim Comparison +43.6% +24.4% +5.4%
Clinical Computing plc	Results Revenue PBT EPS	Interim - Jun 93 £ 1,180,000 £ 448,000 3.7p	Final - Dec 93 £ 2,635,853 £ 1,129,000 9.1p	Interim - Jun 94 £ 735,000 (£ 227,000) (1.4p)	Interim Comparison -37.7% Profit to Loss Profit to Loss
Coda Group plc	Results Revenue PBT EPS	Interim - Apr 93 £ 9,321,000 £ 427,000 1.2p	Final - Oct 93 £ 23,450,000 £ 3,752,000 10.6p	Interim - Apr 94 £ 13,327,000 (£ 2,546,000) (8.0p)	Interim Comparison +43.0% Profit to Loss Profit to Loss
Computerised Financial Solutions Europe Ltd	Results Revenue PBT EPS	Final - Dec 92 £ 3,224,898 £ 37,109 n/a	Final - Dec 93 £ 3,338,636 £ 330,233 n/a	Final Comparison +3.5% +789.9% n/a	
Computer People Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 62,735,000 £ 145,000 (0.97p)	Final - Dec 93 £ 68,748,000 £ 1,102,000 4.37p	Final Comparison +9.6% +660.0% Loss to profit	
Cray Electronics Holding plc	Results Revenue PBT EPS	Final - Apr 93 £ 200,785,000 £ 29,014,000 13.8p	Final - Apr 94 £ 271,718,000 £ 25,168,000 8.6p	Final Comparison +35.3% -9.8% -37.7%	
CRT Group plc	Results Revenue PBT EPS	Final - Apr 92 £ 43,469,000 £ 3,158,000 8.26p	Final - Apr 93 £ 47,035,000 £ 3,297,000 4.22p	Final Comparison +8.2% -46.5% -48.9%	
DRS Data & Research Services plc	Results Revenue PBT EPS	Final - Dec 92 £ 7,806,000 £ 705,000 1.51p	Final - Dec 93 £ 11,577,000 £ 1,689,000 3.83p	Final Comparison +48.3% +139.6% +153.6%	
DCS Group plc	Results Revenue PBT EPS	Interim - Dec 92 £ 2,903,000 £ 121,000 1.36p	Final - Jun 93 £ 5,545,366 £ 231,406 2.92p	Interim - Dec 93 £ 2,604,000 £ 41,000 0.61p	Interim Comparison -10.3% -66.1% -55.1%
Division Group plc	Results Revenue PBT EPS	Final - Oct 92 £ 1,081,913 (£ 107,783) (1.0p)	Final - Oct 93 £ 2,078,000 (£ 503,000) (2.1p)	Interim Comparison +92.1% Loss both Loss both	
Electronic Data Processing plc	Results Revenue PBT EPS	Interim - Mar 93 £ 7,350,000 £ 341,000 6.022p	Final - Sep 93 £ 14,341,000 £ 4,572,000 11.712p	Interim - Mar 94 £ 7,179,000 £ 2,061,000 5.12p	Interim Comparison -2.4% -12.0% -15.0%
Enterprise Computer Holdings plc	Results Revenue PBT EPS	Interim - Sep 92 £ 35,524,000 (£ 3,392,000) (4.3p)	Final - Mar 93 (restated) £ 58,231,000 (£ 6,143,000) (7.7p)	Interim - Sep 93 £ 9,895,000 £ 25,000 (0.02p)	Interim Comparison -72.1% Loss to Profit Loss both
Gresham Telecomputing plc	Results Revenue PBT EPS	Interim - Apr 93 £ 3,060,000 £ 419,000 0.86p	Final - Oct 93 £ 5,823,000 £ 551,000 1.04p	Interim - Apr 94 £ 3,068,000 £ 244,000 0.43p	Interim Comparison +0.3% -41.8% -50.0%
INSTEM plc	Results Revenue PBT EPS	Final - Dec 92 £ 14,272,000 £ 575,000 8.5p	Final - Dec 93 £ 19,294,000 £ 1,021,000 14.8p	Final Comparison +35.2% +77.6% +74.1%	
JBA Holdings plc	Results Revenue PBT EPS	Final - Dec 92 £ 25,907,000 £ 3,659,000 7.57p	Final - Dec 93 £ 74,467,000 £ 4,736,000 9.83p	Final Comparison +188.2% +29.4% +29.9%	
Kalamazoo Computer Group plc	Results Revenue PBT EPS	Final - Mar 93 £ 56,508,000 £ 940,000 (0.6p)	Final - Mar 94 £ 60,911,000 £ 6,355,000 10.2p	Final Comparison +7.8% +578% Loss to Profit	
Kewill Systems plc	Results Revenue PBT EPS	Final - Mar 93 £ 33,341,000 (£ 5,192,000) (0.60p)	Final - Mar 94 £ 31,780,000 £ 4,043,000 23.0p	Final Comparison -4.7% Loss to Profit Loss to Profit	
Kode International plc	Results Revenue PBT EPS	Final - Dec 92 £ 20,915,000 £ 1,031,000 8.6p	Final - Dec 93 £ 24,916,000 £ 1,143,000 7.0p	Final Comparison +19.1% +10.9% -18.6%	
Learmonth & Burchett Management Systems plc	Results Revenue PBT EPS	Final - Apr 93 £ 23,645,000 £ 1,610,000 7.0p	Final - Apr 94 £ 26,406,000 (£ 731,000) (3.3p)	Final Comparison +11.7% Profit to Loss Profit to Loss	
Logica plc	Results Revenue PBT EPS	Interim - Dec 92 £ 104,208,000 £ 4,136,000 3.7p	Final - Jun 93 £ 217,434,000 £ 9,026,000 8.7p	Interim - Dec 93 £ 106,522,000 £ 3,211,000 3.3p	Interim Comparison +2.2% -22.4% -10.8%
Lynx Holdings plc	Results Revenue PBT EPS	Interim - Mar 93 £ 4,719,000 £ 105,000 0.83p	Final - Sep 93 £ 10,807,000 £ 619,000 4.27p	Interim - Mar 94 £ 7,257,000 £ 460,000 1.15p	Interim Comparison +53.8% +338.1% +38.6%
M.A.I.D plc	Results Revenue PBT EPS	Final - Dec 92 £ 3,485,337 £ 323,832 n/a	Final - Dec 93 £ 5,723,909 £ 603,176 n/a	Final Comparison +64.2% +86.7% n/a	
McDonnell Information Systems plc	Results Revenue PBT EPS	Final - Dec 92 £ 158,634,000 £ 18,558,000 n/a	Final - Dec 93 (Pro Forma) £ 148,480,000 £ 12,857,000 14.3p	Final Comparison -6.4% -30.7% n/a	
MR-Data Management Group plc	Results Revenue PBT EPS	Interim - Dec 92 £ 18,629,000 £ 4,020,000 4.89p	Final - Jun 93 £ 40,788,000 £ 8,759,000 10.6p	Interim - Dec 93 £ 19,682,000 £ 2,680,000 3.21p	Interim Comparison +5.2% -33.8% -34.4%
Macro 4 plc	Results Revenue PBT EPS	Interim - Dec 92 £ 11,213,000 £ 4,935,000 14.8p	Final - Jun 93 £ 23,266,000 £ 10,497,000 31.5p	Interim - Dec 93 £ 12,104,000 £ 5,400,000 16.0p	Interim Comparison +7.9% +9.4% +9.8%

