

System House

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Excitement as CSI Index hits record high

August 1995 proved somewhat of a record month. Our CSI Index hit 1848 - the highest since we started (at 1000 in April 89). It was also one of the largest monthly rises ever - up 10% - making a 23.3% rise so far in 1995. This compares with a lower 14.3% rise in the FTSE100 and an even lower 12.6% rise in the FTSE Small Cap Index

(which would include the vast majority of quoted SCSI stocks). We hope readers remember that we said, back at the start of the year, that "there has never been a better time to invest in SCSI shares".

There are a number of reasons for this:

- recovery prospects (at Coda, LBMS, Sherwood etc.)
- a realisation amongst investors that the previous "poor sentiment" towards the sector was a bit too broad brush. Sentiment has improved greatly recently and we expect

several companies - like CMG, FI Group, Data Sciences etc. - to be looking more positively towards a successful float in the near future.

- greatly increased interest in high tech. companies in the US. The Pacific Stock Exchange Technology Index (which measures 100 US high tech. stocks) has increased by nearly 50% in 1995 - double the S&P index rise. This has led to some spectacular share price increases. The launch this month of Netscape on NASDAQ has been reported widely. It had never made a profit and its 1994 revenues were only \$17m. Launched at \$28, it rose to \$75 on the first day giving Netscape a value of ...\$2.75 billion! It has, however, fallen back significantly since.

In turn, this made UK companies look ridiculously cheap. Hence, the phenomenal 59% rise in Unipalm shares this month (making a mere 296% increase so far in 1995!) as the Internet software-related company announced that it had received a bid approach (see p7).

- this interest in high tech. rubbed off on virtual reality companies - where the UK leads the world. All the related

stocks did well this month with Division (up 44%), Virtuality (up 22%) and Superscape (up 17%).

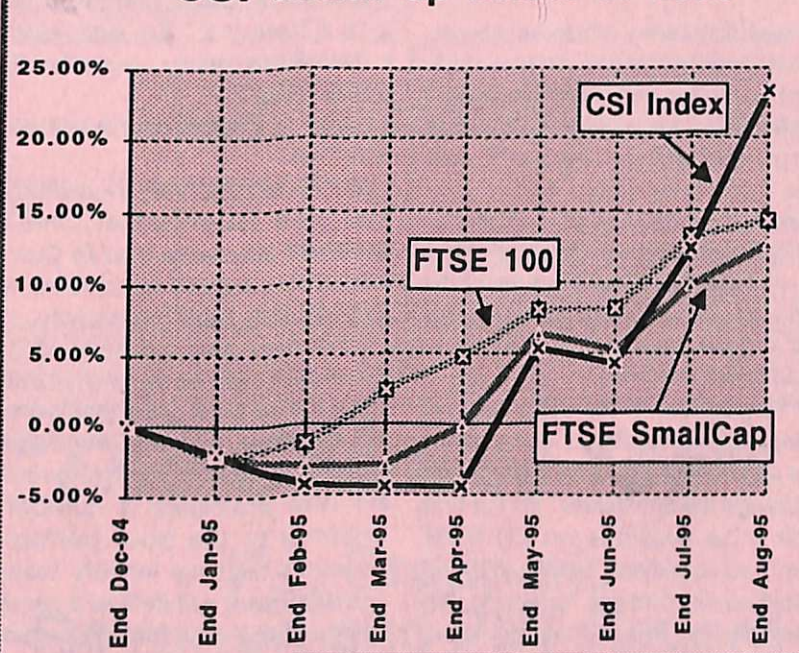
• just in case you may have been on another planet this month, Microsoft launched Windows 95. Investors trawled through the stocks looking for UK companies which might benefit. They, not surprisingly, came up with P&P (up 21%),

Persona (up 28%), Compel (up 20%), Sage (up 18%) - which all ranked amongst the highest gainers this month.

• but the biggest gain this month was MAID - up a quite staggering 142% at 201p.

MAID encapsulates all the reasons listed above. Launched at 110p in Mar. 94, it had slipped to a low of 42p - so there was a bit of recovery. It certainly suffered from poor sentiment. Indeed, we were one of the "City doubters" which MAID's CEO Dan

CSI Index up 23.3% in 1995



Wagner so readily turned upon this month producing headlines like "Clever MAID has last laugh" and "Wagner not only answered his critics...he confounded them". Just like Netscape, MAID currently has minimal revenues (£5.7m in 1994) and would have reported a loss had they not capitalised their R&D. And of course the share price went into orbit on 12th Aug. 95 when it was announced that MAID had linked with Microsoft to provide information on the new Windows 95 Network. Two other major deals were also announced. That all contributed to MAID's value increasing to £168m

So who will have the last laugh? Even MAID's own brokers, Hoare Govett, say that "it is impossible to say what the MS alliance will be worth".

But regardless, it's great to see real excitement back in our sector again. We admit that the froth stocks that we criticised a few years ago have performed surprisingly well. The real disappointments have come from the established companies like MDIS, Coda, ACT, Cray et al. See page 9 for more details.

More tales of woe from the new issue disasters

Clinical still in intensive care

We devoted a full a page in the May 95 edition to the quite atrocious results at **Clinical Computing** since their float at 124p in Feb. 94. Latest interims to 30th June 95 prolong - indeed, increase - the agony. Losses have increased from £227K to £357K on revenue up 26% at £924K. Revenue growth would have been a lower 17% if the acquisition of **Abies Medical Information Systems** (Feb. 95) is excluded. The "long order and procurement process in the UK healthcare computing market" is blamed for all of Clinical's woes. Accepted...but that was the case in 1993 and 1994 as well.

Clinical says it has "a substantially increased order book". The directors "feel there are strong grounds for their confidence that 1995 will show a significant improvement over 1994". **Great.** From profits of £1.18m in 1993 (the year before the float), Clinical sunk to losses of £689K in 1994 (after the float). Anything would be an improvement. Clinical shares ended Aug. 95 on just 38p.

Games up at CentreGold

CentreGold is going from bad to worse to awful. They were a new issue in Oct. 93 at 125p. Their shares ended Aug. 95 on 57p.

CentreGold develops and distributes computer games. Not therefore what most readers consider as part of the UK SCSI scene. Except that this is one of the few sectors where the UK leads the world. The problem is that they were largely cartridge oriented whereas the world really wanted CD-ROM titles. It cost them dear.

This month CentreGold has issued yet another profits warning. Although "a significant improvement in operating profitability" had been expected in H2 at the time of the last profits warning in Jan. 95, "this improvement has proved unachievable". Indeed a "similar loss is expected in H2" to the £3.9m loss reported for H1.

The CentreGold saga has echoes of the Betamax/VHS battle. Except that they should remember **our** warning "the only prediction we can make with certainty is that the rate of technological change will accelerate". By the time CentreGold has their titles available on CD-ROM, customers will have moved to playing such games via the Internet. CentreGold admits that it is "exploring...the possibility of a strategic alliance". This is Chairman-speak for "someone has expressed an interest in buying us". That might be the only hope for beleaguered CentreGold shareholders. (See "It's only a game" - p4)

Profit warning #3 from MDIS

In March 94, **MDIS** was launched at 260p valuing the group at £260m. At the time of the launch CEO Jerry Causley told us "we have every intention of allowing investors to make money from the launch".

Maiden results announced in Sept. 94 were atrocious and profits warning #1 was issued. The share price crashed to 107p. We hoped it was a "blip" but yet another profits warning was issued in Jan. 95 and, this month, the third such warning accompanied results for the six months to 30th June 95. Revenues increased 15% to £79m but losses of £1.7m were reported against proforma profits of £5.3m last time. Only a month ago UBS issued a profit forecast of £12.3m for 1995. Analysts have revised these now to £2m BEFORE EXCEPTIONALS. We remain cautious even about that.

This month the MDIS share price crashed - still further - to 70p. Last time the FD Ian Knox "fell on his sword". This time CEO Jerry Causley paid the ultimate price. We hope his replacement comes from a services, rather than product, background.

There were many *excuses* given:

- provisions of £2.2m against two health service contracts (plus a further £1.4m provision anticipated in H2).
- "disappointing results in several international businesses".
- a loss of £800K on revenues of £1.5m in MDIS' library activities.
- despite significantly increased revenues, a further £1.5m loss was recorded at CHESS "expected when the business was acquired in Oct. 94".
- operating losses increased from £800K to £1.2m in the PRO-IV IBS banking activity.
- £1.1m of exceptional charges relating to "senior management changes and consultancy".

But it looks as if good performances were seen in MDIS' HR systems, FM and increased profitability, due to cost cutting, in local & central government and police.

We now anticipate a number of "non-core" disposals/closures of the poor performers listed above. MDIS believes that its largely new/untested "strengthened management will deliver a recovery in shareholder value". These same new managers bought 63,000 shares at 67p in Aug. soon after the profits warning.

As our patience is now exhausted, we would be more interested in seeing a "core" disposal.

But let's look at the winners and losers in each of these cases:

MDIS was an MBO in Mar. 93 for £121m. Most of this was by way of loans and pref. shares which were repaid with interest at the time of the float. The institutional investors also sold 29m shares raising £76m and showed a very significant profit. Directors and management had paid around £950K for their stake - worth over £20m at the time of the float. Some (but specifically not the CEO or Chairman) took the opportunity to sell shares worth £3.8m, but even at the current highly deflated price, their shareholding is still worth over £4m! In addition, the directors who have been ousted received compensation for loss of office. Jerry Causley was on a 2 year contract at £150K pa.

In other words, everybody associated with the MBO has either already realised or is still sitting on a very considerable gain from the exercise. The losers - nursing a 75% reduction in their investment - are the poor little people at MDIS who were not part of the MBO but bought priority shares in the launch and, of course, all those other new investors - both small and large - who also invested back in Mar. 94.

Clinical directors Gordon and Venn sold shares worth £1.5m at the time of their float, when Clinical was valued at £20m, but still retain a 50% holding in the company which is now worth just £6.2m.

CentreGold raised £20m from a 51% share sale - with existing shareholders pocketing £10m. That £20m would today buy you 100% of CentreGold.

In other words, there are precious few (if any?) examples of directors or shareholders in place prior to the float suffering any loss (indeed, most have realised very considerable gains) from any of the new issue disasters.

Hilary Cropper is celebrating "ten successful years at the helm of F.I. Group". Since 1985, FI's profits have risen almost ten-fold and revenues are up from £7.6m to £61.7m.

The FI press release announcing results to 30th Apr. 95 was liberally sprinkled with "sparkle". Revenues were up 49% at £61.7m, PBT was up 57% at £3.26m and EPS was up 55% at 83.6p. Margins increased from 5.0% to 5.3%, demonstrating that still further future profits growth can be achieved.

