System House

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

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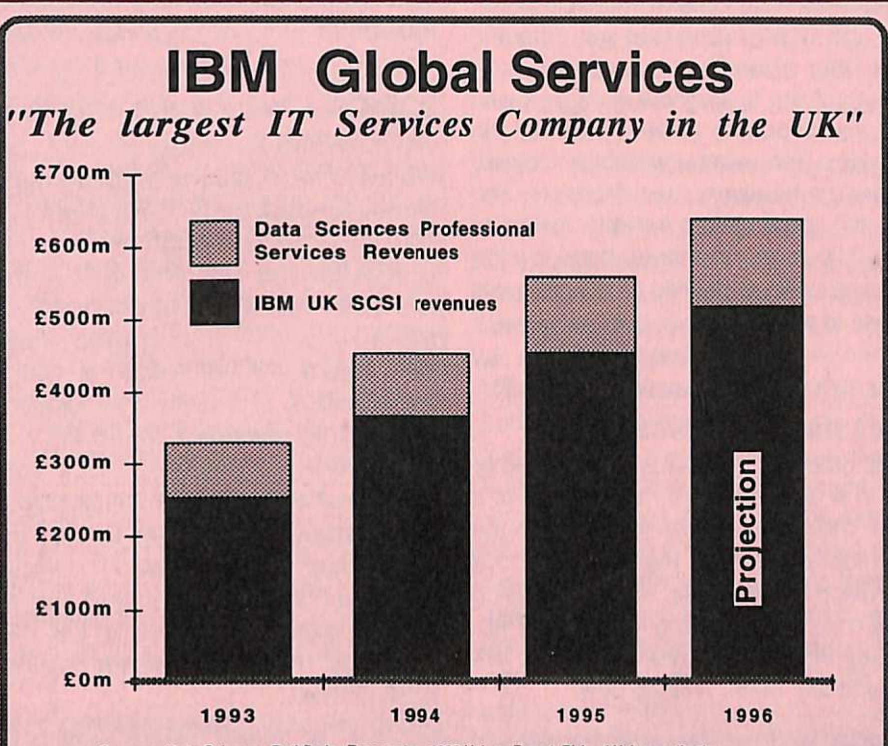
Just a year ago, work was starting in earnest on the float of **Data Sciences**. Andy Roberts had turned the company from a massive £18.8m loss in 1993 to reporting operating profits of £6.1m, on revenues of £105.7m in the year to 30th Sept. 95.

We happen to believe that Data Sciences would have been well received but it was not to be. The £95m cash plus c£4m debt + pension contributions offer from **IBM** was a *"no brainer"* both for the VC and MBO shareholders.



Sources: Data Sciences Pathfinder Prospectus, 1996 Holway Report, Richard Holway estimates

This month, IBM announced that it was integrating Data Sciences (and CGI) into a new services business - **Global Services** - under Brian Sellwood. The Data Sciences name disappears in the UK - other than for the Defence and Aerospace businesses where such a separate corporate structure is essential.

We wrote on many occasions of the *"market-facing"* plus resource centre organisation implemented by Roberts. (A structure, by the way, since followed by others such as Cap Gemini UK/Hoskyns). You may recall the *"Velcros and bungy jumping"* headline! This same structure will be used within IBM's Global Services with 11 *"customer facing"* Industry and Specialist Business Units (ISBs). Resources are provided by three support centres:

- Software & Technology (people supply)
- Cross Industry (solutions supply)
- Managed Operations (FM/operations delivery)

The influence of Data Sciences doesn't stop there. Richard Atkins takes the role of Finance Director for the whole of Global Services and Mike Wade becomes Business Development Director.

So how would Data Sciences have performed with their maiden results as a quoted company?

At the time of the float, analysts were pointed towards revenues of c£117m and operating profits (i.e. before interest and other exceptional float costs) of c£7m. However, we wrote (*System House* Feb. 96) that *"Roberts should be aiming to increase margins to nearer 8% this year"*.

It looks as if revenues have actually grown by over 14% and that an operating margin of 8% was indeed achieved.

We have reported before on the significant re-rating of the IT services sector - up over 60% on a like-for-like basis on a year ago. One needs to look no further than the share price at **CMG** and **Logica** for evidence of that! Both are currently trading on **prospective** P/Es of over 25! Applying this to the latest Data Sciences results, we cannot really see why their value would now not be £150m+ (compared with the £85m market cap. proposed at the time of float) *Perhaps some of the others who might have been interested in Data Sciences should reflect on this!*

What of Andy Roberts?

Andy Roberts (who takes over as CSSA President this month) doesn't get a name check in the new Global Services organisation. But his currency is clearly highly valued, both within IBM and, perhaps even more importantly, in the IT community as a whole. We await with interest to learn of the role Roberts will take, within or outside IBM, in 1997.

"IBM Global services - the largest IT services company in the UK"

So read the IBM announcement this month. Readers know that with 1995 revenues of £453m plus Data Sciences' £106m, this certainly put them ahead of EDS UK's £525m. In its own right IBM this year has won major outsourcing contracts with General Accident and Sun Alliance. Also they have secured one of their largest ever outsourcing deals with Thorn - Data Sciences' "old" parent. Clearly IBM's 1996 results are not known, but we would be very

IBM Global Services - continued on page two

IBM Global Services - continued from page one

surprised if the newly integrated IBM Global Services did not report UK SCSI revenues in excess of £600m. EDS UK expect UK SCSI revenues of c£650m....

Comment IBM's latest Q3 results (see p12) confirm their major success in the IT services arena. IBM is now the IT services leader (even on our extremely strict definitions which exclude hardware maintenance and support) in every major European country including the UK. As we have oft-said, the major obstacle in the past against IBM's services success has been their inability to understand that services and products - and the skills needed to sell, implement, manage and monitor them - are very different. IBM's acquisition of Data Sciences provided them with those skills and it is gratifying to see how managers with IT services - rather than product - skills predominate in the new Global Services. Ten years ago the UK industry feared the threat from the hardware manufacturers. The threat from DEC, ICL and others largely failed to materialise. But in IBM's case, the threat was only too real. In the UK, in Europe and worldwide, IBM services is the leader and the one to watch. We would be surprised if IBM did not consolidate that lead position by consummating other major services acquisitions in 1997.

Stratagem forecasts *"a significant loss"*

Stratagem, amongst other varied interests, is the owner of TPM **Firstpoint**. The directors have now warned of a *"significant loss"* for FY96. Despite a rise in revenue in the computer division (mainly hardware maintenance) to a record £15m, this division made losses. Hardly surprising - there are not many companies making money in TPM. Stratagem tried to sell Firstpoint in 1994 but failed. We doubt they would stand any better chance now.

Morse Group - revenue shoots up

Morse Group - which claims to be *"one of Europe's largest open systems integrators"* - was an MBO in Nov. 95 when founder John Britten sold out at a £46m valuation. Morse is Sun's largest reseller and an HP, Compaq etc. supplier. They have just announced revenue for the year to 30th June 96 up 35% at £87.5m. No profit figures are so far available but if they have managed to keep to the same 9.5% profit margin of the last year, then a PBT of over £8m is likely.

They seem now to be in a good position to consider a flotation to realise a hefty profit for ex-DEC Chairman Bill Passmore (who holds 50%), investors 3i. and Prudential who each paid £10.9m for their 25% stake.

logica - *Read turns effort into hard cash*

We reviewed the latest results from **Logica** last month. We must have said something right as Logica ordered a reprint! Indeed, under CEO Martin Read, Logica has gone from strength to strength and their market cap. exceeded £500m for the first time this month. This month Read exercised just a few of his options (and who can blame him?) to buy 97,000 Logica shares at 252p and sold 89,000 at the princely sum of 750p to realise a net profit in the region of £423K. We reckon Read's total gain on his options is nearly £2m so far.

Logica shares ended Oct. up 9% at 788p.