Richard Holway Results Service

Micro Focus plc	Results Revenue PBT EPS	Final - Jan 93 £ 68,882,000 £ 22,777,000 106.5p		Final - Jan 94 £ 83,842,000 £ 21,761,000 101.2p	Final Comparison +21.7% -4.5% -5.0%
Microgen Holdings plc	Results Revenue PBT EPS	Interim - Apr 93 £ 26,137,000 £ 3,758,000 6.1p	Final - Oct 93 £ 53,351,000 £ 6,700,000 10.5p	Interim - Apr 94 £ 29,056,000 £ 3,441,000 5.5p	Interim Comparison +11.2% -8.4% -9.8%
Microvitec plc	Results Revenue PBT EPS	Final - Dec 92 £ 49,888,000 (£ 2,137,000) (3.4p)		Final - Dec 93 £ 35,170,000 £ 1,611,000 2.1p	Final Comparison -29.5% Loss to profit Loss to profit
Misya plc	Results Revenue PBT EPS	Final - May 93 £ 2,761,000 £ 15,125,000 26.8p		Final - May 94 £ 93,358,000 £ 18,612,000 31.9p	Final Comparison +5.2% +23.1% +19.0%
MMT Computing plc	Results Revenue PBT EPS	Interim - Feb 93 £ 3,165,000 £ 465,000 4.8p	Final - Aug 93 £ 7,057,716 £ 1,725,549 9.0p	Interim - Feb 94 £ 4,815,000 £ 1,215,000 6.4p	Interim Comparison +52.1% +40.5% +33.3%
On Demand Information plc	Results Revenue PBT EPS	Interim - Jan 93 £ 8,988,000 (£ 490,000) (1.49p)	Final - Jul 93 £ 18,989,000 (£ 1,450,000) n/a	Interim - Jan 94 £ 11,847,000 (£ 659,000) (1.62p)	Interim Comparison +31.8% Loss both Loss both
Oxford Molecular plc	Results Revenue PBT EPS	Final - Dec 92 £ 1,048,000 (£ 318,000) (9.7p) adjusted		Final - Dec 93 £ 1,409,000 (£ 1,265,000) (8.9p) adjusted	Final Comparison +33.6% Loss both Loss both
P & P plc	Results Revenue PBT EPS	Interim - May 93 £ 121,800,000 £ 2,000,000 2.1p	Final - Nov 93 £ 217,259,000 £ 4,107,000 4.3p	Interim - May 94 £ 118,900,000 £ 2,700,000 3.0p	Interim Comparison -2.4% +35.0% +42.0%
Parity plc (was Comac Group)	Results Revenue PBT EPS	Final - Dec 92 £ 11,118,158 £ 394,723 3.7p		Final - Dec 93 £ 19,768,000 (£ 228,000) (1.9p)	Final Comparison +77.8% Profit to loss Profit to loss
Pegasus Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 10,269,000 £ 620,000 7.3p		Final - Dec 93 £ 7,502,000 £ 6,930,000 72.0p	Final Comparison -26.9% +101.7% +886.3%
Persona plc	Results Revenue PBT EPS	Final - Dec 92 £ 14,088,000 £ 358,000 2.36p		Final - Dec 93 £ 22,862,000 £ 1,749,000 11.06p	Final Comparison +62.3% +388.5% +369.5%
Phonelink plc	Results Revenue PBT EPS	Final - Mar 93 £ 922,557 £ 30,905 0.1p		Final - Mar 94 £ 1,241,000 (£ 1,761,000) (5.0p)	Final Comparison +34.6% Profit to Loss Profit to Loss
Proteus International plc	Results Revenue PBT EPS	Final - Mar 93 £ 21,000 (£ 3,547,000) (13.52p)		Final - Mar 94 nil (£ 6,618,000) (24.36p)	Final Comparison n/a Loss both Loss both
Quality Software Prod. Holdings plc	Results Revenue PBT EPS	Final - Dec 92 £ 13,118,183 £ 1,200,676 16.2p		Final - Dec 93 £ 13,345,543 £ 553,214 6.7p	Final Comparison +1.7% -5.4% -58.6%
Radius plc	Results Revenue PBT EPS	Final - Nov 92 £ 24,012,000 £ 1,231,000 2.9p		Final - Dec 93 £ 23,273,000 (£ 1,171,000) (3.0p)	Final Comparison (13 mos) -3.1% Profit to loss Profit to loss
Real Time Control plc	Results Revenue PBT EPS	Final - Mar 93 £ 6,114,000 £ 492,000 4.9p		Final - Mar 94 £ 8,534,000 £ 1,387,000 13.3p	Final Comparison +39.5% +181.9% +171.4%
Roffe & Nolan plc	Results Revenue PBT EPS	Final - Feb 93 £ 11,232,000 £ 1,216,000 17.7p		Final - Feb 94 £ 12,720,000 £ 1,573,000 12.9p	Final Comparison +13.2% +29.4% -27.1%
Sage Group plc	Results Revenue PBT EPS	Interim - Mar 93 £ 20,983,000 £ 5,380,000 17.66p	Final - Sep 93 £ 41,289,000 £ 9,655,000 32.5p	Interim - Mar 94 £ 25,400,000 £ 6,864,000 22.25p	Interim Comparison +21.1% +27.6% +25.8%
Sanderson Electronics plc	Results Revenue PBT EPS	Interim - Mar 93 £ 12,057,000 £ 1,613,000 3.55p (amended)	Final - Sep 93 £ 23,581,000 £ 3,327,000 8.465p (amended)	Interim - Mar 94 £ 14,217,000 £ 2,167,000 3.86p (amended)	Interim Comparison +17.9% +20.3% +12.0%
Sema Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 416,675,000 £ 19,458,000 13.22p		Final - Dec 93 £ 501,992,000 £ 24,855,000 16.62p	Final Comparison +20.5% +27.7% +25.7%
Sherwood Computer Services plc	Results Revenue PBT EPS	Final - Dec 92 £ 21,103,000 £ 3,004,000 34.1p		Final - Dec 93 £ 23,561,000 (£ 1,998,000) (35.78p)	Final Comparison +11.6% Profit to Loss Profit to Loss
Spargo Consulting plc	Results Revenue PBT EPS	Interim - Jun 93 £ 2,307,000 £ 272,000 1.52p	Final - Dec 93 £ 4,869,000 £ 483,000 2.58p	Interim - Jun 94 £ 2,854,000 £ 606,000 3.2p	Interim Comparison +23.7% +122.8% +110.5%
Standard Platforms Holdings plc	Results Revenue PBT EPS	Interim - Mar 93 £ 865,617 (£ 382,695) (9.6p)	Final - Sep 93 (18 months) £ 3161416 (£ 1,065,027) (26.7p)	Interim - Mar 94 £ 749,995 (£ 35,640) (0.9p)	Interim Comparison -13.4% Loss Both Loss Both
Superscape VR plc	Results Revenue PBT EPS	Final - Jul 92 £ 395,989 (£ 44,502) (23.1p)	Interim - Jan 94 £ 390,121 (£ 73,280) (53.4p)	Final - Jul 93 £ 642,018 (£ 21,450) (12.3p)	Final Comparison +62.1% Loss Both Loss Both
Total Systems plc	Results Revenue PBT EPS	Final - Mar 93 £ 2,869,359 £ 832,906 6.06p		Final - Mar 94 £ 2,092,429 £ 141,918 0.96p	Final Comparison -27.1% -83.0% -84.2%
Trace Computers plc	Results Revenue PBT EPS	Interim - Nov 92 £ 8,835,000 £ 105,000 0.59p	Final - May 93 £ 18,042,438 £ 211,504 1.12p	Interim - Nov 93 £ 9,236,000 £ 216,000 1.22p	Interim Comparison +4.5% +105.7% +106.8%
Unipalm plc	Results Revenue PBT EPS	Final - Apr 93 £ 8,390,000 £ 605,000 2.9p		Final - Apr 94 £ 10,753,000 £ 272,000 0.89p	Final Comparison +28.2% -55.0% -69.3%
Vega Group plc	Results Revenue PBT EPS	Final - Apr 93 (amended) £ 8,089,000 £ 1,478,000 6.38p		89 Final - Apr 94 £ 9,703,000 £ 2,147,000 10.01p	Final Comparison +20.0% +45.3% +56.9%
Virtuality Group plc	Results Revenue PBT EPS	Final - Dec 92 £ 5,245,000 £ 217,000 1.1p		Final - Dec 93 £ 5,400,000 (£ 365,000) (1.7p)	Final Comparison +2.9% Profit to Loss Profit to Loss
Vistec Group plc	Results Revenue PBT EPS	Final - Apr 93 £ 38,665,000 £ 3,282,000 1.88p		Final - Apr 94 £ 45,018,000 £ 3,409,000 2.06p	Final Comparison +16.4% +3.9% +0.6%
Wakebourne plc	Results Revenue PBT EPS	Final - Dec 92 £ 24,171,000 £ 453,000 0.13p		Final - Dec 93 £ 23,233,000 (£ 18,649,000) (3.6p)	Final Comparison -3.9% Profit to Loss Profit to Loss