Applications management (AM) now represents 70% - or £43m - of FI revenues. That's a 70%+ increase over the £25m AM revenues reported to us for 1994 and is three times the 24% growth that we reported in the UK AM market. As previously reported, the £21.8m/7 year deal with The Co-operative Bank was the biggest deal - but a host of other long term contracts were also secured.

It is the long term nature of the business which really now makes FI Group such a high quality act. Readers will know that we have advocated this type of business since our first issue back in 1989. There were few who agreed - or indeed even understood the argument - at that time. FI subscribed to the line and have prospered in a way that is

now evoking
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m a n y .
Whether you
are a new or
old convert to
our "services
the place to
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| FI Group | Year to 30th Apr. 95 |
|--------------------------|----------------------|
| Revenue | £ 61,700,000 |
| PBT | £ 3,260,000 |
| EPS - Basic | 83.60p |
| Current share price | £ 9.20 |
| Issued | 2,434,601 |
| Capitalisation | £ 22,398,329 |
| Ratio Capitalisation/Rev | 0.36 |
| P/E basic | 11.00 |

argument, then we hope you can now understand our positive attitude towards FI Group.

F • I • GROUP PLC

The last dealing day set a price of £9.20 per share. That infers a capitalisation of just £22.4m and a P/E of 11. Clearly some

increase in share price at the next dealing day in Sept. 95 would be quite justified.

With the "poor market sentiment" towards SCSi stocks improving (see p1), when can such mortals as us expect to be able to buy FI shares in the Stock Exchange?

Even though the Investors Chronicle already lists FI as a "Market Newcomer", Cropper has a problem answering this question. Unlike some other current candidates, she has little shareholder pressure to take a quick decision. On the other hand she has long accepted that a float was "inevitable". The float "debate" has clearly started.

If we were asked for our input, it would be as follows:

- "sentiment" towards the sector is steadily improving. But it will not get back to the heady days of 1993/94 for some time - and probably never.

- "steady" improvement is, in our view, the best of all environments in which to float.

- companies that realise that "new" investors should have a chance to make a gain, as well as sellers, will get our support.

- as stated before, the market is just starting to realise the potential of services suppliers (rather than product developers).

- late 1995/early 1996 seems like as good a time as any to us. Delay a year and you are into election fever...after that, who knows...

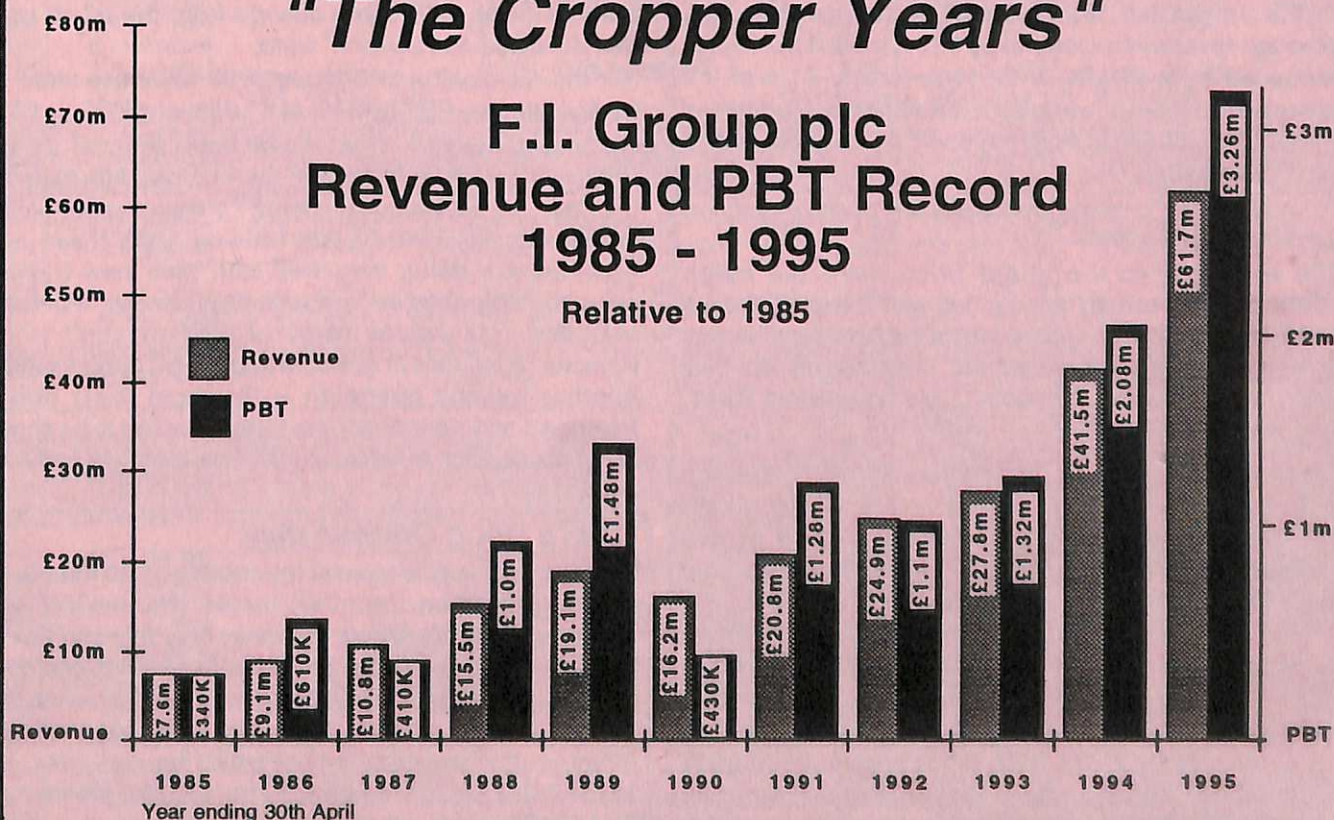
- combined floats of CMG, Data Sciences, FI Group, Triad and a few other worthies would enable the market to understand what computing services was all about.

It would also create a rather exciting period, in what has currently become a rather hum-drum time, for us new issue watchers.

"The Cropper Years"

F.I. Group plc Revenue and PBT Record 1985 - 1995

Relative to 1985



Capita continues to justify "Boring Award"

Capita is one of the rare recipients of a *System House* "boring award". After giving the award to Coda a few years back, we are more than aware that the boring can sometimes become too exciting.

But Capita has this month continued to announce its "boringly consistent excellent results". Revenues were up 42% at £43.4m in the six months to 30th June 95, PBT increased by 48% to £4.01m and EPS was up 32% at 5p. Capita's three main operating divisions are:

- **Property Services**, which doubled revenues to £10.2m and increased profits by 146% to £1.5m
- **Advisory Services**, which suffered a decline in revenues from £4.4m to £4.1m as profits fell from £599K to £112K. But the key division, both to Capita and our readers, is:
- **Outsourcing** which increased its revenues by 38% to £29.1m (now over 70% of the total) and profits by 60% to £2.4m. That's now a 8.25% profit margin and must surely put to rest the long term carping of our readers concerning Capita's "suicidal" outsourcing bids. The three main new contracts were a desktop services contract with Wessex Water worth £3m p.a., an IBM FM contract at Westland Helicopters and a payroll administration contract at the TSB. In addition Capita has formed a JV with Yorkshire Water where an initial £14m contract could grow to £54m within two years. Outside Yorkshire Water, Capita reckon the new operation could "bid for IT and revenue services estimated to be worth £350m p.a."

Rod Aldridge anticipates "a pleasing performance for the year ending 31st Dec. 95". We fully expect their boringly excellent performance to continue.

Oxford Molecular on course for profits

Oxford Molecular develops design software for the pharmaceutical industry. It was a new issue in Apr. 94 at 80p. Since then it has been one of the very few "stars" ending Aug. 95 on 116p. - a 45% increase since launch. On the surface that might seem a little strange given that, although revenues increased by 161% to £2.83m, losses increased from £933K to £2.11m. Nearly £1m of the increased revenues were from **Intelligenic** (purchased from ATC for £5.2m in Aug. 94) and **CAChe** (from SONY for £5.93m in Jan. 95).

Oxford aims for "ongoing profitability and positive cashflow from the end of 1995".

The real spur to the share price were the major collaborations recently announced with Glaxo Wellcome and Silicon Graphics. Oxford reckons it is well on the way to meeting its "mission statement" of becoming "the best drug design services company". Clearly investors agree.

It's only a game

Latest research from Sony indicates a 20% contraction in the UK games market in the last year. But it also shows that the UK supplies over 40% of the world's games software. It would be difficult to name too many other major IT markets where the UK has such a position. But few in our industry seem to have any respect for this. There are no games developers as members of the CSSA.

But many readers would be delighted to sell their companies for the £30m achieved by Bullfrog (sold to US Electronic Arts), the £20m Sony paid for Psygnosis or the £14m valuation BCE put on Rage (£4m) and Software Creations (£10m).

CRT

CONSULTANCY-RECRUITMENT-TRAINING

CRT Group is involved in IT training (via Pitman, LINK and The Training Corporation), IT contract staff & recruitment (which includes Software Personnel acquired in

Feb. 1990, Couva acquired in Dec. 1993 and Systems Resources acquired in Aug. 1994 for £6.35m) and CRT Multimedia.

Results for the year to 30th Apr. 95 show revenues up 54% at £72.8m, PBT up from £532K to £6m and EPS of 6.3p (compared with a loss of 0.13p last time).

Although training (revenues up 16% and a still excellent 27% margin) and Multimedia Publishing ("proceeding well" but made a loss of £400K on revenues of £600K) did well, it was the Recruitment and IT staff agency side which was the real star. Here revenues and profits more than doubled to £47.5m and £2.7m respectively. 1846 people were on customer sites on 30th Apr. 95 compared with 963 a year before. Much of this increase was, of course, because of the recent acquisitions.

"The CRT board has every reason to view the new year with cautious optimism given the healthy order book". CEO Karl Chapman said "The City is forecasting £100m turnover and PBT of £8m (for the current year) and we are going to drive to beat that". Source - Financial Times 8th Aug. 95. That infers a prospective P/E of around 11 - compared with prospective P/E's of 15 at their nearest "rivals" Parity and 13 at Computer People.

"Enthusiasm" continues at Persona

Persona Group is a distributor of PC network and comms products and was a new issue in Apr. 94 at 160p. Unlike so many others, its performance since then has been exemplary with each announcement being ahead of expectations. So much so that in Mar. 95 Chairman Wayne Channon said he looked forward to 1995 with "enthusiasm" - which made a welcome change from the much used and devalued "confidence" word.