Computacenter *"Fantastic Year"*

Computacenter's claim to be *"the country's only UK-owned half-billion pound IT company"* was, at the time, true. We have now been told that revenues for FY96 are likely to exceed £700m and UK PBT of over £30m is on the cards. In the PC reseller market, that is a remarkable achievement.

MDIS - deficit widens despite new management

We have told the **McDonnell Information Systems** (MDIS) disaster story many times. We will not repeat it again. Suffice to say that the latest interim results for the six months to 30th June 96 were about as bad as expected. Revenue fell 24% overall to £60.5m (revenue on continuing operations actually fell a higher 26% to £51.5m). The operating loss before exceptionals was £7.45m (against a profit of £4.5m last time). After exceptionals and losses on discontinued operations totalling £856K, the overall loss before tax rose to a massive £9.2m (loss £1.7m last time after exceptionals and losses on disposals of £5.4m net). R&D expenditure - all written off we are pleased to report - fell by £3m to £4.7m. The Balance Sheet now has a net liabilities position of £1.5m - from a net asset position of £7.6m as at the 31st Dec. 95.

Four divisions reported losses with only two profitable. But the **Public Sector** saw its operating profit slip from £6.9m to just £2.1m due to a *"loss of momentum"* after the various management changes. The other profitable division was **Integrated Systems**.

The most noteworthy of these management changes has been the appointment of Mike Powell (ex Coopers & Lybrand, Oracle and Digital Equipment) as MD, UK Technical Operations from September. The other main change was made in July when Alan Davis (ex VP Europe for both Wang and Ascom Timeplex) was appointed MD, UK Business.

In more detail, the **Commercial Solutions** division revenue fell from £22m to £16.2m with the previous operating profit of £2.6m turned into a loss of £3.1m. In the US, revenues fell slightly compared to H195 but evidently are higher by some £1.5m than H295. Public Sector revenues fell by nearly £7m to £17.9m with a consequent fall in OP of nearly £5m. Integrated Systems saw revenue rise by £900K to £12m but OP fell from £3m to only £200K. PRO-IV **Application Development Tools** revenues nearly halved to just £1.5m and the previous small £100K profit was turned into a £800K loss. A number of JV agreements have now been signed in an attempt to broaden the PRO-IV based professional services range. **Facilities Management** appears to be the only division to have improved its performance as, on revenue slightly down at £4m, it managed to reduce its operating losses from £700K to £100K.

Chairman Ian Hay Davidson says the directors *"planned for 1996 to be a turnaround year leading to scope for improved financial performance in 1997. In the short term, trading conditions continue to be difficult..."*

Comment. MDIS have been at pains to assure us that the disposals of non-core business are complete and, with a new SCSI-oriented management team in place, perhaps MDIS **can** return to profit in 1997. But will shareholders give it that much time? The share price as at the end of October has fallen to just 42p - and we need hardly remind readers that the flotation price in March 94 was 260p. If a predator accepts MDIS' view that the company will indeed be profitable in 1997 (or soon after) then they must be even more vulnerable to a takeover now.

Israeli Internet company for AIM....

Geo-Interactive Media is a small Israeli company which claims to have cracked the problem of providing fully interactive pictures in real time on the Internet.

Little financial information is available other than revenue for the first seven months of 1996 was $1.3m and, *surprise surprise for an internet company,* they made a loss of $250K. C10% of shares are to be placed on AIM raising between £10/£12m for marketing purposes. This would value Geo at £100m! Not bad for such a small, loss making company - but with the Internet anything is possible.

The placing will be underwritten by Panmure Gordon. Geo-Interactive is the second Israeli SCSI company choosing an AIM float - the first was **Dmatek** floated in Dec. 95.

....as Firecrest leaves

As we reported in October *System House*, **Firecrest** was either going to have to leave AIM, as it no longer had a nominated advisor, or it would be taken over at a rumoured 260p. The shares were suspended at 44.5p.

Well Firecrest were duly expelled from AIM on the 2nd October and, although the company was still insisting that a takeover deal was possible, to add to their troubles two sacked directors of subsidiary Nethead have made allegations against Firecrest. The matter is now in the hands of lawyers as Firecrest contest the claims which were evidently due to payments (or not) to outstanding creditors.

We were also somewhat amused that OFEX refused them entry saying they were not going to become a *"dustbin for AIM rejects"*. Although this saga has some way to run, we have now removed Firecrest from our SCSI index.

Firecrest was placed at 40p in Jul. 95 and rose to a high of 212p before the string of bad news stories started.

HIGHAMS SYSTEMS SERVICES GROUP

Chairman, MD and majority shareholder John Higham at **Highams Systems Services Group** has exclusively told us that he intends to seek an AIM listing in early Dec. 96 and has appointed Teather & Greenwood as the sponsor to the issue.

Highams' specialises almost exclusively in the financial services industry. Blue chip clients include Abbey National, Barclays, Eagle Star, Pearl, Unisys etc. They provide a wide range of services including consultancy, project development, agency staff and recruitment, PC and AS/400 systems and training.

Results for the year to 31st Mar. 96 are excellent with revenue up 18% to £13.2m (95% of which are earned in the UK) and PBT up 50% to £899K - that's a pretty average margin of 6.8%.

Recruitment services performed particularly well and Higham's Factoring Application Software is now claimed to be widely installed in the UK and mainland Europe.

Further growth by *"suitable acquisition"* is planned. The financial record has shown consistent growth and profits for every year since 1983. Only a few companies with such ***Boring*** records have chosen a listing in recent times - all those that have have shown rich rewards for both existing and new shareholders.

We suggest you watch Highams with great interest.

BCE pots the red ... and then moves into it

BCE Holdings (soon to be known as **Rage Software** and to move from AIM to a full listing) has seen major changes in the last year. BCE has two divisions; BCE Multimedia and BCE Leisure. They are now in the final stages in the transition from the business of operating snooker clubs and amusement arcades to the world of computer games development. Terms are being agreed for the disposal of the snooker side and interest expressed from potential buyers of the arcades.

However this transition has badly affected their financial results. For the year to 30th June 96 revenue was up to £9.5m (against £9.1m for the previous 15 months) but the previous OP of £1.1m has been turned into an operating loss of £764K. An overall loss before tax of £3.2m was declared (PBT £969K last 15 months).

The **Multimedia Division** comprises computer games developers Software Creations and Rage Software - both acquired in late 1994 for c£14m. The delayed launch of Nintendo's Ultra 64 affected the division but they did return to profits in the second half of 1996. Overall Multimedia turned in a loss of £323K before management charges on revenue of £4.5m.

Leisure comprises BCE Arcades and BCE Distributors both of which are now being sold. This division lost some £440K before exceptionals and management charges. Exceptionals totalled £2.34m mainly comprising a £1.9m provision for loss in value of the amusement arcades.

Chairman John Roberts said that now BCE intends to develop original software games as the company believes that this is where the "big money" is. Time, as usual will tell. The shares ended October on 13p (at one time last year they were more than double this price) giving a valuation of £30m.

Comment. Bluntly we believe that "media-based" games software (i.e. cassette, cartridge, CD-ROM etc.) is doomed. Kids will play against each other for either kudos or prizes on the Internet, paying on a "per play" basis. Perhaps even BCE realise that now. In June 96 they purchased a 8.3% stake in Internet software company **Autonomy** for £2.49m.

Chemical Design *"meeting targets"*

Chemical Design was one of the very latest companies to join the AIM market in Aug. 96 at 110p. They have also performed well - ending Oct. 96 at 165p up a massive 50% from the issue price.

Results declared this month for the six months to 30th June 96 (i.e., we assume, known at the time of the AIM float) show revenues up 70% at £863K and PBT of £52K (loss £152K last time). The Placing Prospectus anticipated *"material contributions"* from a contract with robotics supplier Advanced ChemTech *"the software development for these projects is complete and deliveries have commenced"*.

This is at least one AIM newcomer which seems to be meeting expectations.