Acquisitions, disposals and liquidations

MDIS in first acquisition

McDonnell Information Systems (MDIS) was the largest ever new float in the SCSI sector earlier in 1994. This month they have used their new found buying power to announce their intent to acquire **Xerox Computer Services (XCS)** in the US for up to \$30m (£20m) - \$10m in cash on completion and up to \$20m based on revenues over the next four years

XCS had revenues of \$20m in 1993. XCS has developed a manufacturing product, Chess, using MDIS PRO-IV development tool now installed in 225 sites in the US and worldwide. MDIS has a small but significant base of manufacturing systems in the UK with its MATRIX system. Also, although MDIS has three US offices (out of 58) its revenues are currently mainly UK based.

The acquisition looks both strategically sensible and reasonably priced. MDIS shares rose just 1% this month.

DEC Consulting for sale?

It appears that the rumoured sale of **DEC Consulting** (\$1.5 billion revenues/10,000 staff) to **Computer Sciences (CSC)** will not happen, as the parties could not agree on price. It now seems that anything that isn't screwed to the floor is for sale in the DEC garage sale.

Oracle to buy Gupta?

On 20th July 94, Mike Evans told us that he was leaving **Oracle UK**, where he was until recently the UK Marketing Director, to join **Gupta** as UK MD.

On 20th July 1994 Oracle announced that it had bought a 7.7% stake in Gupta and had entered into discussions which could lead to a takeover. However, there has since been a rumour that part of the stake has been sold.

No rumours yet about Oracle buying **OpenVision**...

Sell off continues at Sherwood...

Much troubled **Sherwood Computer Services** has sold its **Consort Data** subsidiary in an MBO for £250K cash plus a maximum of a further £200K by way of licence royalties. Consort provides software and services to the stockbroking industry. It is being sold to avoid conflict with its City Deal JV with Computer People.

Sherwood had issued two profits warnings culminating in a £2m loss for the year ending 31st Dec. 93. Consort is the latest in a string of disposals.

...and at IMI

When **IMI** relieved themselves of the **Brook Street Computing** fiasco in Mar 94, we pointed out that computing was now described as "non-core".

This month IMI has sold (paid to have taken off its hands?) **Redwood International** (the UNIPLEX people) to **CP Software** - the US arm of Australian **Computer Power** - for £5m in promissory notes maturing over 5 years. But IMI has also made available a further £6m loan to help restructuring. IMI bought Redwood for £15m in 1991 just after PBT of £2.1m had been reported. But Redwood lost £4m in 1993 and a further £8m in the H1 1994. The disposal will mean a £35m hit to IMI accounts this year. IMI's non core computing experiment has clearly been a VERY EXPENSIVE mistake.