For the six months to 30th June 95 revenues were up 65% at £24.8m, PBT up 34% at £1.35m and EPS up 25%. Persona's network sales have been buoyed by the explosive growth in interest in the Internet. Although still "modest", we have long trumpeted Persona's opportunities in network consultancy and training. Both these new activities are doing very well with their new training operation described as "a resounding success" with sales of £1.2m.... but a gross margin of 77%!

Persona "continues to evaluate acquisition opportunities". Another training operation is the most likely target. Persona's undoubted success is now starting to be shown in the share price which rose 28% this month to end Aug. on 278p.

CMG's Doug Gorman dies

We were very sad to learn of the sudden death this month of Doug Gorman, founder, major shareholder and Chairman of CMG. Doug, who was only 59, was due to hand over the reins to Cor Stutterheim on 1st September. Doug founded CMG in 1964 and its £146m revenue and £13.8m profit in 1994 is testimony to his stewardship. Although the company would make no comment, we suspect that Doug's death will intensify the pressure to float CMG sooner rather than later.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

| Admiral plc | | | | | INSTEM plc | | | | |
|--------------------------------------|-------------------|----------------|------------------|----------------|---|---------------------|-------------------|------------------|----------------|
| | Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | | Final - Dec 93 | | Final - Dec 94 | Comparison |
| REV | £ 24,560,000 | £ 49,473,000 | £ 30,204,000 | +23.0% | REV | £ 19,294,000 | | £ 16,812,000 | -12.9% |
| PBT | £ 3,198,000 | £ 7,719,000 | £ 5,589,000 | +74.8% | PBT | £ 1,021,000 | | £ 1,153,000 | +12.9% |
| EPS | 18.50p | 45.20p | 31.80p | +71.9% | EPS | 14.80p | | 16.80p | +13.5% |
| Azlan Group plc | | | | | JBA Holdings plc | | | | |
| | Final - Mar 94 | | Final - Mar 95 | Comparison | | Final - Dec 93 | | Final - Dec 94 | Comparison |
| REV | £ 61,506,000 | | £ 90,488,000 | +47.1% | REV | £ 74,467,000 | | £ 90,687,000 | +21.8% |
| PBT | £ 3,871,000 | | £ 3,906,000 | +0.9% | PBT | £ 4,610,000 | | £ 6,131,000 | +33.0% |
| EPS | 12.40p | | 12.50p | +0.8% | EPS | 10.19p | | 12.13p | +19.0% |
| Capita Group plc | | | | | Kalamazoo Computer Group plc | | | | |
| | Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | | Final - Mar 94 | | Final - Mar 95 | Comparison |
| REV | £ 30,470,000 | £ 75,800,000 | £ 43,420,000 | +42.5% | REV | £ 60,911,000 | | £ 60,719,000 | -0.3% |
| PBT | £ 2,710,000 | £ 7,903,000 | £ 4,010,000 | +48.0% | PBT | £ 6,355,000 | | £ 6,815,000 | +7.2% |
| EPS | 3.60p | 10.50p | 5.00p | +31.6% | EPS | 10.20p | | 11.80p | +15.7% |
| Cedardata plc | | | | | Kewill Systems plc | | | | |
| | Final - Mar 94 | | Final - Mar 95 | Comparison | | Final - Mar 94 | | Final - Mar 95 | Comparison |
| REV | £ 6,120,000 | | £ 8,932,000 | +45.9% | REV | £ 31,780,000 | | £ 33,667,000 | +5.9% |
| PBT | £ 2,715,000 | | £ 3,572,000 | +31.6% | PBT | £ 4,043,000 | | £ 5,067,000 | +25.3% |
| EPS | 6.30p | | 7.90p | +25.4% | EPS | 23.00p | | 28.39p | +23.4% |
| CentreGold plc | | | | | Learmonth & Burchett Management Systems plc | | | | |
| | Interim - Jan 94 | Final - Jul 94 | Interim - Jan 95 | Comparison | | Final - Apr 94 | | Final - Apr 95 | Comparison |
| REV | £ 52,554,000 | £ 91,314,000 | £ 41,037,000 | -21.9% | REV | £ 26,406,000 | | £ 23,761,000 | -10.0% |
| PBT | £ 2,600,000 | £ 4,033,000 | £ 3,883,000 | Profit to Loss | PBT | £ 746,000 | | £ 5,251,000 | Loss both |
| EPS | 4.70p | 7.30p | -6.44p | Profit to Loss | EPS | -3.10p | | -24.70p | Loss both |
| Clinical Computing plc | | | | | Logica plc | | | | |
| | Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | | Interim - Dec 93 | Final - Jun 94 | Interim - Dec 94 | Comparison |
| REV | £ 735,000 | £ 1,471,684 | £ 924,000 | +25.7% | REV | £ 106,522,000 | £ 228,848,000 | £ 121,972,000 | +14.5% |
| PBT | £ 227,000 | £ 688,596 | £ 357,000 | Loss both | PBT | £ 3,211,000 | £ 13,543,000 | £ 7,220,000 | +124.9% |
| EPS | -1.40p | -4.30p | -2.20p | Loss both | EPS | 3.30p | 14.00p | 7.80p | +136.4% |
| Coda Group plc | | | | | Lorien Group plc | | | | |
| | Interim - Apr 94 | Final - Oct 94 | Interim - Apr 95 | Comparison | | Interim - May 94 | Final - Nov 94 | Interim - May 95 | Comparison |
| REV | £ 13,327,000 | £ 23,388,000 | £ 15,228,000 | +14.3% | REV | £ 7,800,000 | £ 17,904,000 | £ 11,500,000 | +47.4% |
| PBT | £ 2,546,000 | £ 7,992,000 | £ 993,000 | Loss to Profit | PBT | £ 142,403 | £ 169,000 | £ 414,315 | +190.9% |
| EPS | -8.00p | -27.70p | 2.70p | Loss to Profit | EPS | 2.39p | 2.65p | 6.17p | +158.2% |
| Compel Group plc | | | | | Lynx Holdings plc | | | | |
| | Interim - Dec 93 | Final - Jun 94 | Interim - Dec 94 | Comparison | | Interim - Mar 94 | Final - Sep 94 | Interim - Mar 95 | Comparison |
| REV | £ 24,305,000 | £ 54,542,000 | £ 28,272,000 | +16.3% | REV | £ 7,257,000 | £ 21,523,000 | £ 12,605,000 | +73.7% |
| PBT | £ 993,000 | £ 2,062,000 | £ 1,194,000 | +20.2% | PBT | £ 460,000 | £ 2,009,000 | £ 741,000 | +61.1% |
| EPS | 5.02p | 10.35p | 5.56p | +10.8% | EPS | 1.15p | 4.50p | 1.27p | +10.4% |
| Computerised Financial Solutions plc | | | | | M.A.I.D. plc | | | | |
| | PF Final Dec - 93 | | Final - Dec 94 | Comparison | | Final - Dec 93 | | Final - Dec 94 | Comparison |
| REV | £ 3,338,636 | | £ 3,120,711 | -6.5% | REV | £ 5,723,000 | | £ 8,887,000 | +55.3% |
| PBT | £ 330,233 | | £ 350,617 | +6.2% | PBT | £ 603,176 | | £ 1,285,000 | +113.0% |
| EPS | 8.39p | | 3.97p | -52.7% | EPS | 0.69p | | 1.14p | +65.2% |
| Computer People Group plc | | | | | MMT Computing plc | | | | |
| | Final - Dec 93 | | Final - Dec 94 | Comparison | | Interim - Feb 94 | Final - Aug 94 | Interim - Feb 95 | Comparison |
| REV | £ 68,748,000 | | £ 97,685,000 | +42.1% | REV | £ 4,815,000 | £ 10,861,498 | £ 6,442,000 | +33.8% |
| PBT | £ 1,102,000 | | £ 391,000 | Profit to loss | PBT | £ 1,215,000 | £ 2,505,106 | £ 1,387,000 | +14.2% |
| EPS | 4.37p | | -7.76p | Profit to loss | EPS | 6.40p | 13.10p | 7.40p | +15.6% |
| Cray Electronic Holdings plc | | | | | MR-Data Management Group plc | | | | |
| | Final - Apr 94 | | Final - Apr 95 | Comparison | | Interim - Dec 93 | Final - Jun 94 | Interim - Dec 94 | Comparison |
| REV | £ 271,718,000 | | £ 264,838,000 | -2.5% | REV | £ 19,602,000 | £ 40,521,000 | £ 21,305,000 | +8.7% |
| PBT | £ 26,168,000 | | £ 835,000 | -96.8% | PBT | £ 2,660,000 | £ 6,348,000 | £ 3,136,000 | +17.9% |
| EPS | 8.60p | | -0.30p | Profit to loss | EPS | 3.20p | 8.00p | 4.00p | +25.0% |
| CRT Group plc | | | | | McDonnell Information Systems plc | | | | |
| | Final - Apr 94 | | Final - Apr 95 | Comparison | | PF Interim - Jun 94 | PF Final - Dec 94 | Interim - Jun 95 | Comparison |
| REV | £ 47,348,000 | | £ 72,762,000 | +53.7% | REV | £ 68,609,000 | £ 148,911,000 | £ 79,145,000 | +15.4% |
| PBT | £ 532,000 | | £ 5,972,000 | +1022.6% | PBT | £ 5,044,000 | £ 9,064,000 | £ 1,673,000 | Profit to loss |
| EPS | -0.13p | | 6.30p | Loss to profit | EPS | 3.48p | 4.57p | -2.42p | Profit to loss |
| DCS Group plc | | | | | Macro 4 plc | | | | |
| | Interim - Dec 93 | Final - Jun 94 | Interim - Dec 94 | Comparison | | Interim - Dec 93 | Final - Jun 94 | Interim - Dec 94 | Comparison |
| REV | £ 2,604,000 | £ 6,375,180 | £ 4,007,000 | +53.9% | REV | £ 12,704,000 | £ 24,367,000 | £ 12,285,000 | +1.5% |
| PBT | £ 41,000 | £ 426,144 | £ 105,000 | +156.1% | PBT | £ 5,400,000 | £ 11,211,000 | £ 5,685,000 | +5.3% |
| EPS | 0.56p | 4.32p | 0.88p | +57.1% | EPS | 16.00p | 34.20p | 16.70p | +4.4% |
| DRS Data & Research Services plc | | | | | Micro Focus plc | | | | |
| | Final - Dec 93 | | Final - Dec 94 | Comparison | | Interim - Jul 94 | Final - Jan 95 | Interim - Jul 95 | Comparison |
| REV | £ 11,133,000 | | £ 8,798,000 | -21.0% | REV | £ 42,950,000 | £ 89,885,000 | £ 36,800,000 | +14.3% |
| PBT | £ 1,950,000 | | £ 1,487,000 | -23.7% | PBT | £ 7,020,000 | £ 8,723,000 | £ 4,470,000 | Profit to loss |
| EPS | 4.02p | | 3.00p | -25.4% | EPS | 33.10p | 32.00p | -30.30p | Profit to loss |
| Division Group plc | | | | | Microgen Holdings plc | | | | |
| | Interim - Apr 94 | Final - Oct 94 | Interim - Apr 95 | Comparison | | Interim - Apr 94 | Final - Oct 94 | Interim - Apr 95 | Comparison |
| REV | £ 2,106,000 | £ 5,270,000 | £ 2,468,000 | +17.2% | REV | £ 29,056,000 | £ 58,774,000 | £ 34,868,000 | +20.0% |
| PBT | £ 892,000 | £ 1,440,000 | £ 1,575,000 | Loss both | PBT | £ 3,441,000 | £ 6,173,000 | £ 4,470,000 | +29.9% |
| EPS | -2.50p | -4.30p | -3.80p | Loss both | EPS | 5.50p | 10.00p | 7.30p | +32.7% |
| Eldos plc | | | | | Microvitec plc | | | | |
| | Final - Dec 93 | | Final - Dec 94 | Comparison | | Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison |
| REV | £ 130,872 | | £ 254,225 | +94.3% | REV | £ 20,923,000 | £ 44,146,000 | £ 26,550,000 | +26.9% |
| PBT | £ 76,928 | | £ 107,623 | Loss both | PBT | £ 1,120,000 | £ 2,580,000 | £ 1,607,000 | +43.5% |
| EPS | -2.98p | | -4.16p | Loss both | EPS | 1.24p | 3.00p | 1.47p | +18.5% |
| Electronic Data Processing plc | | | | | Misys plc | | | | |
| | Interim - Mar 94 | Final - Sep 94 | Interim - Mar 95 | Comparison | | Final - May 94 | | Final - May 95 | Comparison |
| REV | £ 7,179,000 | £ 14,013,000 | £ 6,328,000 | -11.9% | REV | £ 93,358,000 | | £ 153,395,000 | +64.3% |
| PBT | £ 2,061,000 | £ 4,123,000 | £ 1,807,000 | -12.3% | PBT | £ 18,612,000 | | £ 26,345,000 | +41.5% |
| EPS | 5.12p | 10.21p | 4.55p | -11.1% | EPS | 31.90p | | 35.10p | +10.0% |
| Gresham Computing plc | | | | | On Demand Information plc | | | | |
| | Interim - Apr 94 | Final - Oct 94 | Interim - Apr 95 | Comparison | | Interim - Jan 94 | Final - Jul 94 | Interim - Jan 95 | Comparison |
| REV | £ 3,068,000 | £ 6,507,000 | £ 3,803,000 | +24.0% | REV | £ 11,847,000 | £ 14,487,000 | £ 5,120,000 | -56.8% |
| PBT | £ 244,000 | £ 708,000 | £ 521,000 | +113.5% | PBT | £ 669,000 | £ 2,617,000 | £ 1,333,000 | Loss both |
| EPS | 0.43p | 1.32p | 0.98p | +127.9% | EPS | -1.60p | -5.70p | -2.60p | Loss both |