News from AGMs

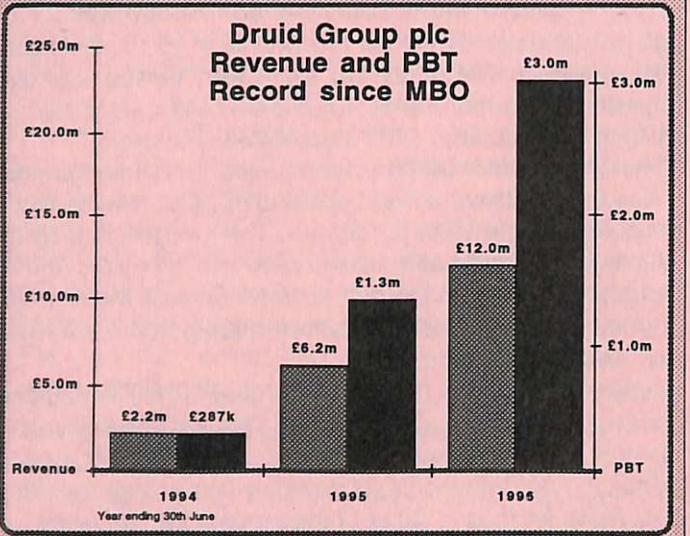
Barney Carrell, Chairman of **Real Time Control** said *"Business activity in the retail systems area has remained buoyant. We have secured orders ....which will allow us to report further progress in the current year"*.

Neville Davis of **Compel** (see review in Oct.'s *System House*) told shareholders at their AGM that *"the board views the future with **confidence**". Ahhh!*

Druid to float

The **Druid Group** was subject of an MBO at the end of Dec. 93 organised by MD David Thompson backed by Candover and Phoenix. They specialise in integrated solutions using SAP applications software and now employ 240 staff.

The full year results for the year to 30th June 96 show revenue almost doubled to £12m and PBT up 131% to £3m - that's a superb 25% margin and just shows, as we have often said, what specialist consultants can achieve. The record since the MBO is truly excellent.



On 29th Oct. 96 Druid issued its prospectus for a main market listing with dealings due to commence on 19th Nov. An *"Indicative Price Range"* of 230p to 290p, equivalent to market cap. of £53.5m to £65.9m, has been set. At a mid point of £59.7m, that equates to an historic P/E of c35. Druid has estimated PBT of *"not less than £1.75m"* on revenues of £9.15m in the six months to 31st Dec. 96 - both around double the previous year. So the prospective P/E - in the early 20s - is rather more reasonable and more in line with similar companies. But Druid is still one of the most highly priced new issues ever. The placing will raise £37m - with the VCs disposing of most of their stock. Only a net £1.7m new money will be raised. Sponsor and broker to the flotation is SBC Warburg.

Internet, Education etc....

Shares in education systems supplier **RM plc** fell by 6% to 591p this month despite the news that it had formed a JV with Richard Branson's **Virgin Net** to extend its *"Internet for Learning"* service into the home.

Quite what is happening at Internet access provider **Easynet** is beyond us. First it said it was in discussion with Olivetti/Herman Houser's **UK Online**. It now looks as if the talks have broken down.

Capita's shares fell slightly this month even with the announcement that it had been awarded a £15m/3 year contract to manage the nursery schools voucher scheme.

Congratulations to Richard Snook - CEO of **BULL UK** - who has been promoted to Dep. GM for Bull Europe. A more able pair of shoulders to take on this difficult job would be hard to find. To Bridget Blow, MD of **ITnet**, who has been named as NatWest Midlands Businesswoman of the Year. To Dr. Martin Read, CEO at **Logica**, who was named IT Personality of the Year. Also to Conon McCarthy, the editor of **Techinvest** which was found in a survey by the Investors Chronicle to have the best share tip record of any journal.

Quality Software lives down to its profits warning

QSP's interims for the six months to 30th June 96 were worse than expected. Despite a revenue increase of 17% to £11.8m, last year's PBT of £805K was turned into a loss of £1.1m. US **QSP Inc**. incurred a start up loss of £700K but improved performance is expected in H2. At the risk of incurring the ire of QSP yet again, we must point out that QSP has capitalised further R&D expenditure of £2.5m. If this policy had not been adopted then losses would have been a higher £1.8m.

Alan Benjamin, QSP's Chairman, commented *"We shall continue to focus the company on profitable growth... The actions we have taken are now delivering profits. While 1996 started badly, order intake is returning to forecast levels... we expect a considerably improved second half... We are confident that we have laid the basis for a stronger performance in 1997 and beyond".*

Benjamin himself is part of the *"actions taken"* as he became Chairman in Feb. 96 replacing Alan Mordain. On 1st Dec. 96 ex BT Ian Stewart joins QSP as CEO. We wish Stewart well. As Paul Taylor said in the FT *"he will have his work cut out turning sales growth into profits".* Who knows, perhaps he will discontinue the practice of capitalising R&D - but probably that is too much to hope. QSP's brokers, Amro Hoare Govett, have now cut their full year forecast to £500K - down from an earlier estimate of £4m. They have also reduced the 1997 forecast from £6m to £2m.

Comment. We have warned readers about QSP ever since its float at 380p in Mar. 93. It has created the biggest "post bag" of any company covered in *System House.* We have since had regular meetings - and *"robust"* discussion - with Benjamin (for whom we have very genuine respect). Paul Taylor suggests QSP shares are still *"only for the brave".* But *"the brave"* often profit.

QSP has announced a major strategic partnership in the US with Arbor Software and Appsource Corp., as well as several new orders in the US and successful live implementations in Australia and New Zealand, which Benjamin believes are examples of the *"sheer superiority"* of the OLAS product.

The shares had fallen to 183p but have recovered to end October on 203p - a fall of 9% on the month and a decline in 1996 so far of an even higher 69%.

OmniMedia crashes

We have had worries about **OmniMedia** for some time. They are in the very fast moving CD-ROM market with a range of interactive multimedia software. Interims for the six months to 30th June 96 show revenues up 25% to a still miserly £251K. On this they managed a loss before tax of £671K (up from a loss of £279K). If this was not bad enough they expect that *"the results for the full year will be significantly below market expectations and the company to record a loss for the year in line with that reported for 1995".* I.e. a loss of £1m.

The market did not like this at all and the share price crashed by more than half with an immediate fall of 18.5p to just 15.5p. Shareholders who subscribed to the placing in mid 95 at 64p and again in mid 96 at 55p can hardly be pleased. *But what can investors expect?* The company has never (as far as we can see) made a profit, revenue is minimal and they are in a market where the goal posts move, at times, faster then the ball. The shares ended October on 12p having fallen even more.

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Action Computer Supplies plc

	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 699,119	£ 1,068,905	£ 721,106	+3.1%
PBT	-£ 314,850	-£ 625,546	-£ 427,844	Loss both
EPS	-1.50p	-2.40p	-1.40p	Loss both

Admiral plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 30,204,000	£ 65,460,000	£ 43,009,000	+42.4%
PBT	£ 5,589,000	£ 9,832,000	£ 5,180,000	-7.3%
EPS	6.40p	10.72p	5.50p	-14.1%

AFA Systems plc

	Final - Dec 95 (5 mos)	Final - Apr 96	Interim - Jun 96	Comparison
REV		£ 217,000	£ 237,000	n/a
PBT	-£ 121,000	-£ 133,000	-£ 229,000	Both loss
EPS	-1.62p	n/a	-3.06p	Loss both

Anite Group plc

	Final - Apr 95		Final - Apr 96	Comparison
REV	£ 264,838,000		£ 262,838,000	-0.8%
PBT	£ 835,000		-£ 19,378,000	Profit to loss
EPS	-0.30p		-8.40p	Loss both

Azlan Group plc

	Final - Mar 95		Final - Mar 96	Comparison
REV	£ 90,488,000		£ 196,459,000	+117.1%
PBT	£ 3,906,000		£ 10,507,000	+169.0%
EPS	12.50p		30.30p	+142.4%