The CSA is to change its name to the **Computing Services and Software Association** in part to avoid the bad press relating to the Child Support Agency.

The others... US software developer **Phoenix Technologies** has acquired **DIP Research** based in Surrey. **Resolutions Systems** has bought the £3m p.a. **QD Systems** - the reseller arm of software distributor **Quintec International**. Interestingly this was forced on them by **Wordperfect** who claimed a conflict of interest. **US Deluxe** has completed its acquisition of UK open systems developer **Software Partnership Ltd**. **Logica** has upped its stake in the **National Remote Sensing Centre** in Farnborough to 8.1%. Other shareholders in our sector include **Serco** (8.1%), **Data Sciences** (4%) and **Vega** (0.9%). **British Aerospace** has sold its **Space Systems** subsidiary to **Matra Marconi Space** for £56m - i.e. its net asset value. **Resource Management Systems** has bought the **Tranman** subsidiary of **ACT**.

As we forecast back in Feb. 94, **MFT Computer Systems** has now completed a £420K MBO from the loss making **Cygnus Group**. MFT develops open system products. It says it has made £150K profit in the first half of 1994.

Spargo Consulting - "fractionally ahead of forecast"

Spargo Consulting was one of the most recent SCSI companies to float in early June 1994. We would therefore have been mega surprised if they had failed to meet their £600K PBT forecast for the six months to 30th June 94. In the event PBT was £606K (up 123% on last time) on revenues up 24% at £2.85m - an impressive 21% margin. EPS increased 111%.

We are, of course, pleased to see expectations met. But **Spargo**, which basically provides application management, is one of a worrying breed of new issue where all the funds raised have gone to existing shareholders. There now seems to be growing evidence of a correlation between funds raised on issue for existing shareholders and subsequent performance reversals. Although the share price has risen from the issue price of 95p to end July on 110p, we will await the full year results with great interest.

Standard Platforms decreases losses

The story so far... **Standard Platforms (SP)** develops UNIX imaging software for optical discs. They acquired **DocuFile** in the US in 1990 - it didn't work and was closed in early 93. SP came close to closure until a group of 30 "private business angels" rescued the company in May. Latest results for the six months to 31st Mar. 94 are therefore of limited interest. For the record they show a greatly decreased loss of £36K (£383K) on revenues of £750K (£866K).

"This improvement is unlikely to continue in the second half since the company will need to make immediate investments in personnel and product development if it is to prosper in the longer term".

Reuters' growth in line with forecasts

Given that **Reuters** has been the biggest UK-owned SCSI company acquirer (by number of deals) in the last year, they at least deserve a mention for their excellent 14% increase in PBT to £215m, 22% increase in revenues to £1.1 billion and 21% increase in EPS in the six months to 30th June 1994.

The interim statement confirms "payments from the seller" (i.e. **CitiBank**) of **Quotron Systems** whose profit "contribution in the period was neutral" thus depressing overall margins. Other recent SCSI purchases included **US Teknekron Software** (£83m) as well as **VAMP Health** (£13.3m) and **Safetynet** (£5m for 20%) in the UK.

Sage acquires Multisoft for up to £6.5m

Last month, we were eager to determine which "leading financial accounting software products company" Walker International were to purchase. Our first thoughts were Multisoft only to be told a definite NO. In the event Walker paid a *highly impressive* £8m cash for Financial Solutions - a company with revenues of just £3m and no profits. But we were clearly on the right trail. Just a fortnight later, Sage announced that it was to pay an initial £4m in cash for Multisoft plus a further £2.5m depending on sales performance to Sept. 1996.

Multisoft has warranted operating profits of "not less than £500K on sales of about £5m" for the year to 30th June 1994. You may remember that in Mar 94 we covered their unusual announcement of a return to a PBT of £195K for the first six months. This compared with a £86K loss in the previous year.

The Multisoft story is worth retelling. Founded in 1983 by, amongst others, its current MD Tony Nicholls, Multisoft became one of the leading developers of financial accounting systems running on systems from PCs to multi user UNIX based systems. Its Prestige and Premier brand products have a client base of over 8,000. Multisoft sells via a nationwide network of VARs.

In Oct. 89, after reporting profits in excess of £1m, Multisoft was bought by Headland for £11m of which only about £2.7m was taken in cash or shares immediately placed by the vendors. The rest was in Headland shares.

But, as we all now know, less than a year later Headland called in the receivers. Nicholls described it as the "worst year of his life". But Nicholls was able to buy his company back from the receivers for £2.5m with the help of Hillsdowne. As this consideration included the HQ building in Alton, the Multisoft business probably cost him only about £700K.

But the nightmare was not over. In the year to June 92, Multisoft lost £121K which had been largely due to the closedown of their Australian operations. Staff were laid off and product quality was questioned. Rumours of Multisoft's demise were rife with suitors such as Kewill and Kalamazoo being mentioned.

Comment

Given that the best of all deals are where all parties benefit, this acquisition seems absolutely right. Multisoft shareholders get a fair but not excessive price. More particularly they are now part of one of the soundest and most highly regarded UK software companies. Sage's quality, marketing and financial acumen should be of great benefit.

Sage has bought at a price which should enhance EPS. Sage also get a product range directed at medium sized companies which complements their highly successful offering for smaller businesses. With DacEasy in the US and a growing European presence, maximising Multisoft's international potential could bring high rewards.

Multisoft customers should sleep easier in their beds and even the Multisoft VARs seem to be pleased.

The market was also impressed - marking Sage up 11%.

Radius and Kalamazoo buy...

Radius has acquired Avalon Systems for £848K. Avalon supplies printing systems and Radius now claims a 40% share of this market in the UK.

Kalamazoo has acquired E T Hi-Tec Ltd., who develop attendance software, for £250K from Eliza Tinsley.

Capita - crème de la crème

As stated in our page 1 feature, Capita is one of only three quoted SCSI companies which has not reported a reversal in EPS at any time in the last ten years.

Latest results for the six months to 30th June 94 show revenues up 38% at £30.5m, PBT up 33% at £2.71m and EPS up 33%. Not too great a risk therefore in predicting that Capita will maintain their exemplary record for another year!

As we have also stated many times, it is outsourcing which is really firing this growth. Outsourcing revenues increased by 77% to £21.5m - i.e. now representing 70% of Capita's turnover. Operating profits doubled to £1.51m. This means an operating margin of 7.2% - up from 6.4% last year. So others in our industry who are still accusing Capita of "buying business" with "suicidally" low bids need to do some serious rethinking.