Quoted Companies - Results Service

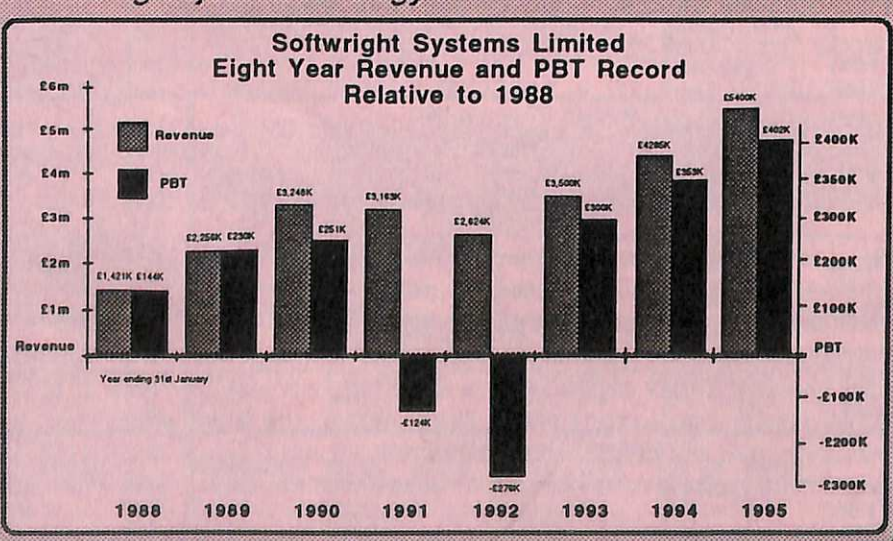
Note: Shaded = Results announced this month.

| Oxford Molecular plc | | | | | Sanderson Electronics plc | | | | |
|--|----------------|------------------|------------|--|---------------------------------|-------------------|---------------------|----------------|--|
| Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | | Interim - Mar 94 | Final - Sep 94 | Interim - Mar 95 | Comparison | |
| REV: £ 1,085,000 | £ 2,785,000 | £ 2,832,000 | +160.8% | | REV: £ 14,217,000 | £ 33,984,000 | £ 27,078,000 | +90.5% | |
| PBT: £ 933,000 | £ 2,906,000 | £ 2,112,000 | Loss both | | PBT: £ 2,169,000 | £ 4,228,000 | £ 2,805,000 | +29.3% | |
| EPS: -3.50p | -8.60p | -4.30p | Loss both | | EPS: 4.00p | 7.30p | 4.60p | +15.0% | |
| P & P plc | | | | | Sema Group plc | | | | |
| Interim - May 94 | Final - Nov 94 | Interim - May 95 | Comparison | | Final - Dec 93 | | Final - Dec 94 | Comparison | |
| REV: £ 118,900,000 | £ 263,930,000 | £ 171,700,000 | +44.4% | | REV: £ 501,992,000 | | £ 596,111,000 | +18.7% | |
| PBT: £ 2,700,000 | £ 8,016,000 | £ 6,200,000 | +129.6% | | PBT: £ 24,855,000 | | £ 32,034,000 | +28.9% | |
| EPS: 2.80p | 8.10p | 5.30p | +89.3% | | EPS: 16.62p | | 20.98p | +26.2% | |
| Parity plc | | | | | Sherwood Computer Services plc | | | | |
| Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | | Final - Dec 93 | | Final - Dec 94 | Comparison | |
| REV: £ 38,003,000 | £ 88,791,000 | £ 61,512,000 | +81.8% | | REV: £ 23,561,000 | | £ 25,069,000 | +6.4% | |
| PBT: £ 2,023,000 | £ 4,176,000 | £ 3,069,000 | +51.7% | | PBT: -£ 1,998,000 | | £ 79,000 | Loss to profit | |
| EPS: 3.51p | 7.19p | 4.82p | +37.3% | | EPS: -35.78p | | -10.73p | Loss both | |
| Pegasus Group plc | | | | | Spargo Consulting plc | | | | |
| Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | | Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | |
| REV: £ 2,275,000 | £ 4,808,000 | £ 3,038,000 | +33.5% | | REV: £ 2,854,000 | £ 6,016,000 | £ 3,328,000 | +16.8% | |
| PBT: £ 68,000 | £ 243,000 | £ 172,000 | +152.9% | | PBT: £ 606,000 | £ 1,211,000 | £ 192,000 | -68.3% | |
| EPS: 0.70p | 12.70p | 1.80p | +157.1% | | EPS: 3.20p | 6.29p | 0.90p | -71.9% | |
| Persona plc | | | | | Standard Platforms Holdings plc | | | | |
| Interim - Jun 94 | Final - Dec 94 | Interim - Jun 95 | Comparison | | Interim - Mar 94 | Final - Sep 94 | Interim - Mar 95 | Comparison | |
| REV: £ 15,042,000 | £ 31,537,000 | £ 24,780,000 | +64.7% | | REV: £ 749,995 | £ 1,305,476 | £ 699,119 | -6.8% | |
| PBT: £ 1,005,000 | £ 2,059,000 | £ 1,350,000 | +34.3% | | PBT: -£ 35,640 | -£ 143,280 | -£ 314,850 | Loss both | |
| EPS: 6.00p | 11.42p | 7.50p | +25.0% | | EPS: -0.90p | -1.10p | -1.50p | Loss both | |
| Phonelink plc | | | | | Superscape VR plc | | | | |
| Final - Mar 94 | Final - Mar 95 | Comparison | | | PF Interim - Jan 94 | PF Final - Jul 94 | PF Interim - Jan 95 | Comparison | |
| REV: £ 1,241,000 | £ 2,085,000 | +68.0% | | | REV: £ 380,121 | £ 859,192 | £ 478,371 | +22.6% | |
| PBT: -£ 1,761,000 | -£ 3,702,000 | Loss both | | | PBT: -£ 73,280 | -£ 238,024 | -£ 844,662 | Loss both | |
| EPS: -5.00p | -10.40p | Loss both | | | EPS: -2.20p | -6.10p | -15.90p | Loss both | |
| Proteus International plc | | | | | Total Systems plc | | | | |
| Final - Mar 94 | Final - Mar 95 | Comparison | | | Final - Mar 94 | Final - Mar 95 | Comparison | | |
| REV: Nil | Nil | n/a | | | REV: £ 2,092,429 | £ 2,289,437 | +8.4% | | |
| PBT: -£ 6,618,000 | -£ 7,925,000 | Loss both | | | PBT: £ 141,918 | £ 53,516 | -62.3% | | |
| EPS: -24.23p | -25.47p | Loss both | | | EPS: 0.96p | 0.34p | -64.6% | | |
| Quality Software Products Holdings plc | | | | | Trace Computers plc | | | | |
| Final - Dec 93 | Final - Dec 94 | Comparison | | | Interim - Nov 93 | Final - May 94 | Interim - Nov 94 | Comparison | |
| REV: £ 13,346,543 | £ 16,494,732 | +23.6% | | | REV: £ 9,200,000 | £ 18,628,990 | £ 9,500,000 | +3.3% | |
| PBT: £ 553,244 | £ 2,512,400 | +354.1% | | | PBT: £ 216,000 | £ 409,801 | £ 223,000 | +3.2% | |
| EPS: 6.70p | 27.50p | +310.4% | | | EPS: 1.20p | 2.33p | 1.21p | +0.8% | |
| RM plc | | | | | Unipalm plc | | | | |
| Interim - Mar 94 | Final - Sep 94 | Interim - Mar 95 | Comparison | | Final - Apr 94 | Final - Apr 95 | Comparison | | |
| REV: £ 28,745,000 | £ 85,493,000 | £ 33,596,000 | +16.9% | | REV: £ 10,753,000 | £ 17,767,000 | +65.2% | | |
| PBT: £ 155,000 | £ 3,769,000 | £ 1,041,000 | +571.6% | | PBT: £ 272,000 | £ 442,000 | +62.5% | | |
| EPS: 0.60p | 15.50p | 4.00p | +566.7% | | EPS: 0.89p | 1.48p | +66.3% | | |
| Radius plc | | | | | Vega Group plc | | | | |
| Final - Dec 93 | Final - Dec 94 | Comparison | | | Final - Apr 94 | Final - Apr 95 | Comparison | | |
| REV: £ 23,273,000 | £ 24,866,000 | +6.8% | | | REV: £ 9,703,000 | £ 12,516,000 | +29.0% | | |
| PBT: -£ 1,171,000 | £ 1,451,000 | Loss to profit | | | PBT: £ 2,147,000 | £ 2,910,000 | +35.5% | | |
| EPS: -3.20p | 2.87p | Loss to profit | | | EPS: 10.01p | 13.49p | +34.8% | | |
| Real Time Control plc | | | | | Virtuality Group plc | | | | |
| Final - Mar 94 | Final - Mar 95 | Comparison | | | Final - Dec 93 | Final - Dec 94 | Comparison | | |
| REV: £ 8,534,000 | £ 13,463,000 | +57.8% | | | REV: £ 5,400,000 | £ 9,126,000 | +68.0% | | |
| PBT: £ 1,387,000 | £ 1,782,000 | +28.5% | | | PBT: -£ 365,000 | -£ 1,397,000 | Loss both | | |
| EPS: 13.30p | 20.00p | +50.4% | | | EPS: -1.70p | -5.30p | Loss both | | |
| Rolfe & Nolan plc | | | | | Vistec Group plc | | | | |
| Final - Feb 94 | Final - Feb 95 | Comparison | | | Final - Apr 94 | Final - Apr 95 | Comparison | | |
| REV: £ 12,720,000 | £ 14,288,000 | +12.3% | | | REV: £ 45,018,000 | £ 50,172,000 | +11.4% | | |
| PBT: £ 1,573,000 | £ 1,512,000 | -3.9% | | | PBT: £ 3,409,000 | -£ 327,000 | Profit to loss | | |
| EPS: 6.40p | 6.70p | +4.7% | | | EPS: 2.06p | -0.38p | Profit to loss | | |
| Sage Group plc | | | | | Wakebourne plc | | | | |
| Interim - Mar 94 | Final - Sep 94 | Interim - Mar 95 | Comparison | | Final - Dec 93 | Final - Dec 94 | Comparison | | |
| REV: £ 25,400,000 | £ 50,888,000 | £ 50,622,000 | +99.3% | | REV: £ 22,275,000 | £ 35,336,000 | +58.6% | | |
| PBT: £ 6,864,000 | £ 14,252,000 | £ 11,740,000 | +71.0% | | PBT: -£ 18,649,000 | £ 1,865,000 | Loss to profit | | |
| EPS: 22.20p | 45.40p | 37.30p | +68.0% | | EPS: -143.80p | 4.00p | Loss to profit | | |