B.C.E Holdings plc

	Final - Jun 95		Final -Jun 96	Comparison
REV	£ 9,154,000		£ 9,504,000	+3.8%
PBT	£ 969,000		-£ 3,224,000	Profit to loss
EPS	0.51p		-1.34p	Profit to loss

Capita Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 43,418,000	£ 86,994,000	£ 50,067,000	+15.3%
PBT	£ 4,011,000	£ 9,420,000	£ 4,588,000	+14.4%
EPS	5.00p	11.80p	5.50p	+10.0%

Cedardata plc

	Final - Mar 95		Final - Mar 96	Comparison
REV	£ 8,932,000		£ 12,071,000	+35.1%
PBT	£ 3,572,000		£ 4,384,000	+22.7%
EPS	7.90p		9.50p	+20.3%

CFS Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 1,276,000	£ 2,986,520	£ 1,751,000	+37.2%
PBT	-£ 66,000	£ 384,675	£ 26,000	Loss to profit
EPS	-1.50p	4.77p	1.60p	Loss to profit

Chemical Design Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 512,645	£ 1,811,407	£ 863,015	+68.3%
PBT	-£ 151,810	£ 239,488	£ 52,478	Loss to profit
EPS	n/a	3.50p	0.69p	n/a

Clinical Computing plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 924,000	£ 2,355,178	£ 1,236,000	+33.8%
PBT	-£ 357,000	-£ 546,832	-£ 573,000	Loss both
EPS	-2.20p	-3.40p	-3.40p	Loss both

CMG plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 94,559,000	£ 196,484,000	£ 116,616,000	+23.3%
PBT	£ 8,640,000	£ 18,460,000	£ 11,340,000	+31.3%
EPS	8.90p	18.20p	11.40p	+28.1%

Coda Group plc

	Interim - Apr 95	Final - Oct 95	Interim- Apr 96	Comparison
REV	£ 15,229,000	£ 32,791,000	£ 15,264,000	+0.2%
PBT	£ 993,000	£ 1,030,000	-£ 3,688,000	Profit to loss
EPS	2.70p	2.50p	-13.90p	Profit to loss

Compel Group plc

	Final - Jun 95		Final - Jun 96	Comparison
REV	£ 70,019,000		£ 85,620,000	+22.3%
PBT	£ 2,684,000		£ 3,235,000	+20.5%
EPS	11.10p		13.00p	+17.1%

CRT Group plc

	Final - Apr 95		Final - Apr 96	Comparison
REV	£ 72,762,000		£ 103,282,000	+41.9%
PBT	£ 5,972,000		£ 6,515,000	+9.1%
EPS	6.30p		5.70p	-9.5%

DCS Group plc

	Final - Jun 95		Final - Jun 96	Comparison
REV	£ 8,694,833		£ 30,482,000	+250.6%
PBT	£ 609,530		£ 2,366,000	+288.2%
EPS	5.02p		8.31p	+65.5%

DRS Data & Research Services plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 4,269,000	£ 6,468,000	£ 2,918,000	-31.6%
PBT	£ 512,000	£ 594,000	-£ 363,000	Profit to loss
EPS	0.95p	1.33p	-0.72p	Profit to loss

Delphi Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 83,168,000	£ 175,006,000	£ 100,174,000	+20.4%
PBT	£ 4,101,000	£ 9,015,000	£ 5,709,000	+39.2%
EPS	11.70p	25.42p	15.10p	+29.1%

Division Group plc

	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison
REV	£ 2,469,000	£ 4,830,000	£ 3,034,000	+22.9%
PBT	-£ 1,575,000	-£ 3,893,000	-£ 2,283,000	Loss both
EPS	-3.80p	-9.20p	-5.20p	Loss both

Eidos plc

	Final - Dec 94		Final - Mar 96	Comparison
REV	£ 254,225		£ 3,706,000	n/a
PBT	-£ 107,623		-£ 1,949,000	Loss both
EPS	-4.16p		-44.60p	Loss both

Electronic Data Processing plc

	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 6,326,000	£ 12,605,000	£ 7,894,000	+24.8%
PBT	£ 1,807,000	£ 3,083,000	£ 1,505,000	-16.7%
EPS	4.55p	7.53p	3.93p	-13.6%

F.I. Group plc

	Final - Apr 95		Final - Apr 96	Comparison
REV	£ 61,703,000		£ 78,824,000	+27.7%
PBT	£ 3,260,000		£ 3,763,000	+15.4%
EPS	7.60p		7.70p	+1.3%

Flomerics Group plc

	Interim -Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 1,541,240	£ 4,147,187	£ 2,146,559	+39.3%
PBT	-£ 110,288	£ 415,565	-£ 154,643	loss both
EPS	n/a	11.00p	n/a	n/a

Gresham Computing plc

	Interim - Apr 95	Final - Oct 95	Interim - Apr 96	Comparison
REV	£ 3,803,000	£ 7,895,000	£ 4,579,000	+20.4%
PBT	£ 521,000	£ 1,281,000	£ 708,000	+35.9%
EPS	0.98p	2.36p	1.32p	+34.7%

INSTEM plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 11,205,000	£ 21,324,000	£ 10,740,000	-4.1%
PBT	£ 577,000	£ 1,244,000	£ 402,000	-30.3%
EPS	8.40p	18.10p	5.80p	-31.0%

Intelligent Environments Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 2,026,000	£ 4,051,000	£ 2,028,000	+0.1%
PBT	-£ 3,000	£ 202,000	£ 35,000	Loss to profit
EPS	-0.10p	1.00p	0.20p	Loss to profit

JBA Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 49,464,000	£ 124,693,000	£ 69,822,000	+41.2%
PBT	£ 754,000	£ 8,714,000	£ 1,362,000	+80.6%
EPS	1.43p	16.31p	2.33p	+62.9%

Kalamazoo Computer Group plc

	Final - Mar 95		Final - Mar 96	Comparison
REV	£ 60,719,000		£ 66,665,000	+9.8%
PBT	£ 6,815,000		£ 5,882,000	-13.7%
EPS	11.80p		10.20p	-13.6%

Kewill Systems plc

	Final - Mar 95		Final - Mar 96	Comparison
REV	£ 33,667,000		£ 35,242,000	+4.7%
PBT	£ 5,067,000		£ 6,061,000	+19.6%
EPS	28.39p		33.70p	+18.7%

Learmonth & Burchett Management Systems plc

	Final - Apr 95		Final - Apr 96	Comparison
REV	£ 23,761,000		£ 25,855,000	+8.8%
PBT	-£ 5,251,000		-£ 539,000	Loss both
EPS	-24.70p		-2.30p	Loss both

Logica plc

	Final - Jun 95		Final - Jun 96	Comparison
REV	£ 250,135,000		£ 284,810,000	+13.9%
PBT	£ 20,310,000		£ 24,710,000	+21.7%
EPS	21.70p		27.10p	+24.9%

Lorien plc

	Interim - May 95	Final - Nov 95	Interim - May 96	Comparison
REV	£ 11,527,000	£ 29,109,000	£ 17,997,000	+56.1%
PBT	£ 414,000	£ 971,000	£ 600,000	+44.9%
EPS	6.17p	12.10p	7.05p	+14.3%

Lynx Holdings plc

	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparison
REV	£ 12,605,000	£ 32,018,000	£ 38,133,000	+202.5%
PBT	£ 741,000	£ 2,564,000	£ 2,069,000	+179.2%
EPS	1.27p	4.70p	1.73p	+36.2%

M.A.I.D plc

	Interim - Jun 95	Final - Dec-95	Interim - Jun 96	Comparison
REV	£ 5,762,000	£ 13,642,000	£ 9,584,000	+66.3%
PBT	£ 408,000	-£ 4,045,000	-£ 3,284,000	Profit to loss
EPS	0.33p	-4.42p	-3.68p	Profit to loss

MMT Computing plc

	Interim - Feb 95	Final - Aug 95	Interim - Feb 96	Comparison
REV	£ 6,442,000	£ 13,957,949	£ 8,255,000	+28.1%
PBT	£ 1,387,000	£ 3,075,053	£ 2,372,000	+71.0%
EPS	7.40p	16.30p	13.00p	+75.7%