Elsewhere, Capita's advisory services increased profits by 43% to £600K although revenues fell by 5% to £4.4m. Property services did not fare as well with profits down 14% to £600K on sales 8% higher at £5m.

Chairman Rod Aldridge anticipates that full year results will be "very satisfactory". Analysts are forecasting PBT of £7.7m. Capita shares rose 10.5% this month.

Note: Paddy Doyle - ex Hoskyns - who runs Capita Managed Services has been promoted to the main board. As Hoskyns' own position in the FM rankings decline, demand for its ex FM managers like Tom Butler - MD at EDS UK - seems to increase.

Clinical - a serious case for treatment

Why do companies announcing atrocious results always hold board meetings as an excuse not to talk to hacks like us? It is almost as if the announcement was a surprise to the board too.

Clinical Computing (computer information systems to the healthcare industry) is a case in point. To be fair we did warn our readers that 1993 (i.e. the year before the float) was the *only* year when Clinical had made any profits. We added that it only managed that because directors emoluments were declared as "non-recurring".

The first interims were....*simply awful*. In the last full year PBT of £1.13m was declared on revenues of £2.6m - a miraculous margin of 50%. The first interims for the six months to 30th June 94 show revenues down 37% at just £735K and PBT of £446K converted into a loss of £227K. Major investment in R&D and delayed customer orders were blamed. Of course, none of this was mentioned in the placing document.

Yet again, existing shareholders raised £1.5m in the float. Launched in Feb. 94 at 124p, the shares rose to 186p. This month, at one point, the shares hit a low of 66p before recovering marginally to end July on 73p.

Data Sciences profit from Pilot

Dun & Bradstreet Corp. has bought EIS supplier, Pilot Software for an initial consideration of around \$30m. Pilot made revenues of \$37m in 1993 and were trading at a loss - so the price looks "full".

This was excellent news for Data Sciences which had a 26% stake in Pilot, valued in their books at c£1.5m. This dates back to 1989 when Pilot bought part of the software division of THORN-EMI.

We are sure Andy Roberts will have no difficulties in finding a home for the c£5m cash raised.

A month of major ups and downs

It grieves us to report that the best performing share this month was **MAID** - up 84% - whereas the worst performer was **CODA** - down 58%. MAID, which provides on-line business data, is the epitome of the froth stock. Launched at 110p, they fell like a stone. But this month, due to bullish statements, they have doubled from their nadir to 81p - still 26% lower than the issue price. CODA, on the other hand, seemed about as sound as they come. But unexpectedly disappointing maiden results (see p 11) shook the market and the shares have dived from the launch price of 235p to end the month on just 94p.

LBMS fell by 27% to 91p this month as yet another set of losses were announced (see p10). To be fair the fall was far less than we expected when the 70p rights issue was announced. Indeed rights not taken up were procured at 87p per share. **Virtuality** was another of the recent issues (at

170p) to fall by 26% to 134p this month.

Real Time Control advanced 41% on excellent results (p11) and **Cray Electronics** was up 17% as another "storming performance" was announced (p2). It seemed that every newspaper issued Cray BUY notices on Sunday 24th July.

31-Jul-94		CSI Index		1560.99
CSI Index = 1000 on 15th April 1989		FTSE 100		3082.60
		FTSE SmallCap		1834.57
Changes in Indices		CSI Index	FTSE 100	FTSE Small Cap
Month (29/6/94 - 31/7/94)		+1.33%	+4.63%	+2.92%
From 15th Apr 89		+56.10%	+50.11%	
From 1st Jan 90		+69.65%	+30.51%	
From 1st Jan 91		+120.52%	+42.69%	
From 1st Jan 92		+49.40%	+23.65%	
From 1st Jan 93		-2.05%	+8.29%	+32.24%
From 1st Jan 94		-6.50%	-9.82%	-1.83%