"Softwright is an independent computer software company specialising in building client server systems using object technology".

Softwright, where Jane Tozer is Vice Chairman, was founded in 1983. Micro Focus took a stake in 1984 but sold their 54% stake to staff in 1991 for £741K. Latest results to 31st Jan. 95 show revenues up 23% at £5.4m but PBT up around 14% at £402K. Profits from continuing operations were, however, up 55% at £476K.

Strongest growth has been in the multimedia comms division, developing technology to deliver video, audio and data conferencing to the desktop. The loss making AS/400 business has now been closed. Back in 1993, Softwright formed a JV with IBM to develop Integrated Objects and the Newi product.



Acquisitions, disposals and liquidations

Wildings Systems and its **Best Buys** subsidiary have gone into liquidation. **Barefoot Computer Training** has bought DEC and Borland trainer, **MicroComputer Unit (MCU)**. London PC dealership **Profile Computers** has appointed the receivers. **TPM ServiceTec** has sold its **Infographics CAD/CAM** division to **Scottish Rothes Data**. As well as purchasing **Cathy Tracey** in Jul. 95, **Computer People** (via its **Interskill** subsidiary) has taken a 25% stake in **Datask Pty** of Melbourne, Australia. **Datask** develops CBT products which are already marketed by **Interskill** in Europe and the USA.

Pegasus still loss-making

Although **Pegasus** increased revenues by a third to £3m in the six months to 30th June 95, an operating loss of £81K was recorded. Although on the surface this is less than the £136K loss last time, intangible assets have increased by £200K to £437K.

Profit from the sale of investments (£77K) and £176K of interest, however, produced a PBT up 153% at £172K and EPS up similarly at 1.8p.

As readers will be aware some accounting products suppliers had built up significant recurring revenues from support etc. whilst others - like **Pegasus** - had previously given such profitable revenue streams to its resellers. When **Jonathan Hubbard-Ford** was appointed as CEO in 1992 he not only presided over a bloody boardroom coup but took strong action to reverse this by introducing annual licence fees. The policy has "resulted in a significant contribution to revenue and cashflow".

Pegasus reports a 67% increase in sales of "its flagship product, *Opera*" and hopes that the much hyped launch of **Windows 95** this month "will generate increased interest in *Windows-based accounting software*".

Increasing "For Sale" talk has contributed to **Pegasus** shares increasing by 29% this year to end Aug. on 193p.

Your chance to voice your views

Our campaign against the lack of a standard for the capitalisation of R&D expenditure and the new proposals for the treatment of goodwill and intangible assets in acquisition accounting has provoked much response.

The **Accounting Standards Board** (Tel: 0171 404 8818) is holding a public hearing on 26th/27th Sept. & 3rd Oct. 95. Of the 30+ people booked to speak, only **Paul Heaven** (**Kalamazoo**) is from our industry.

The implications are significant. It currently appears that the recommendations will be adopted. I.e. that if you purchase a company which owns software product IPRs you will have to include the value of those products on your balance sheet as intangible assets and write them off over a period. At present, almost all companies write off such goodwill to reserves. In turn, that will mean that most companies will choose to put product development costs onto the balance sheet as a matter of course.

Although we want just one standard, we think the capitalisation of development costs is open to abuse and will be a retrograde step in the quest to make company R&As more meaningful and comparable.

We strongly advise you to make your views known - which ever side you are on - to the ASB without delay.

DST Clarke & Tilley expands again

In June 93 **US DST Systems**, which had revenues of \$404m in 1994, acquired UK financial services systems house **Clarke & Tilley** for £11m. In Apr. 94, the renamed **DST Clarke & Tilley** acquired **HiPortfolio** of Australia.

In addition, **DST** had formed a joint venture with **State Street** (known as **Clarke & Tilley Data Services (CTDS)**) to provide services to the US mutual fund industry.

This month, **CTDS** has itself acquired another JV - **The Administration Partnership Ltd. (TAPL)** from **Gartmore & Henderson** in the UK. **TAPL** provides services for unit trusts.

LBMS buys CCI

We only include acquisitions where either the buyer, seller or target is UK-owned. So whether we should now cover the purchase by **LBMS** (now majority owned by US investors) of **US Corporate Computing Inc.** is a moot point. Consideration is £2.1m in shares. **CCI**, which develops process management software, had revenues of \$3.9m and profits of \$155K in 1994. **CCI** will report "to *John Bantleman, LBMS' CEO who is based at the group's HQ in Houston, Texas*". As we have said before, **LBMS** is now essentially a US company.

But the US connection clearly suits. Since hitting a low of 68p in 1994, **LBMS** shares have soared to end Aug. 95 on 305p - a 281% increase in 1995 so far.

Moorepay moves to AIM

One of the latest **SCSI** new issues - albeit on the **AIM** Market - is **Moorepay** which "currently processes over 2,500 individual payrolls". Unlike most of the new issues, **Moorepay** has a long track record since its foundation in 1966. Given that longevity, its track record is...unexciting. Revenues have been stuck in the £3-£4m range since 1990. In the year to 31st Dec. 94 PBT of £686K was achieved on revenues of £3.88m - a creditable 18% margin. Latest interims to 30th June 95 announced this month show revenues up 18% at £2.34m, PBT up 61% at £666K and EPS up 55%. PBT of £950K is forecast for the full year. **Moorepay** have acquired three small payroll business in the last year and brokers **Teather & Greenwood** claim "considerable growth potential from sensible bolt-on acquisitions".

Moorepay was transferred from 4.2 to **AIM** at 83p and has since risen to end Aug. 95 on 96p.

Unipalm announces bid approach

Our report on **Unipalm** last month was a little too near the mark. But we have to be honest and admit that we had no insider information that they had, indeed, received a bid approach. The announcement of this did, indeed, caused **Unipalm** shares to "rocket into cyberspace" this month; up by 59% to 467p - compared with a new issue price of just 100p in Mar. 94. Being the only UK quoted stock related to the Internet + the interest in **Netscape** (see p1) was not reason enough for such a share price hike. Now an unnamed bidder (**Microsoft**?) is on the scene. Some reports mentioned 600p a share. That would infer a value of £120m for a company which reported PBT of £442K in the year to 30th Apr. 95.

Serco sees "rosy" future in FM

Over half of **Serco's** revenues are related to high tech. **FM**. Latest results for the 6 months to 30th June 95 are exemplary showing a 25% increase in revenue to £150m and a 22% surge in PBT to £4.2m. The future looks "rosy".

Mar. 93 - Comac, a sleepy little IT staff agency, announces revenues of £11.1m and PBT of £447K for 1992. Share price = 18p.

June 93 - Swinstead buys 19.4% stake in Comac for £720K.

Oct. 93 - Comac buys CSS Trident for £18.5m which had revenues of £53m and PBT of £2m in year to 31st Mar. 93. To fund this 4-for-1 rights at 85p announced raising £21.8m.

Nov. 93 - Paul Davies, ex of Easams and SD-Scicon, appointed Group MD

Mar. 94 - Comac announces results for year to 31st Dec. 93 and shares rise to 123p.