M-R Group plc

	Final - Jun 95		Final - Jun 96	Comparison
REV	£ 41,429,000		£ 38,361,000	-7.4%
PBT	£ 1,309,000		£ 4,810,000	+267.5%
EPS	1.60p		5.70p	+256.3%

McDonnell Information Systems Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparison
REV	£ 79,145,000	£ 146,805,000	£ 60,540,000	-23.5%
PBT	-£ 1,673,000	-£ 39,420,000	-£ 9,213,000	Loss both
EPS	-2.30p	-37.02p	-9.39p	Loss both

Macro 4 plc

	Final - Jun 95		Final - Jun 96	Comparison
REV	£ 25,035,000		£ 25,317,000	+1.1%
PBT	£ 11,602,000		£ 12,147,000	+4.7%
EPS	35.20p		37.50p	+6.5%

Micro Focus plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparison
REV	£ 36,802,000	£ 77,258,000	£ 34,140,000	-7.2%
PBT	-£ 4,470,000	-£ 6,542,000	-£ 9,463,000	Loss both
EPS	-30.00p	-43.60p	-62.20p	Loss both

Microgen Holdings plc

	Interim - Apr 95	Final -Oct 95	Interim - Apr 96	Comparison
REV	£ 34,868,000	£ 69,029,000	£ 38,291,000	+9.8%
PBT	£ 4,470,000	£ 8,383,000	£ 4,875,000	+9.1%
EPS	7.30p	14.80p	8.00p	+9.6%

Quoted Companies - Results Service

Note: Shaded = Results announced this month.

Microvitec plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 26,550,000	£ 55,050,000	£ 33,840,000	+27.5%
PBT	£ 1,607,000	£ 3,411,000	£ 1,610,000	+0.2%
EPS	1.47p	3.10p	1.40p	-4.8%

Misys plc

	Final - May 95		Final - May 96	Comparision
REV	£ 153,395,000		£ 279,867,000	+82.4%
PBT	£ 26,345,000		£ 50,437,000	+91.4%
EPS	35.10p		44.00p	+25.4%

Moorepay Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 2,342,152	£ 4,632,538	£ 2,717,246	+16.0%
PBT	£ 666,324	£ 1,142,110	£ 851,417	+27.8%
EPS	5.88p	10.22p	7.52p	+27.9%

MSB International plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparision
REV	£ 15,692,000	£ 38,555,000	£ 29,961,000	+90.9%
PBT	£ 1,370,000	£ 3,420,000	£ 2,166,000	+58.1%
EPS	4.80p	4.90p	7.00p	+45.8%

OmniMedia plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 199,962	£ 275,275	£ 250,684	+25.4%
PBT	-£ 279,137	-£ 1,023,344	-£ 670,769	Loss both
EPS	-1.76p	-6.06p	-3.16p	Loss both

On Demand Information plc

	Interim - Jan 95	Final - Jul 95	Interim - Jan 96	Comparision
REV	£ 5,120,000	£ 8,786,000	£ 5,677,000	+10.9%
PBT	-£ 1,333,000	-£ 3,646,000	-£ 1,284,000	Loss both
EPS	-2.60p	-7.20p	-2.50p	Loss both

Oxford Molecular plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 2,832,000	£ 6,179,000	£ 4,350,000	+53.6%
PBT	-£ 2,112,000	-£ 3,693,000	-£ 950,000	Loss both
EPS	-4.20p	-7.20p	-1.80p	Loss both

P & P plc

	Interim - May 95	Final - Nov 95	Interim - May 96	Comparision
REV	£ 171,100,000	£ 341,990,000	£ 179,200,000	+4.7%
PBT	£ 6,200,000	£ 12,574,000	£ 6,500,000	+4.8%
EPS	5.30p	11.00p	5.80p	+9.4%

Parity plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 61,512,000	£ 127,711,000	£ 76,363,000	+24.1%
PBT	£ 3,069,000	£ 6,540,000	£ 4,303,000	+40.2%
EPS	4.82p	10.34p	6.75p	+40.0%

Pegasus Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 3,038,000	£ 6,426,000	£ 3,729,000	+22.7%
PBT	£ 172,000	£ 893,000	£ 511,000	+197.1%
EPS	1.80p	10.30p	6.50p	+261.1%

Persona plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 24,780,000	£ 53,375,000	£ 65,164,000	+163.0%
PBT	£ 1,350,000	£ 2,832,000	£ 2,707,000	+100.5%
EPS	6.88p	14.41p	7.78p	+13.1%

PhoneLink plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	£ 2,085,000		£ 4,356,000	+108.9%
PBT	-£ 3,702,000		-£ 6,711,000	Loss both
EPS	-10.40p		-17.30p	Loss both

Proteus International plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	Nil		£ 1,063,000	n/a
PBT	-£ 7,925,000		-£ 5,395,000	Loss both
EPS	-25.47p		-16.49p	Loss both

Quality Software Products Holdings plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 10,115,000	£ 21,385,842	£ 11,797,000	+16.6%
PBT	£ 805,000	£ 502,697	-£ 1,117,000	Profit to loss
EPS	9.20p	5.20p	-8.60p	Profit to loss

RM plc

	Interim - Mar 95	Final - Sep 95	Interim -Mar 96	Comparision
REV	£ 33,596,000	£ 80,691,000	£ 45,162,000	+34.4%
PBT	£ 1,041,000	£ 5,023,000	£ 1,322,000	+27.0%
EPS	4.00p	18.80p	5.00p	+25.0%

Radius plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 13,424,000	£ 26,052,000	£ 13,934,000	+3.8%
PBT	£ 835,000	£ 1,809,000	£ 1,006,000	+20.5%
EPS	1.96p	4.37p	2.40p	+22.4%

Real Time Control plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	£ 13,463,000		£ 11,903,000	-11.6%
PBT	£ 1,782,000		£ 2,207,000	+23.8%
EPS	20.00p		20.80p	+4.0%

Rebus Group plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	£ 56,963,000		£ 60,041,000	+5.4%
PBT	£ 6,535,000		£ 1,969,000	-69.9%
EPS	5.85p		0.33p	-94.4%

Recognition Systems Group plc

	Final - Sep 94	Interim - Mar 96	Final - Sep 95	Comparision
REV	£ 625,000	£ 245,000	£ 669,000	+7.0%
PBT	-£ 6,000	-£ 292,000	-£ 397,000	Loss both
EPS	0.00p	-1.40p	-2.10p	Loss both

Riva Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 34,718,000	£ 73,022,000	£ 32,348,000	-6.8%
PBT	£ 58,000	£ 182,000	-£ 905,000	Profit to loss
EPS	-0.20p	0.10p	-3.00p	Loss both

Rolfe & Nolan plc

	Final - Feb 95		Final - Feb 96	Comparision
REV	£ 14,288,000		£ 17,128,000	+19.9%
PBT	£ 1,512,000		£ 2,517,000	+66.5%
EPS	6.70p		12.33p	+84.0%

Romtec plc

	Interim - Jul 95	Final - Jan 96	Interim - Jul 96	Comparision
REV	£ 1,614,000	£ 3,731,000	£ 1,990,000	+23.3%
PBT	£ 105,000	£ 257,000	£ 128,000	+21.9%
EPS	1.50p	3.60p	1.70p	+13.3%

Sage Group plc

	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparision
REV	£ 50,622,000	£ 102,234,000	£ 71,836,000	+41.9%
PBT	£ 11,740,000	£ 22,362,000	£ 16,116,000	+37.3%
EPS	7.46p	13.88p	9.92p	+33.0%

Sanderson Electronics plc

	Interim - Mar 95	Final - Sep 95	Interim - Mar 96	Comparision
REV	£ 27,078,000	£ 57,801,000	£ 30,583,000	+12.9%
PBT	£ 2,805,000	£ 5,305,000	£ 3,317,000	+18.3%
EPS	4.60p	8.80p	5.30p	+15.2%