System House CSI Share Prices and Capitalisation

	Share Price 31/7/1994 (£p)	Capitalisation 31/7/1994 (£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 31/7/94	Share price % move since 29/6/94	Share price % move in 1994	Capitalisation move (£m) since 29/6/94	Capitalisation move (£m) in 1994
ACT	£1.20	£226.30m	11.4	0.90	1904.76	3.45%	-16.08%	£11.20m	-£37.40m
Admiral	£6.13	£69.50m	22.4	1.90	4442.03	8.11%	26.39%	£4.90m	£17.10m
Azian	£2.13	£46.50m	17.2	0.76	926.09	-12.70%	-19.62%	-£6.80m	-£11.40m
Capita	£1.79	£88.00m	22.8	1.75	5375.38	10.49%	-24.79%	£8.80m	-£24.80m
Cedardata	£1.05	£30.90m	16.0	5.05	1000.00	7.14%	0.00%	£0.90m	-£1.26m
Centregold	£1.03	£41.40m	15.5	0.61	824.00	-0.96%	-36.42%	-£0.40m	-£23.80m
Clinical Computing	£0.73	£11.80m	11.6	4.49	588.71	-22.34%	-41.13%	-£3.40m	-£8.30m
Coda	£0.94	£24.70m	9.8	1.05	400.00	-57.66%	-60.00%	-£33.50m	-£36.95m
Computerised Financial	£1.05	£4.93m	n/a	1.48	1166.67	-5.41%	16.67%	-£0.29m	£0.70m
Computer People	£1.74	£24.10m	39.6	0.35	716.05	2.35%	61.11%	£0.50m	£9.10m
Cray Electronics	£1.81	£403.30m	21.0	1.48	1058.48	17.53%	12.42%	£63.90m	£48.50m
CRT	£1.05	£56.20m	18.9	1.19	1166.67	0.00%	7.14%	£0.00m	£4.10m
DRS Data & Research	£1.04	£37.40m	25.1	3.23	945.45	-0.95%	-5.45%	£0.00m	-£1.80m
DCS Group	£0.71	£6.72m	24.3	1.21	1183.33	0.00%	18.33%	£0.00m	£2.52m
Division Group	£1.24	£42.60m	Loss	20.48	3100.00	24.00%	53.09%	£8.80m	£15.20m
Electronic Data Processing	£1.38	£36.00m	12.8	2.51	4225.35	-3.50%	-30.30%	-£1.30m	-£15.60m
Enterprise	£0.09	£6.97m	Loss	0.12	72.00	-18.18%	-71.43%	-£1.54m	-£18.73m
Gresham Telecomputing	£0.54	£17.70m	48.5	3.04	580.65	0.00%	-51.35%	£0.00m	-£17.80m
INSTEM	£1.57	£7.16m	10.1	0.37	1570.00	-1.88%	16.30%	-£0.09m	£0.70m
JBA Holdings	£1.61	£53.10m	16.4	0.71	1006.25	0.63%	0.63%	£0.30m	£0.30m
Kalamazoo	£1.33	£50.60m	13.0	0.83	3800.00	-1.48%	33.00%	-£0.80m	£12.50m
Kewill	£2.80	£34.00m	12.2	1.07	1106.72	0.36%	26.13%	£0.10m	£7.50m
Kode International	£0.78	£7.34m	11.2	0.29	362.79	-22.77%	-51.25%	-£2.16m	-£7.56m
Learmonth & Burchett	£0.91	£17.00m	Loss	0.64	758.33	-27.20%	-37.24%	-£5.70m	-£9.00m
Logica	£2.88	£178.00m	33.3	0.82	789.04	7.87%	5.49%	£13.50m	£10.10m
Lynx Holdings	£0.49	£20.60m	18.8	1.91	1225.00	2.08%	11.36%	£0.40m	£3.80m
MAID	£0.81	£65.90m	n/a	11.52	736.36	84.09%	-26.36%	£30.10m	-£23.20m
MDIS	£2.17	£219.00m	15.3	1.47	834.62	1.40%	-16.54%	£5.00m	-£41.00m
MR Data Management	£1.43	£79.40m	15.9	1.95	567.46	-21.86%	-30.24%	-£22.20m	-£34.20m
Macro 4	£5.55	£127.20m	16.7	5.47	2237.90	-6.41%	-18.14%	-£8.00m	-£26.80m
Micro Focus	£9.80	£135.40m	9.0	1.61	4734.30	-3.45%	-2.00%	-£10.80m	-£6.60m
Microgen	£1.29	£50.80m	12.9	0.95	551.28	-3.73%	-12.84%	-£2.00m	-£7.50m
Microvitec	£0.41	£25.80m	19.3	0.73	987.80	3.85%	24.62%	£0.90m	£4.60m
Misys	£4.47	£211.40m	14.0	2.26	1111.94	-1.97%	-11.49%	-£4.30m	£15.50m
MMT	£1.76	£19.80m	18.0	2.80	1047.62	-2.76%	23.08%	-£0.60m	£4.50m
On-Demand	£1.00	£51.00m	Loss	2.69	1282.05	1.01%	-11.50%	£0.50m	-£6.60m
Oxford Molecular	£0.56	£20.70m	Loss	14.68	700.00	-11.11%	-30.00%	-£2.50m	-£8.80m
P&P	£0.73	£43.90m	17.3	0.20	327.35	1.39%	14.06%	£0.60m	£8.40m
Parity	£1.03	£37.70m	26.5	1.91	5722.20	14.44%	-6.36%	£4.80m	-£2.50m
Pegasus	£1.75	£10.90m	19.3	1.45	476.84	-4.37%	-18.22%	-£0.60m	-£3.20m
Persona	£1.65	£19.90m	14.8	0.87	1031.25	-9.84%	3.12%	-£2.20m	£0.60m
Phonelink	£2.72	£94.70m	Loss	76.31	1754.84	-18.07%	-25.27%	-£23.10m	-£34.50m
Proteus	£1.88	£58.50m	Loss	n/a	2238.10	3.30%	-55.34%	£1.90m	-£56.90m
Quality Software	£3.83	£33.30m	55.2	2.49	1007.89	-3.04%	-5.43%	-£1.10m	£1.80m
Radius	£0.36	£9.83m	Loss	0.42	260.87	-5.26%	28.57%	-£0.57m	£2.19m
Real Time Control	£1.45	£9.87m	10.9	1.16	2959.18	40.78%	98.63%	£2.66m	£4.76m
Rolle & Nolan	£3.48	£21.10m	27.1	1.66	2071.43	4.50%	17.97%	£0.90m	£4.40m
Sage Group	£5.73	£119.80m	15.4	2.90	4407.69	11.05%	12.35%	£12.00m	£14.70m
Sanderson	£0.90	£34.70m	10.6	1.47	1531.91	-4.26%	12.50%	-£1.60m	£6.20m
Sema Group	£4.17	£380.20m	24.8	0.76	1311.32	6.65%	34.52%	£19.70m	£98.10m
Sherwood	£1.04	£6.34m	Loss	0.27	866.67	-5.45%	-5.45%	-£0.37m	-£0.37m
Spargo Consulting	£1.10	£13.80m	42.7	2.83	1157.89	1.85%	15.79%	£0.30m	£1.90m
Standard Platforms	£0.12	£2.16m	Loss	0.68	53.33	-7.69%	-62.50%	£1.12m	£0.86m
Superscape	£2.27	£12.00m	Loss	18.69	1146.46	-2.58%	14.65%	-£0.40m	£1.50m
Total	£0.25	£2.50m	26.0	1.20	471.70	0.00%	4.17%	£0.00m	£0.10m
Trace	£0.38	£5.31m	22.6	0.29	304.00	11.76%	0.00%	£0.56m	-£0.08m
Unipalm	£1.20	£24.30m	134.8	2.26	1200.00	4.35%	20.00%	£1.00m	£4.06m
Vega Group	£2.18	£30.80m	21.8	3.18	1786.89	-10.29%	-0.46%	-£3.60m	-£0.10m
Virtuality	£1.34	£35.80m	Loss	6.63	788.24	-26.37%	-59.52%	-£11.80m	-£50.70m
Vistec	£0.25	£30.00m	13.3	0.67	1065.22	2.08%	2.08%	£0.60m	£0.70m
Wakebourne	£0.84	£17.80m	Loss	0.76	466.67	-5.62%	40.00%	-£0.80m	£5.30m

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.

PARITY

I am pleased to advise you that with effect from 7th July Comac Group plc has changed its name to Parity plc.

Any similarity between the new Parity logo (Chairman Philip Swinstead) and SD-Scicon (Chairman Philip Swinstead) is purely coincidental.

SD SCICON

Parity buys LBMS consultancy...

Parity has acquired the UK consulting division of LBMS for £1.75m cash. In the year to 30th April 94, the division had sales of £3.8m and operating profits of £400K. This is right in line with Parity's declared intention of moving into "the consultancy and integration fields" which will make them a more well rounded system house - a strategy which we applaud.