July 94 - Comac changes name to Parity and buys LBMS UK consulting division for £1.75m cash. (Rev. £3.8m, Operating profit £400K)

Aug. 94 - Parity acquires IT training operation Class Ltd. for £500K (Rev. £732K, PBT £90K)

Oct. 94 - Parity acquires ACT Business Systems and BIS Training from ACT for an initial £6.3m plus £2m in 96. Parity also announced 1-for-7 rights issue at 125p raising £5.7m and the appointment of Keith Jennings from Easams as head of Parity Solutions

Dec. 94 - Jennings acts fast and axes the top layer of management, then 70 staff, from ACT Business Systems

Mar. 95 - Parity announced revenues up from £19.8m to £88.8m and PBT of £4.2m against a loss £228K.

Aug. 95 - Parity announces interim profits to 30th June 95 up 52% at £3.07m, revenues up 62% at £61.5m and EPS up 37%.

It really looks as if all parts of the business have done well. The IT staff agency business (CSS-Trident) "increased both profit and turnover". Parity Solutions has reduced costs, and therefore increased profits, on stable revenues. It is a bit difficult for us to really criticise Parity as they seem to have followed all of our "how to avoid acquisition indigestion" guidelines. In particular, the last six months has seen a "consolidation" of the previous purchases rather than going headlong into yet more.

We now anticipate a resumption of purchases - but this time in Europe. "It would be good to see if the Parity model works over there" said CEO Paul Davies. Also with the current two legs - IT contract staff agency and "classic software house services" - the "stool" would be more stable with a "third leg".

Parity "looks forward to the year end with confidence". (Oh how we wish company chairman would avoid that word!) Brokers James Capel have upgraded their full year profits forecast to £6.4m. You could have bought Comac shares a little over two years ago at 18p. Parity closed Aug. 95 on 155p.

Digital and Services

Digital reported PBT of \$76m in the year to 30th June 95 compared with a loss of a mere \$2 billion in FY94. This is the first profit in five years.

Now, the renaissance at ICL, IBM, BULL etc. has been at least in part related to their services success. But Digital's services revenues actually fell by 1% to \$6.2 billion in FY95. Services margins also fell.

Contrary to expectations, Digital seem to be winning with its hardware - Alpha processors, networks, storage etc.

Misys and a lesson in corporate governance

The Misys Report & Accounts, received this month, is the first in the industry to be produced in accordance with the Greenbury Report - released on 17th July 95. It separately lists the salary, bonuses, benefits in kind etc. for each and every director. On top of this it goes into detail on increases awarded with effect from 1st June 95 and the new performance related bonus schemes. We will illustrate this with Chairman Kevin Lomax but the R&A provides separate details for each director.

Lomax was paid a base salary of £160K in FY94/95. On top of this it was deemed that without ACT, Misys would have grown EPS by 16.7% which "justified a bonus of 50% of salary" - i.e. a further £81K. This, with other benefits makes a total of £251K. On top of this Lomax received £200K in dividends on his 2.2m shares currently worth around £11m. The other four Misys exec. directors each earn between £175 - £200K.

The R&A then goes on to detail the rises in base salary. Lomax' increases from £160K to £204K from 1st June 95 to reflect "additional responsibilities and the size of business" post the ACT acquisition. Similar rises are detailed for the other execs. On top of that an annual and 3-year performance bonus is detailed.

Annual bonus up to 50% of salary (can be taken in shares)
 EPS increase = 5% + RPI Bonus = 10% salary
 EPS increase = 10% + RPI Bonus = 30% salary
 EPS increase = 12.5% + RPI Bonus = 50% salary
 Three year performance bonus (bonus must be taken in shares)

3 yr EPS growth = 15.8% + RPI Bonus 10% salary
 3 yr EPS growth = 33.1% + RPI Bonus 30% salary
 3 yr EPS growth = 42.4% + RPI Bonus 50% salary

Interestingly, one of the few areas in which Misys does not fully comply with "the Code" is that it only has one independent director - J Beasley - who therefore gets involved in chairing the Audit, Nominations and Remunerations Committees. (Misys say they have currently appointed recruitment consultants to advise on a couple more). Non execs. will be paid £20,000 p.a..

Comment

As Misys is the first to report under the Greenbury rules, many would be wise to study the full R&A. We look forward to many more companies reporting as fully as Misys and, not that they would care one hoot, we give them full marks. Given the honesty, what do we make of the revelations? Given the size of Misys and its performance any shareholder attempting a "fat cat" description should get short shift. However, we are concerned at the forward bonus plan. During our time at Hoskyns, they introduced a similar incentive plan which ensured that the max. delta was reached - but only just - each year. You can therefore be assured that Misys EPS growth for FY95/96 will not be more than 17% - or about the level which all the brokers are currently forecasting. PBT, however, is expected to double to achieve that. We have long argued that Misys acquisitions have been at the expense of EPS growth. That in turn has been the reason for the less than satisfactory share price performance. It now looks as if mediocre EPS performance is being enshrined in the Misys bonus scheme.

Footnote Although the reasons were abundantly clear, accounting for goodwill on the ACT purchase meant Misys producing a Group Balance Sheet showing negative net assets of £145m - a new UK and all comers record.

CSI Index hits record high

As stated in our page one feature, our CSI Index rose by 10% this month to a record 1848 with a record 25 companies recording share price increases of 10% or more.

But, as always, there were losers too. Wakebourne lost another 18% this month - that's a 59% fall in 1995. As if a profits warning last month was not enough, the Investor's Chronicle warns that there may be still "further disappointments in the short term" and there is now talk of concerted action by disgruntled shareholders.

MDIS also fell another 17% on another profits warning (see p2) and likewise Vistec fell 14% on its second profits warning so far in 1995.

Proteus now has the dubious honour of sharing the 1995

wooden spoon with a 60% fall this year so far - 14% in the last month. Another cash injection is required, but shareholder support is sorely tested. They share the spoon with Cray who fell another 8% this month.

| 30th August 95 | | CSI Index | | 1848.25 |
|-------------------------------------|-----------|---------------|----------------|---------|
| FTSE 100 | | FTSE SmallCap | | 3504.00 |
| CSI Index = 1000 on 15th April 1989 | | | | 1965.65 |
| Changes in Indices | CSI Index | FTSE 100 | FTSE Small Cap | |
| Month (28/7/95 - 30/8/95) | +9.67% | +1.01% | +2.53% | |
| From 15th Apr 89 | +84.83% | +70.63% | | |
| From 1st Jan 90 | +100.87% | +48.35% | | |
| From 1st Jan 91 | +161.10% | +62.19% | | |
| From 1st Jan 92 | +76.89% | +40.55% | | |
| From 1st Jan 93 | +15.98% | +23.10% | +41.68% | |
| From 1st Jan 94 | +10.70% | +2.50% | +5.19% | |
| From 1st Jan 95 | +23.28% | +14.30% | +12.55% | |