Sema Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 321,892,000	£ 677,726,000	£ 426,919,000	+32.6%
PBT	£ 16,034,000	£ 36,927,000	£ 19,754,000	+23.2%
EPS	10.47p	24.79p	13.23p	+26.4%

Sherwood International plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 13,195,000	£ 26,246,000	£ 11,801,000	-10.6%
PBT	£ 615,000	£ 6,850,000	£ 705,000	+14.6%
EPS	5.90p	66.20p	5.60p	-5.1%

Spargo Consulting plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 3,329,000	£ 7,379,000	£ 4,040,000	+21.4%
PBT	£ 192,000	£ 902,000	£ 602,000	+213.5%
EPS	0.90p	4.43p	3.10p	+244.4%

Staffware plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 1,819,534	£ 4,267,360	£ 4,044,061	+122.3%
PBT	£ 146,380	£ 535,213	£ 159,812	+9.2%
EPS	0.70p	3.90p	0.40p	-42.9%

Superscape VR plc

	Final - Jul 95		Final - Jul 96	Comparision
REV	£ 1,590,000		£ 3,888,000	+144.5%
PBT	-£ 1,746,000		-£ 2,873,000	Loss both
EPS	-30.70p		-37.90p	Loss both

Systems Integrated Research plc

	Final - May 95		Final - May 96	Comparision
REV	£ 1,901,000		£ 1,246,000	-34.5%
PBT	-£ 42,000		-£ 642,000	Loss both
EPS	-0.40p		-5.80p	Loss both

Total Systems plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	£ 2,289,437		£ 2,892,802	+26.4%
PBT	£ 53,516		£ 222,329	+315.4%
EPS	0.34p		1.60p	+370.6%

Trace Computers plc

	Interim - Nov 94	Final - May 95	Interim - Nov 95	Comparision
REV	£ 9,472,000	£ 19,676,832	£ 10,269,000	+8.4%
PBT	£ 223,000	£ 482,746	-£ 50,000	Profit to loss
EPS	1.19p	2.55p	-0.35p	Profit to loss

Triad Group plc

	Final - Mar 95		Final - Mar 96	Comparision
REV	£ 6,699,570		£ 11,680,000	+74.3%
PBT	£ 1,059,350		£ 2,131,000	+101.2%
EPS	3.30p		7.09p	+114.8%

Vega Group plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 12,516,000		£ 16,032,000	+28.1%
PBT	£ 2,910,000		£ 3,452,000	+18.6%
EPS	13.49p		16.16p	+19.8%

Virtuality Group plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 6,269,000	£ 12,779,000	£ 3,541,000	-43.5%
PBT	-£ 583,000	-£ 565,000	-£ 3,783,000	Loss both
EPS	-2.20p	-2.10p	-13.40p	Loss both

Wakebourne plc

	Interim - Jun 95	Final - Dec 95	Interim - Jun 96	Comparision
REV	£ 18,848,000	£ 36,714,000	£ 16,145,000	-14.3%
PBT	-£ 356,000	-£ 3,384,000	£ 212,000	Loss to profit
EPS	-1.10p	-12.20p	0.60p	Loss to profit

Xavier Computer Group plc

	Period - Mar 96	Final - Dec 95	Interim - Sep 96	Comparision
REV	£ 457,000	£ 1,201,884	£ 3,740,000	n/a
PBT	-£ 86,000	£ 70,472	£ 260,000	n/a
EPS	-0.26p	n/a	0.33p	n/a

Zergo Holdings plc

	Final - Apr 95		Final - Apr 96	Comparision
REV	£ 7,074,520		£ 8,483,877	+19.9%
PBT	£ 12,769		-£ 214,693	Profit to loss
EPS	n/a		n/a	n/a

Web watching Thanks to the 100+ people who dial into our FREE (for the time being!) web site (**www.holway.co.uk/hotnews**) each day. *If you haven't done so yet you really could be missing out!*
The *"second best"* web site in the world, however, is Wall Street Research (**www.wsrn.com**) which gives quite superb financial, corp. info and links to over 110,000 US companies. How they can do it for free is beyond us.

UK M&A

Shareholders of **British Data Management** have officially approved the bid of £42.6m from **Mentmore Abbey. Alphameric** have acquired **Carlson Associates** for 520K in Alphameric shares (or c£144K). Carlson provide EPOS products and had revenues of £256K and a profit of £37K last year. **RCMS Group, RCMS Computing Services** and **Interact IT** have all been placed in administrative receivership. **Reuters** has acquired **Micro Solutions Group** (admin. systems for GPs). **Platinum Technology Corp.** has acquired UK training/consultancy **Symbiosis** and **Xyratex Consultancy.**

Private disaster recovery operation **Guardian** has acquired a 25% stake in **SMH Associates** which provides *"continuity planning services"*. AIM newcomer **Network Technology** has acquired a 25% stake in German network connectivity company - **Ringdale**. US call centre giant **Aspect Telecommunications** has acquired **Envoy Systems** for an undisclosed sum. Envoy are a computer telephony integration company. **Moorepay Group** has acquired another unspecified payroll processing business for £135K plus up to a further £150K. A small net contribution to profits is expected this financial year. **Flexible Management Systems** has acquired **Market Data Systems**. **Servo Computer Services** is to acquire **The Computer Centre (Peterborough)** just two months after it bought **Holdene Group**. No consideration was disclosed.

Sage and Pegasus - the end?

The rather long running saga concerning the possible acquisition of **Pegasus** by **Sage** is now officially over. Sage had increased its bid from 425p to 475p which valued Pegasus at c£30m for a company with revenues of £8.4m and PBT of £893K. Pegasus' share price was only around 275p prior to the approach.

Although *"Sage believes that its 475p proposal represented a very full valuation of Pegasus... We have tried hard to negotiate a sensible deal which we believe would have appealed greatly to Pegasus' shareholders"*, the Pegasus board believed it *"seriously undervalued the excellent medium-term trading prospects and significant benefits which would accrue from the combination of the businesses"*. In addition Pegasus believed that, as the combined companies would have over 75% of the modular accounting software market in the UK, the acquisition might well have been blocked by the MMC.

Pegasus says it is now *"open to offers from other international software groups"*.

Comment. Readers will know that we have been consistently against the Sage bid. We think Sage can meet its objectives without paying an inflated £30m for Pegasus. Conversely, we doubt if any other purchaser will be prepared to value Pegasus so highly. But Pegasus shares did rise 10% to end Oct. 96 on 415p. The market also breathed a sigh of relief marking Sage shares up 4% to end Oct. on 482p.

Year 2000 is a leap year

If you thought your Y2K problems were at least definable, according to the CSSA, a recent BBC programme on the Millennium IT issues stated that 2000 was NOT a leap year. The CSSA have stated categorically that this is wrong. Evidently century years are not normally leap years, EXCEPT when they are divisible by 400. *So now you know.*

Callhaven fails

Richard Holway (the editor of *System House)* has the honour of being one of the first Apple Lisa users in the UK in the early 1980s, became a Macophile and worked closely with **Apple UK** in the late 1980s. That all led to Holway being appointed as the non-exec Chairman of one of the Apple resellers - **Rothwell Group plc** - in 1989. It was pretty clear, even then, that unless resellers reduced their dependence on hardware sales in favour of expanding services, they would run into great difficulties. Eventually Rothwell was split into two. Its systems/training activity **Symetris**, (where Richard Woodington is CEO/ major shareholder but Holway has a small stake too) is doing very well. Now in its second year, revenues exceed £2m p.a. and it is growing fast, is cash positive and profitable - *we are pleased to say!*

Rothwell was bought in Apr. 96 by Allan Harle (of **Xavier** and **Formscan** fame) and also seems to be doing well.

But what of Rothwell's Apple reseller competitors?

KRCS (which bought **SAMS** in 1992) plunged into losses on sales of over £25m, had £1.9m of its debt *"forgiven"* by Apple and sold most of its operations to **Control Data** (which then itself got acquired by **AmeriData**). Another of Rothwell's major competitors - AppleCentre West London - appointed the receivers with the remaining bits bought by ICM.