After many years in the doldrums, all the indicators are set fair for Parity's business areas. The MCA reported a 2.5% increase in consultancy fees in the last quarter and the CSA Quarterly Trend Survey states "recruitment and contract staff, training and consultancy are now showing sustained growth". Parity shares were up 14% this month.

Further disaster hits LBMS

The 1990s have been terrible for **Learmonth & Burchett (LBMS)**. Their SSADM methodology and its development tools were highly regarded in the 1980s. But a combination of mismanaged acquisitions, delayed projects and generally poor management saw LBMS plunge into losses of £1.7m in 1991. A rights issue at 100p in Jan. 93 was followed by a return to strong profits growth and the share price soared to 365p. Then, in Nov. 93, Chairman Rainer Burchett issued a profits warning that full year results to 30th Apr. 94 would be "broadly similar" to 1993's PBT of £1.6m. In Mar 94, a further profit warning was given stating that the results "would be well short of current expectations". LBMS' share price plunged to 96p.

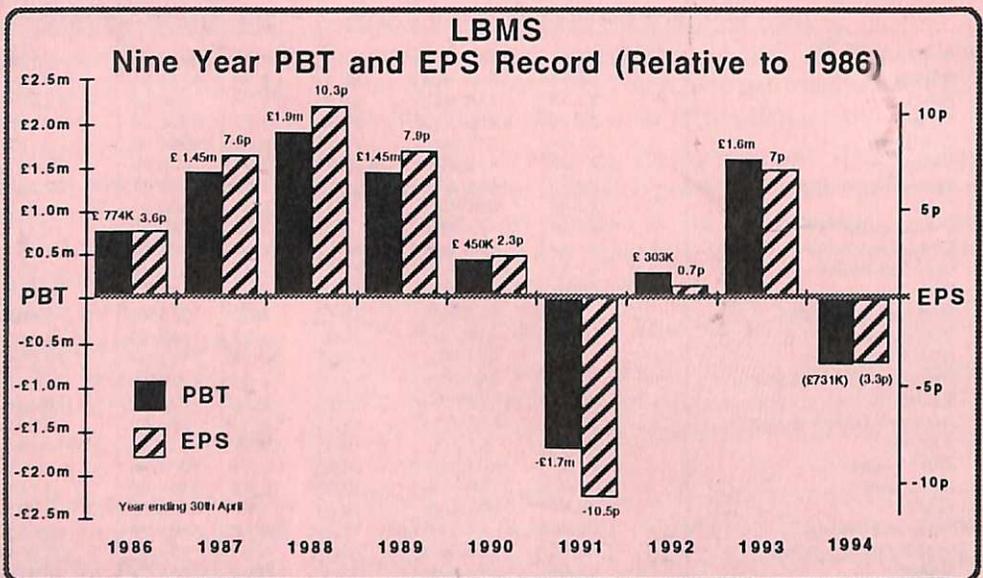
In the event, the results for the year to 30th Apr. 94 were even worse than expected - a loss of £731K on revenues up 12% at £26.4m. Problems in the UK and Europe, where revenues fell 22%, were blamed. US revenues, however, increased from £6.4m to £11.5m. LBMS now has 11 US sales offices and expects to open another three in the coming year. "As a consequence, LBMS will move its group HQ to the US and dispose of the UK consulting activities" (see Parity above).

If this wasn't bad enough, LBMS had to admit that it had received notice of a claim from the Performing Rights Society seeking return of project development costs and consequential losses amounting to nearly £16m. LBMS intend to "resist any proceedings strenuously" but admit that even the costs of defending the action "may be significant". LBMS is also defending a separate copyright infringement case.

LBMS announced a 1-for-5 rights issue at what, at the time of the announcement, looked like a heavily discounted 70p. The rights were organised by **Bessemer Ventures** on behalf of a US consortium. Neither Rainer Burchett or Roger Learmonth took up their entitlement. 86.5% of shareholders and the US consortium ended up with 10.2% of LBMS equity. The rights not taken up were procured at 87p per share. Bessemer may increase their holding to 29.9% and a US listing is being considered. LBMS shares have fallen 27% this month to 91p - far less than we feared.

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Admiral "Excellent by any standard"

If we had to choose just one UK SCSI company to give a **System House™ "Best of Breed"** Award it would have to go to **Admiral**. Latest results for the six months to 30th June are, as Chairman Clay Brendish himself modestly says "excellent by any standard". Revenues were up 39% at £24.6m. Even removing the effects of the recent acquisitions of The Training Centre and Sumlock Legal, continuing operations grew by 30%. PBT advanced by 46% to £3.2m and, given the acquisitions, EPS was up an even more impressive 39%. The acquisitions, however, caused a dip in cash from £5.5m to £3.9m.

Although it would appear that all business sectors have

performed well, desktop training which now represent c15% of revenues, is another case of Admiral choosing the winning sectors. A fourth training centre opens in the City soon.

Admiral has been one of the most consistent/organic performers in the sector with an average annual growth rate in EPS of 26% p.a. in the nine years from 1985 to 1993. They recruited continually through the so called recession. Indeed staff numbers have grown by 30% to 854 in the last year alone.

In a display of unprecedented confidence, Brendish forecasts that "Admiral will go from strength to strength into the next century". Admiral shares are up 26% in 1994.

Record year for Real Time Control

Exactly a year ago we asked "an end in sight to difficult times at Real Time Control?". The answer was clearly YES. Latest results for the year to 31st Mar. 94 show revenues up 40% at £8.5m, PBT up 182% at £1.39m and EPS up 171%. Cash increased by 40% to £5.7m. Just for good measure, you could have bought RTC shares at this time last year for 75p - they have since almost doubled to 145p. RTC develops software and supplies systems for retail EPOS applications. BE Carrell's Chairman's statement was upbeat. "The first few months of the new year have started well and we are experiencing strong order intake and a high level of sales activity. We are continuing to develop our profit potential and I am hopeful of a further increase in performance this year".



Coda - a rather disturbing state of affairs

Coda received every *System House*™ accolade we have given since we started publication in 1989. We even gave them a rare *Boring* award. Well, Coda is not boring anymore. Many of the adjectives now applied to Coda by other analysts are unprintable.

We have gone out of our way not to be a share tip newsletter (indeed we have pointed out on many occasions that we are not registered to offer financial advice). But we do know that many subscribers became Coda shareholders. We know that at best they now feel disappointed and worst deceived and cheated.