System House CSI Share Prices and Capitalisation

| | Share Price 30/8/95 (£p) | Capitalisation 30/8/95 (£m) | Historic P/E | Ratio Cap./Rev. | CSI Index 30/8/95 | Share price % move since 28/7/95 | Share price % move in 1995 | Capitalisation move (£m) since 28/7/95 | Capitalisation move (£m) in 1995 |
|----------------------------|-----------------------------|--------------------------------|-----------------|--------------------|----------------------|--|----------------------------------|--|--|
| Admiral | £7.33 | £90.20m | 19.2 | 1.82 | 5311.59 | 1.66% | 15.43% | £1.50m | £17.80m |
| Azlan | £2.56 | £56.10m | 20.5 | 0.62 | 1113.04 | 16.36% | 91.04% | £8.10m | £26.80m |
| Capita | £2.14 | £117.30m | 19.7 | 1.59 | 6426.43 | -1.61% | 30.49% | £1.90m | £27.80m |
| Cedardata | £1.40 | £42.80m | 17.8 | 4.79 | 1333.33 | 16.67% | 38.61% | £6.10m | £11.90m |
| Centregold | £0.57 | £24.50m | 7.8 | 0.27 | 456.00 | 9.62% | -50.86% | £2.10m | £22.20m |
| Clinical Computing | £0.38 | £6.16m | 6.1 | 4.19 | 306.45 | 5.56% | -43.28% | £0.33m | £4.74m |
| Coda | £1.64 | £43.00m | 17.1 | 1.84 | 697.87 | 27.13% | 112.99% | £9.20m | £22.80m |
| Compel | £1.53 | £23.30m | 14.8 | 0.43 | 1224.00 | 19.53% | 40.37% | £3.80m | £6.70m |
| Computer People | £3.19 | £81.00m | 39.5 | 0.83 | 1312.76 | 10.38% | 31.82% | £10.20m | £21.70m |
| Computerised Financial | £0.76 | £3.57m | 21.4 | 1.14 | 844.44 | 0.00% | -26.21% | £0.00m | £1.27m |
| Cray Electronics | £0.65 | £152.90m | Loss | 0.58 | 377.19 | -7.86% | -60.06% | £13.10m | £230.50m |
| CRT | £1.04 | £70.00m | 16.5 | 0.96 | 1155.56 | 16.85% | 31.65% | £10.10m | £16.80m |
| DCS Group | £0.85 | £16.10m | 23.9 | 2.52 | 1416.67 | 10.39% | 16.44% | £1.50m | £9.19m |
| Division Group | £1.18 | £51.80m | Loss | 9.83 | 2950.00 | 43.90% | 0.85% | £15.80m | £12.30m |
| DRS Data & Research | £0.24 | £8.62m | 6.3 | 0.98 | 218.18 | -7.69% | -25.00% | £0.71m | £2.78m |
| Eidos | £4.00 | £10.80m | Loss | 43.20 | 4000.00 | 0.00% | 31.15% | £0.00m | £1.98m |
| Electronic Data Processing | £1.28 | £33.50m | 13.3 | 2.39 | 3919.17 | -8.57% | -10.49% | £3.20m | £4.00m |
| Gresham Computing | £0.39 | £12.80m | 20.9 | 1.97 | 419.35 | 2.63% | 5.41% | £0.40m | £0.70m |
| INSTEM | £1.37 | £6.17m | 8.2 | 0.37 | 1370.00 | 9.60% | -8.67% | £0.55m | £0.63m |
| JBA Holdings | £2.35 | £78.00m | 20.1 | 0.86 | 1468.75 | 23.04% | 54.61% | £14.60m | £27.80m |
| Kalamazoo | £1.01 | £19.70m | 8.6 | 0.32 | 2885.71 | 1.00% | -7.34% | £0.30m | £21.80m |
| Kewill | £3.13 | £38.50m | 11.1 | 1.14 | 1237.15 | 11.79% | 30.96% | £4.10m | £9.50m |
| Learmonth & Burchett | £3.05 | £68.90m | Loss | 2.90 | 2541.67 | 22.00% | 281.25% | £14.10m | £51.50m |
| Logica | £4.38 | £272.90m | 23.5 | 1.19 | 1200.00 | 3.55% | 34.77% | £10.20m | £72.10m |
| Lorien | £1.50 | £8.55m | 56.6 | 1.07 | 1500.00 | 3.45% | 50.00% | £0.28m | £3.25m |
| Lynx Holdings | £0.51 | £25.90m | 11.9 | 1.20 | 1275.00 | 15.91% | 8.51% | £3.70m | £6.10m |
| Macro 4 | £4.65 | £100.90m | 13.1 | 4.14 | 1875.00 | -1.69% | 6.16% | £1.70m | £5.90m |
| MAID | £2.01 | £163.40m | 176.3 | 18.38 | 1827.27 | 142.17% | 191.30% | £95.90m | £107.30m |
| McDonnell IS (MDIS) | £0.70 | £70.00m | 15.3 | 0.48 | 269.23 | -17.16% | -30.69% | £14.50m | £31.00m |
| Micro Focus | £7.60 | £114.80m | 23.8 | 1.28 | 3671.50 | 2.01% | -7.32% | £2.30m | £3.30m |
| Microgen | £1.69 | £66.60m | 14.5 | 1.13 | 722.22 | 5.62% | 65.69% | £3.60m | £26.40m |
| Microvitec | £0.39 | £28.70m | 13.2 | 0.65 | 951.22 | -3.70% | 6.85% | £1.10m | £5.40m |
| Misys | £5.09 | £425.00m | 14.5 | 2.77 | 1266.17 | 5.60% | 24.45% | £22.50m | £230.30m |
| MMT | £1.86 | £21.40m | 13.2 | 1.97 | 1107.14 | -3.63% | -9.27% | £0.80m | £1.70m |
| MR Data Management | £0.87 | £48.50m | 10.8 | 1.20 | 345.24 | 29.85% | -20.91% | £11.10m | £12.90m |
| On Demand | £0.74 | £37.70m | Loss | 2.60 | 948.72 | 1.37% | 10.45% | £0.50m | £3.50m |
| Oxford Molecular | £1.16 | £60.00m | Loss | 21.66 | 1450.00 | -2.52% | 93.33% | £1.60m | £37.90m |
| P&P | £1.38 | £109.40m | 14.0 | 0.41 | 618.83 | 21.05% | 86.49% | £19.00m | £51.50m |
| Parity | £1.55 | £64.90m | 18.8 | 0.73 | 8611.08 | 13.97% | 23.02% | £7.90m | £18.70m |
| Pegasus | £1.93 | £12.20m | 13.7 | 2.54 | 525.89 | 2.12% | 28.67% | £0.30m | £2.81m |
| Persona | £2.78 | £33.60m | 24.2 | 1.07 | 1737.50 | 28.11% | 73.75% | £7.30m | £14.30m |
| Phonelink | £1.98 | £79.10m | Loss | 37.85 | 1277.42 | 5.88% | -7.04% | £12.70m | £3.50m |
| Proteus | £0.70 | £22.90m | Loss | n/a | 833.33 | -13.58% | -60.00% | £3.60m | £31.50m |
| Quality Software | £5.90 | £51.30m | 20.3 | 3.11 | 1552.63 | 7.66% | 54.05% | £3.60m | £18.00m |
| Radius | £0.46 | £12.80m | 16.0 | 0.51 | 333.33 | 2.22% | 21.05% | £0.30m | £2.20m |
| Real Time Control | £1.75 | £12.20m | 8.8 | 0.91 | 3571.43 | -2.78% | 2.34% | £0.40m | £0.20m |
| RM | £2.69 | £45.30m | 14.8 | 0.69 | 1537.14 | 12.55% | 30.58% | £5.10m | £10.60m |
| Rolle & Nolan | £1.95 | £23.80m | 29.1 | 1.67 | 2321.43 | 2.63% | 5.41% | £0.60m | £1.40m |
| Sage Group | £12.03 | £257.40m | 19.9 | 5.06 | 9253.85 | 17.60% | 78.49% | £38.50m | £116.50m |
| Sanderson Electronics | £1.13 | £46.30m | 14.6 | 1.36 | 1923.40 | 11.88% | 43.04% | £4.90m | £15.90m |
| Sema Group | £4.06 | £378.40m | 19.4 | 0.63 | 1276.73 | 2.27% | -0.49% | £8.40m | £0.20m |
| Sherwood | £1.67 | £11.90m | Loss | 0.47 | 1391.67 | -4.57% | 108.75% | £0.50m | £7.02m |
| Spargo Consulting | £0.68 | £8.50m | 16.8 | 1.41 | 715.79 | -2.86% | -25.27% | £0.25m | £2.90m |
| Standard Platforms | £0.17 | £5.32m | Loss | 4.06 | 75.55 | 0.00% | 21.43% | £0.00m | £2.80m |
| Superscape | £3.72 | £20.80m | Loss | 24.19 | 1878.79 | 17.35% | 82.35% | £4.00m | £10.00m |
| Total | £0.24 | £2.40m | 24.9 | 1.05 | 452.83 | 14.29% | -31.43% | £0.30m | £1.10m |
| Trace | £0.44 | £6.16m | 20.4 | 0.33 | 352.00 | 22.22% | 7.32% | £1.12m | £0.43m |
| Unipalm | £4.67 | £96.20m | 315.5 | 5.41 | 4670.00 | 58.84% | 295.76% | £35.90m | £72.30m |
| Vega Group | £3.08 | £43.70m | 22.8 | 3.49 | 2524.59 | 8.07% | 17.11% | £3.20m | £6.50m |
| Virtuality | £2.39 | £66.20m | Loss | 7.25 | 1405.88 | 21.94% | 8.14% | £11.90m | £8.40m |
| Vistec | £0.13 | £15.40m | 49.7 | 0.31 | 543.48 | -13.79% | -3.85% | £2.50m | £0.60m |
| Wakebourne | £0.32 | £7.04m | 5.7 | 0.20 | 177.78 | -17.95% | -59.49% | £1.54m | £9.46m |

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.

SCH

Specialist Computer Holdings

7.2% in 1989 to 3.6% in 1994. But these latest figures show a commendable margin increase to 4.8%. All divisions were profitable in the year and, for the 4th consecutive year, admin. and selling costs have fallen as a % of turnover. Rigby says "our current growth is on track at a rate of 60% p.a. this fiscal"; inferring revenues of around £360m.

SCH is run as separate "specialist" businesses that share central resources like finance and central distribution. There are three main "channels to market":-

(1) **Specialist Computer Centres (SCC)** is both the largest division by revenue (£114m) and operating profit (£6.8m). Undoubtedly the star performer, SCC provides PC-based systems integration services direct to

"blue-chip" UK corporates. The growth in desktop and network services provides significant potential for the future and the current near 7% margin already shows what can be achieved.

(2) **Enhancement Technologies Corp. (ETC)** is the PC distribution arm, supplying resellers and VARs, earning revenues of £76m, double that of 1993, and operating profit of £3.2m - a still respectable 4.2% margin. One of the reasons for their success is "the separate identity of ETC as a distributor ...such that SCC and ETC trade quite separately with strong Chinese walls between them".

(3) **Byte**, the retail PC superstores business, now has 8 stores, revenues of £31.4m and contributed a "maiden" profit of £151K. Rigby clearly believes very strongly in the PC superstore format - "not an outlet mixing brown/white goods or a shop, or a warehouse but a carefully thought through retail presentation in prime sites on a national basis designed to provide computer technology to the consumer, be they a new home potential user or an experienced professional user - through to the small to medium sized business". There is also a Byte Direct mail order operation. Rigby admits that there have been many occasions since initiating SCH's retail strategy when he "could easily have pulled out/sold out/given up but we are made of sterner stuff than that. I believe in the fullness of time that the channel that we have built and the style in which we have built it will become an acknowledged standard. We certainly plan to invest heavily in this".

There are three smaller activities:- **Specialist Computer Education** (revenues £1.5m, profits £159K), **Specialist Computer Services** (revenues £2.4m, profits £255K- payroll/data prep. and laser printing bureaux) and **Scotbyte Computer Supplies** (acquired after the year end).

Of SCH's £26m net assets, £12.2m was in cash at the year end. In addition SCH owns most of its properties, including the new training centre at Eastcote Hall purchased in the year. SCH has "been virtually debt free for nearly 20 years".

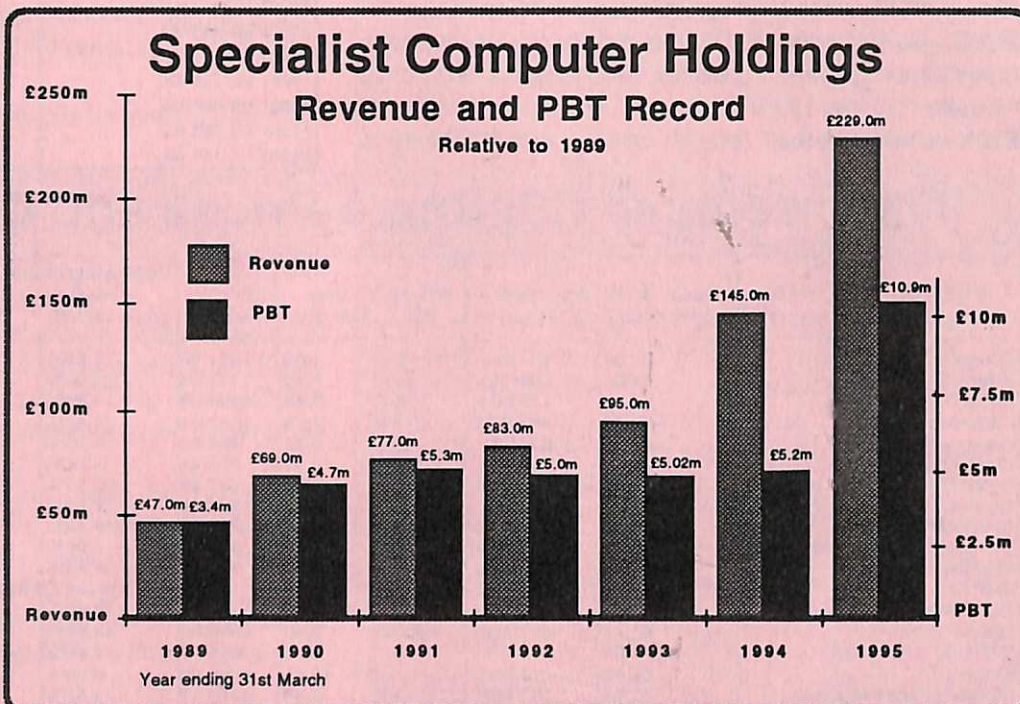
We believe that the real potential value of SCH is in owning and supporting the desktop of its corporate customers. Although not mentioned in their review, we still contend that an SCH involved in desktop FM could be a real winner. Rigby agrees and says SCH's future competition is not "the traditional reseller but perhaps more likely the large scale systems integrator". I.e. the traditional CSSA member and System House reader!