Another competitor was **Callhaven.** Ex-CAP Barney Gibbens had been non-exec. Chairman of Callhaven and, we are sure, gave them similar advice to Holway. Gibbens resigned in 1992. Callhaven reported revenues of £13.6m but losses of £634K in the year to 31st Mar. 95. At that time the current Chairman *"now looked forward to 1996 with confidence"*.

This month Callhaven appointed the receivers *"after the failure of a proposed rescue deal with the Rothwell Group"*. Creditors include Apple (owed £1.5m), Ingram Micro, Frontline and Principal. Source - MicroScope - 16th Oct. 96. Mac Supplies has bought the Callhaven name - which might now be a liability rather than an asset.

Rumours abound concerning the financial state of several other major Apple resellers.

4Front buys again

This is the third month we have featured **4Front**. First they raised $20m in a US IPO (still rare for a UK company making 99% of its revenues from the UK). Then it bought **Hammer** and last month acquired the TPM activities of **DCS** from the receivers.

This month it has paid £1.39m for **Datapro;** built by Martin Baldwin from a dozen or so acquisitions - the biggest of which was **ABS/Shortlands** in 1993 for £5m. But revenues to 30th June 96 declined from £13.5m to £11.25m. A minimal £135K PBT was made in FY95 so we expect the worst for FY96. In a separate announcement, 4Front had announced revenues up 55% (at $20.6m) and net income up 68% (at $511K) in the six months to 31st July 96. Increases in the number of shares on issue due to the IPO meant that EPS stayed static at 12c per share. 4Front says it now has *"an annual turnover of some £50m...and aims to grow to £200m by 1999"*.

But 4Front's short time on NASDAQ has seen its stock price decline from a high of $8 1/2 to end Oct. on just $3 5/16 - a market cap of c$21m - about equal to the cash raised in the IPO.

"French software testing company IMM has, this month, acquired UK Performance Software to form a new group Cyrano Corp."

We must have written up hundreds of similar news items in the last ten years. But this deal is very much more personal. Richard Holway (the editor of *System House*) was a non-exec. and latterly as Chairman of **Performance Software** - appointed by the VCs.

Performance Software was formed as a result of an MBO from Systime about a decade ago, financed by Schroder Ventures and later also by Thompson Clive. The MBO brought with it the Systel DEC VAX transaction processing system used at the heart of, for example, American Airlines reservations system and BT's Talking Pages. Performance Software subsequently moved into software testing with its V-Test range which has subsequently been ported into the open systems environment. But the faster than expected decline in the DEC VAX market coupled with increased R&D costs resulted in a loss of £500K in the year to 30th June 95. As is expected in these circumstances, the Chairman had to take the required action which resulted in the founding directors of Performance Software leaving and Trevor Read (who had been the MD of AST Trans-Act and, on its acquisition, a VP of SHL Systemhouse) taking over as CEO.

In the last year to 30th June 96, Performance Software boosted revenues by 23% to £5.85m and reported a PBT of £200K. 57% of revenues were earned outside the UK and *(surprise, surprise)* professional services was the strongest area of growth.

So this month the end result of all the anguish and hard work was realised - much to the satisfaction of the shareholders. We would like to divulge the consideration details but, having signed a confidentiality agreement, we find ourselves on the other side of the fence for once! The official press release reads *"to support the acquisition of Performance Software and the strategic direction of Cyrano Corp. IMM ran a second round of financing for a total $8m"*.

Read will continue as CEO but Holway (thankfully!) steps down as Chairman, replaced by Philippe Eyries (President of IMM). A US IPO is planned.

Holway is very pleased with the return on his investment. The end result is better than everyone hoped and seems to be in the best interests of those remaining with the company.

Shame it had to go to the French though!

GEAC and Dun & Bradstreet Software etc.

GEAC has this month bought **D&B Software** - the operation created in 1990 by the merger of **McCormack & Dodge** and **MCA** - leaders in the supply of mainframe based accounting systems. GEAC has paid $150m in cash plus a $41m in loan notes for the $325m revenue operation. The deal will triple the size of GEAC which this month reported revenues of $51m and net profits of $8.6m for Q1. GEAC's new CEO William Nelson reported acquisition *"opportunities are **abundant**"*.

D&B has been selling its non-core operations for some time. In Aug. 94 D&B sold its UK-based **Datastream** - perhaps one of the oldest UK SCSI companies - to **Primark** for £99m. In a coincidence of timing, this month Primark has acquired another UK financial information company - **ICV** - for $105m. The move is seen as a bid to challenge **Reuters**' dominance of this area.

"Newcomer" Xavier does well

Allan Harle's **Xavier Computer Group** moved onto the AIM market in July 96 with a share price of 10p equivalent to a capitalisation of £5.2m. Xavier has grown mainly by acquisition since its formation in 1995. See *System House* Sept. 96 for a full review.

Results for the six months to 30th Sept. 96 were in line with the projections in the Prospectus showing revenue of £3.7m and a PBT of £260K - there are really no comparative figures.

Chairman Alan Harle says XCG *"continues to show satisfactory order books and sales prospects continue to be encouraging... The stated goal of XCG is to grow by internal expansion and by suitable acquisition"*.

The shares ended October on 11p - up 10% since their move to AIM.

Rebus buys EPG

Rebus has consummated its first acquisition since it was spun out of CE Heath in Apr. 96.

This month Rebus has acquired **EPG Insurance Systems Ltd** for an initial consideration of £11.75m plus a max £200K (£ for £) if EPG's PBT to 31st Oct. 96 exceed £1.1m. EPG provides software and services to the insurance industry where their *"flagship product"* is GENIUS. They also have some 20 AS/400 FM customers. EPG had revenues of £10.8m and PBT of £488K in the year to 31st Oct. 95. They have made PBT of £727K (on rev. of £9.2m) in the first 9 months of FY96, so the £1.1m+ profit target looks achievable. Short term, the EPS effect will be *"broadly neutral"*. We think it seems both logical and reasonably priced. Indeed exactly the kind of deal we would expect of a company keen to take advantage of its listing.

Rebus is raising £12.75m in a placing at 65p to fund the acquisition. Rebus' share performance has been a little disappointing since the Apr. 96 launch at c88p. They quickly rose to 112p but flat results for FY96 depressed the price, which ended Oct. 96 on 72p.

Rebus described current trading as *"encouraging"* but did give notice of an exceptional £270K property provision in H2.

SIR - another loss maker

Systems Integrated Research (SIR) was yet another new AIM entrant this year. They develop educational software. SIR joined the market in March with a share price of 115p and a valuation of £15.4m.

First results since the flotation, for the full year to 31st May 96, show revenues *fell* from £1.9m to £1.2m with the loss before tax increasing from £42K to £642K (although the figures are not strictly comparable). A profit warning had been issued in July 96 at that time estimating a loss of up to £400K. The results bear even less resemblance to the projected figures for 96 in the Prospectus of £2m revenue and a PBT of £50K. Original investors at 115p have now seen the value of their shares fall 51% to 56p at the end of October. No wonder the AIM market is coming in for so much criticism!

Martin Lewis, SIR's MD comments *"Despite these disappointing results... I now believe that we are in a unique position to benefit from this rapidly expanding market"*. SIR blamed these poor results on marketing delays and the re-acquisition of distribution rights from Mindscape which caused the redesign of retail packaging.

Despite the FTSE100 breaking 4000, our SCSI Index fell 3%. **DCS** (see p11) was the largest gainer - up 23% making it the #1 mover in 1996 - up a mere 211% so far! **Eidos** (+19%), **Flomerics** (+19%) and **Zergo** (+17%) were others showing significant gains. But it was the *"losers"* who made the news. **Omnimedia** (p4) crashed 65%, **On Demand** (p12) fell 49%, **Wakebourne** (p10) down 40% as all issued *"increased loss warnings"*. 13 companies fell by more than 10%.