Coda was one of the new entrants in the last year. The placing in Feb. 94 at 235p valued Coda at £61.7m (equivalent to a P/E of 24.5 - a record for the year). But around 80% - or £20m - of the funds raised in the float went straight into the pockets of the Coda shareholders - rather than into the business. In the placing, Chairman Rodney Potts had sold 28% of his holding raising around £5m. Potts, however, still personally owns over 20% of Coda's equity.

After the float the share price drifted down but then plunged to a low of 94p - i.e. a 60% discount to the launch price - in July when the first interim results were announced. These showed that in the six months to 30th Apr. 94 revenues had increased by 43% to £13.3m but a loss of £2.55m was reported (PBT £427K last time). EPS was -8p compared with +1.2p last time. However, if the ESOP is stripped out, EPS was +0.6p and operating profits of £308K.

The losses were due to:

- a £2.9m exceptional charge for the employee ESOP scheme. This was fully explained in the prospectus.
- a substantial 27% reduction in DEC VAX licence sales. Given that Coda was half way into the first half when the dealings commenced, it is of concern that this downturn in Coda's most important cash cow market was not anticipated. From information we have been shown, it would appear that at the end of 1993, Coda's DEC sales were ahead of plan and that the downturn really did occur post-float. Coda says that the downturn had "come earlier than CODA and the industry anticipated". It is interesting to note that IDC was still forecasting a significant increase in the DEC VAX financial accounting market in Jan. 94. But figures from Computer Intelligence show new US DEC VAX accounting installations in June 94 down by over two thirds on the previous year.
- increased R&D costs up from £1.4m to £2.7m in the half year. Analysts and investors we have spoken to are

particularly incensed by this. The R&D was required for the open system version of the product - OAS - where the prospectus said that "all the main functional accounting areas except for purchase ordering and fixed assets are currently available". But again Coda warned in the prospectus that "product development will increase significantly in the current financial year".

But even if the DEC VAX market has died on Coda, IBM still seems to be doing fine, HP continues to be a *cash cow* and OAS seems to have been quite successful. In one bound OAS has risen to become Coda's largest revenue source - up 421% to £2.93m - and we understand that there are now at least 25 OAS customers.

Comment.... Shareholders invested in Coda because it was an honest, stable and well run company. Coda had never allowed a reversal in its performance. Investors backed its management - Rodney Potts in particular - to ensure that the record continued. They now feel disillusioned.

Some of the indignation of the analysts is because they did not read the prospectus that carefully. Warburg's, who seem to us to have spent the month defending their position rather than Coda's, can be criticised for not highlighting the more important issues. Potts' personal track record inspired trust. He, of all people, should know how to forecast. Rather than relying on IDC, he should have been aware of the acute problems facing the DEC VAX financial accounting market. He told us "I will be doing my very best to get Coda back on track as quickly as possible and I will be open and honest with our investors, just as I was at the time of flotation. I am confident that the patience of our investors will be rewarded.... 15 years of hard work and 100% of my reputation is on the line".

Now Coda is faced with a double whammy. DEC VAX sales will be lower than originally forecast this year and next. So Coda has to accelerate the OAS roll out thus increasing R&D spend and depressing profits. As late as 11th April 94, Warburg's had been forecasting PBT £4.3m for the full year. It now looks as if £1m will be nearer the mark. As R&D spend has been advanced this should mean better performance in 1995, but even this is unlikely to be close to original expectations of £5.6m. And Coda is just beginning to face competition from many new sources.

Coda has appointed William O Grabe from General Atlantic - one of Coda's new shareholders (10%) and a long term *System House*™ subscriber - as a non exec. We are sure Coda's other new shareholders will welcome the appointment.

Losing a tenner on Travellog...

In order to avoid the criticism that we are only interested in larger companies, for the last three years we have featured **Phoenix Systems plc** (trading as **Travellog** - supplying systems to the travel industry). Latest results show PBT up 40% at £203K on revenues up 22% at £2.2m in the year to 28th Feb. 94.

But we have clearly failed Chairman and majority shareholder David Stern. Two years ago we questioned his motivation in sending us the accounts so promptly and suggested a bid was being invited. This year Stern writes "I think you owe me a tenner. Despite your forecast two years ago, we are still independent".

We are sure Stern will allow us to off set the £10 against the £1000 we lost when his previous venture - Memory - went bust.

...Losing Warburg at R&N

Tim Hearley, Chairman of **Rolfe & Nolan** told shareholders at the AGM that the start of the year had seen satisfactory growth with results "in line with budget".

Although hardly unexpected, we were still sad to read of CEO Mike Warburg's forthcoming retirement at the end of Aug. 94. Warburg, who has been at R&N for over 7 years, is one of a dwindling bad of *proper people* in our industry. He told us that he "didn't want to outstay his welcome". He will remain on the board as Deputy Chairman. Peter Day (himself hardly a spring chicken at 50) takes over as CEO.

UK IT acquisition activity "surges 20%"

Broadview Associates has reported UK IT deal activity up 20% to 136 deals in the first half of 1994. Total consideration, however, was static at £1.3 billion.

Software products companies "attracted an unprecedented level of interest" with the number of deals up 50%. The largest was the £38m purchase of banking specialist Kapiti by Misys. **22 IT services companies** were acquired in the UK in the first half. "Now that companies like *Computer People* and *P&P* are making strong profits they are back on the acquisitions trail" said Broadview's MD Stephen Bachmann.

We are delighted to report that UK buyers did 70% of the deals. Further details - Broadview Associates - 071 836 8081.

Growth slows at Oracle UK

Oracle UK has produced results for the year to 31st May 94 a little less "booming" than we headlined last year. Growth has reduced from 27% between 1992/93 to 15% this year. Of the £184m revenues announced, we estimate that £166m was earned in the UK market.

Oracle Corporation UK Ltd Revenue Record



Oracle's press release was rather illuminating. "UNIX and desktop remained Oracle UK's strongest product lines during fiscal 1994. UNIX licence revenues increased 11% whilst desktop revenues accelerated 58%". As UNIX represented two-thirds of Oracle's licence revenues last year, that infers that UNIX was a *less than average performer*. Desktop represented under 10% of licence revenues last year so high growth is rather easier.

"Service revenues expanded 26% to £80m from £63m last year. Consultancy services currently contribute around 27% (£50m)".

In other words it appears that Oracle's application software product and services revenues are growing far faster than revenues from licences. We remind the 30 Business Alliance Programme members, who helped to boost "revenues through the reseller channel by 300%+", that "Oracle's plan is to turn itself into a business solutions company".

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