Peter Rigby has a superb record. He has "taken some tremendous chances with (his) own money and efforts". He still holds the vast majority of the shares and there are no external investors. Maybe the reason for the success is that "being privately owned, SCH has not been driven by the short-term dividend and earnings requirements of the stock market". But having "over the years left the vast bulk of (his) apparent wealth in the Company" Rigby now wishes to "exact some return". There would be few who could validly criticise that. But quite what form that will take, other than paying himself the odd £2.5m dividend, is unclear.

Specialist Computer Holdings "is now the largest privately owned IT group in the UK". That may come as major shock to many of our readers.

Is it a fair claim? By revenue, its rival **Computacenter** beats SCH's £229m with its £463m revenues to 31st Dec. 94, but SCH's PBT of £10.9m eclipses Computacenter's £7.3m. Conversely, **CMG** made profits of £13.8m in 1994, but their revenue, at £145m, was lower than SCH. But both Computacenter and CMG have institutional investors, whereas SCH is still owned almost entirely by Peter Rigby.

SCH's results show revenues up 58% at £229m, PBT more than doubled to £10.9m and EPS was up from 17p to 35p in the year to 31st Mar. 95. Profit margins had been falling; from



Increased losses at Division

From the point of view of share performance, virtual reality software developer **Division Group** has been one of the best of the recent new issues. Launched in May 93 at 40p, the shares hit a high of 138p but have since fallen to 118p - still a handsome return for new investors. This still values Division at £52m.

But Division is continuing to report increased losses. Although revenues increased by 17% to £2.47m in the six months to 30th Apr. 95, losses doubled to £1.58m. The losses were due to increased spend on R&D (£874K) and marketing (£1.2m) - all fully expensed we are pleased to see!

Division concentrates on the "serious" application of VR and new customers include Bell Northern, BNFL and Ford. MS Windows versions of their products are due next year. Division Inc. has 40 employees and half the R&D is undertaken in the US. Building long term relationships with the likes of HP should mean a secure future.

Whither Micro Focus?

We first tracked **Micro Focus**' meteoric rise to PBT of £22.3m, a capitalisation of £300m and £58m cash in the bank in 1992. We then tracked their equally meteoric fall. Latest results for the six months to 31st Jul. 95 show a loss of £4.5m on revenues down 14% at £36.8m. The losses could have been even higher as *software development costs capitalised exceeded those amortised by £1.2m*. Cash has continued to drain away...to a still healthy £40m. But Micro Focus now has a capitalisation of just £115m.

We have been one of the very few analysts to warn of troubles ahead at Micro Focus in every review for the last two years. When others were forecasting profits of £13m for 1995 and Chairman Paul O'Grady said his management team "is a seasoned group of people who have gone through periods of transition before" we reminded readers that the last such transition produced a £2.8m loss.

The move away from COBOL mainframe based new developments towards client-server has taken place much faster than Micro Focus expected and certainly faster than it could develop new products and services to plug the gap. One of the new products is a World Wide Web authoring tool for Windows 95. Whether Micro Focus has what it takes to make this much of a "transition" remains to be seen.

Analysts have now rather belatedly down rated full year profit forecasts to £2m - we suspect even that might prove difficult. Even at 760p, the shares (as the Daily Mail said) "are for gamblers only".

Apple forgives KRCS £1.9m

Given the superb performance of SCH (p10), latest accounts from what used to be Apple's largest reseller - **KRCS** - make dismal reading. Losses of £505K were reported on revenues of £25.3m (note 14 months). KRCS's problems, since they bought SAMS in 1992, have been well documented in these pages. As part of a complex rescue operation, in Oct. 94, KRCS sold its southern operations to **Control Data**. Latest filed accounts confirm £1.9m "debts forgiven" by Apple.

Quite a few other readers would have liked their Apple debts "forgiven" too but have had to continue to compete against such companies without such unfair advantage.



Software and services scores for Microvitec

As we have been predicting for the last 18 months, **Microvitec** is coming right...at last. Latest results for the six months to 30th June 95 show revenues up 27% at £26.6m, PBT up 44% at £1.6m and EPS up 19%. The discrepancy between PBT and EPS growth is largely due to higher overseas tax charges.

The main reason (*surprise, surprise*) was the "strategic decision to position and refocus the business in the areas of networking and software. Combined sales from these two divisions grew by 46% to £10.4m producing 65% of group operating profit". "Excellent" performances were highlighted at Layer One (networking), Project Assyst (retail, software), Cognito (legal software) and CSM (software for accountants). Of course, the other major part of Microvitec is its monitor manufacturing business. James Bailey wants to reduce reliance on monitors from the current 61% of revenues to 25%. Although this is welcome, readers should remember that it was only in 1994 that Microvitec spent £2.4m buying monitor supplier Perex.

Brokers James Capel forecasts full year PBT of £3.9m. The share price had been stuck around 33p for many years but its repositioning as a software and services provider contributed to the shares ending Aug. 95 on 39p.

Herald Investment Trust starts to pick the winners

We know that quite a few readers invested in **Herald IT** when it was launched in Feb. 94 - not least because of their respect for Katie Potts who manages the fund.

Given the odd disaster (like its investments in Coda, CentreGold, Micro Focus etc but "people in glass houses...") the share price has recently started to do well. With the warrants, a £10,000 investment is now worth about £12,500.

By value, the three largest investments are Misys, Aegis and Unipalm - all of which have done particularly well in the last couple of months since the 30th June 95 portfolio valuation. Amongst our readers, Potts has also taken significant stakes in Admiral, CRT and EDP.

BMS - another small SCSI company doing well

In our constant quest to meet reader demand for more "smaller" companies, we were sent the accounts for Ipswich-based **BMS Computer Solutions** which supplies software to the feed compounding industry. Revenues in the year to 31st Mar. 95 increased by 46% to £1.66m. PBT increased from £67K to £417 with £381K cash in the bank.

Pearson software venture "disappointing"

Financial Times publisher, **Pearson**, had the distinction of heading the UK SCSI acquisitions rankings in 1993 with their £310m purchase of **Software Toolworks**. Since then they have added several other software companies like **Strategic Simulations** (£7.1m), **Atreid Concept** (£1m) and **Worlds Inc.** (£3.5m). Latest results for the six months to 30th June 95 show that, to say the least, it might well not have been worth it. Pearson's renamed software division - **Mindscape** - reported a loss of £300K compared with a profit of £600K last year.

We have long thought that Pearson could really take-off as an information service provider. Their latest large acquisition is of **Interactive Data Corp** (for £126m) - a US financial information group. Let's hope it does better than games software.

"One small step closer towards the world's largest SCSI company being UK-owned?"

EDS

General Motors (GM) announced this month that it intends to spin off EDS to its class E shareholders. The news resulted in a 6% rise in GME shares to \$46, valuing EDS at just over \$20 billion. That's twice the value in 1990 and eight times the \$2.5b GM paid Ross Perot

initially. The move was widely welcomed; not least by GM's heavily in deficit pension fund which holds about \$7b of EDS stock.

As EDS UK, barring accidents, will be the UK's largest SCSI provider in 1995, what are the implications?

- unshackled, EDS stock price should out-perform GM - particularly as US investment houses will have restrictions on investment removed. EDS made profits of \$1.28b on revenues of \$10b in 1994.

- operating independently, EDS should be able to gain orders from other motor manufacturers and associated finance houses.

- independence means that EDS will be able to use paper for acquisitions or to raise capital.

Although it may not always seem that way, EDS still makes three quarters of its revenues from the US. Europe could well be a target and, if the recent AT Kearney deal is a pointer, management consultancies may well figure on the buy list. EDS is already a dominant force and the spin out will only see that dominance increase.

But there is a risk too. The 1993 negotiations with UK's BT followed in 1994 with similar negotiations with US Sprint failed because of problems valuing the GM Class E stock. The removal of such obstacles means that EDS might become more vulnerable to a takeover.

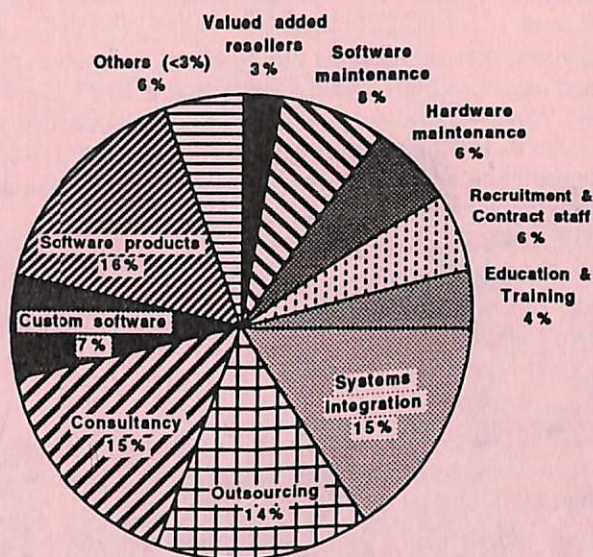
You never know, we might be one small step closer towards the world's largest SCSI company being UK-owned.

Note: For those that missed Richard Holway's CSSA presentation in July, it is being repeated in Belfast on 21st Sept. Record bookings have already caused a change of venue.

CSSA Survey confirms buoyant growth in 1994

We were rather relieved to see that the CSSA Annual Survey for 1994 found that "the weighted average annual growth rate of members for calendar 1994 was 13.2%" - or within the barest smidgen of our 14% growth for the UK SCSI sector reported earlier in the 1995 Holway Report.

Under Geoff Squire's CSSA presidency, the number of software products vendors grew significantly but - at 16%



CSSA Members' Revenue by Business Sector 1994

- products still represents a lower % of CSSA members revenues than our findings (c22%).

IT outsourcing sales now account for £1.07 billion, or 15%, of CSSA member's £7.15 billion revenues. Contrastingly, hardware sales now represent just 3.6% (or £257m) of revenues. 28% of CSSA members had ultimate ownership outside the UK.

More grist to the mill for all those like us that believe that the future lies in computing services.

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