On a brighter note **Sema** broke the £900m market cap. barrier and will soon be the first £1billion SCSI company. **CMG**, **Logica** and **Sage** also all broke the £500m barrier for the first time.

28th Oct 96	SCSI Index		2677.84
	FTSE 100		4025.30
SCSI Index = 1000 on 15th April 1989	FTSE SmallCap		2177.97
Changes in Indices	CSI Index	FTSE 100	FTSE Small Cap
Month (24/9/96 - 28/10/96)	-3.08%	+2.94%	+0.12%
From 15th Apr 89	+167.78%	+96.01%	
From 1st Jan 90	+191.04%	+70.42%	
From 1st Jan 91	+278.30%	+86.32%	
From 1st Jan 92	+156.29%	+61.46%	
From 1st Jan 93	+68.04%	+41.41%	+56.99%
From 1st Jan 94	+60.39%	+17.75%	+16.55%
From 1st Jan 95	+78.62%	+31.31%	+24.71%
From 1st Jan 96	+18.57%	+9.11%	+12.18%

System House SCSI Share Prices and Capitalisation

	Share Price 28/10/96 (£p)	Capitalisation 28/10/96(£m)	Historic P/E	Ratio Cap./Rev.	CSI Index 28/10/96	Share price % move since 24/9/96	Share price % move in 1996	Capitalisation move (£m) since 24/9/96	Capitalisation move (£m) in 1996
Action Computer	£1.33	£42.60m	Loss	39.81	63.50	1.53%	-10.47%	£0.60m	£37.44m
Admiral	£3.18	£198.10m	32.5	3.02	11493.64	-1.55%	93.90%	-£4.10m	£96.70m
AFA Systems	£1.48	£14.70m	n/a	n/a	1229.17	-1.99%	22.92%	-£0.30m	£2.72m
Anite (was Cray)	£0.32	£75.90m	Loss	0.29	187.13	-7.25%	-22.89%	-£5.90m	-£23.70m
Azlan	£7.46	£203.70m	24.6	1.04	3243.48	1.15%	47.72%	£2.40m	£67.90m
BCE Holdings	£0.13	£30.40m	Loss	3.20	480.77	-3.85%	-44.44%	-£1.20m	£30.27m
Capita	£4.17	£243.20m	34.5	2.80	12507.51	-1.07%	46.14%	-£2.70m	£82.70m
Cedardata	£2.06	£3.23m	21.7	0.27	1957.14	4.58%	23.80%	-£56.87m	-£47.57m
Chemical Design	£1.65	£11.30m	26.3	6.24	1500.00	-10.81%	50.00%	-£1.40m	£3.77m
Clinical Computing	£0.33	£5.53m	Loss	2.50	262.10	-28.57%	4.84%	-£2.21m	£0.51m
CMG	£7.81	£500.60m	35.1	2.55	2693.10	14.01%	137.39%	£63.30m	£290.60m
Coda	£1.30	£34.60m	52.0	1.06	553.19	-2.99%	-39.25%	-£1.00m	-£21.50m
Compel	£1.95	£29.80m	14.4	7.45	1560.00	-4.65%	3.17%	-£1.40m	£1.00m
CFS	£0.93	£6.84m	12.7	2.29	1027.78	-22.59%	8.82%	-£2.00m	£2.67m
CRT	£2.50	£340.60m	31.8	3.30	2772.22	3.74%	116.96%	£12.30m	£263.00m
DCS Group	£2.34	£44.80m	29.5	1.47	3891.67	23.22%	211.33%	£8.40m	£30.60m
Delphi Group	£5.63	£155.20m	19.6	0.89	2314.81	3.21%	52.03%	£16.20m	£61.20m
Division Group	£0.56	£24.40m	Loss	5.05	1387.50	-21.28%	-51.74%	-£6.50m	-£26.10m
DRS Data & Research	£0.26	£8.72m	19.5	1.35	231.82	-8.93%	2.00%	-£0.86m	£0.17m
Eidos	£7.90	£80.60m	Loss	21.73	7900.00	18.80%	14.00%	-£7.10m	£25.90m
Electronic Data Processing	£0.65	£16.90m	9.3	1.34	1974.89	-15.69%	-44.40%	-£3.10m	-£13.50m
FI Group	£4.22	£125.20m	36.7	1.59	1793.62	4.07%	79.36%	£4.90m	£55.40m
Flomerics	£2.55	£6.53m	23.2	1.57	1961.54	18.60%	35.64%	£1.02m	£1.72m
Gresham Computing	£0.62	£20.10m	26.1	2.54	661.29	-6.82%	46.43%	-£1.70m	£6.40m
INSTEM	£1.68	£7.73m	10.8	0.36	1680.00	-4.00%	-2.89%	-£0.32m	-£0.06m
Intelligent Environments	£0.70	£15.70m	50.5	3.93	744.68	0.00%	-25.53%	£0.00m	-£5.33m
JBA Holdings	£5.10	£173.90m	30.5	1.39	3187.50	-1.92%	30.43%	-£3.40m	£40.60m
Kalamazoo	£1.18	£33.80m	13.0	0.51	3357.14	-4.08%	2.17%	-£1.50m	£11.40m
Kewill	£4.73	£60.00m	14.0	1.70	1867.59	3.50%	34.62%	£3.40m	£16.50m
Learmonth & Burchett	£0.85	£21.70m	Loss	0.84	708.33	6.25%	-70.18%	£1.30m	-£50.40m
Logica	£7.88	£500.10m	29.5	1.76	2157.53	9.15%	71.57%	£42.70m	£212.80m
Lorien	£3.54	£40.40m	29.6	1.39	3540.00	3.36%	71.01%	£2.40m	£28.60m
Lynx Holdings	£0.85	£81.60m	18.0	2.55	2112.50	10.46%	20.71%	£7.90m	£15.00m
Macro 4	£4.95	£102.50m	13.2	4.05	1995.97	-2.94%	17.02%	-£3.10m	£15.40m
MAID	£2.81	£257.70m	Loss	18.89	2554.55	-4.26%	21.65%	-£11.40m	£45.90m
McDonnell IS (MDIS)	£0.42	£41.50m	Loss	0.28	159.62	-30.83%	1.22%	-£18.50m	£1.00m
Micro Focus	£9.58	£144.60m	Loss	1.87	4625.60	13.99%	69.47%	£17.80m	£59.30m
Microgen	£1.49	£58.70m	10.1	0.85	634.62	0.00%	-17.04%	£0.00m	-£12.00m
Microvitec	£0.31	£24.70m	10.2	0.45	762.20	-6.02%	-36.22%	-£0.90m	-£12.40m
Misys	£9.02	£766.70m	20.5	2.74	2243.78	5.44%	58.25%	£40.40m	£289.00m
MMT	£5.45	£63.80m	26.9	4.57	3244.05	2.35%	121.54%	£1.50m	£35.00m
Moorepay	£2.45	£18.60m	21.0	4.02	2951.81	6.52%	55.06%	£1.10m	£6.60m
MR Group	£0.85	£47.40m	15.7	1.24	337.30	-5.56%	21.43%	-£2.80m	£8.30m
MSB International	£2.57	£52.10m	17.3	1.35	1350.00	2.81%	35.00%	£1.40m	£13.50m
OmniMedia	£0.12	£2.95m	Loss	10.73	160.00	-64.71%	-81.54%	-£5.42m	-£8.65m
On Demand	£0.72	£39.40m	Loss	4.48	916.67	-48.75%	-45.00%	-£37.50m	-£26.90m
Oxford Molecular	£3.16	£192.10m	Loss	31.08	3950.00	-2.32%	18.80%	-£4.60m	£54.40m
P&P	£1.44	£115.80m	12.9	0.34	643.50	-4.97%	-5.59%	-£6.10m	-£5.20m
Parity	£3.02	£127.20m	24.6	1.00	16749.94	0.33%	72.29%	£0.40m	£53.30m
Pegasus	£4.15	£26.10m	27.8	4.06	1130.79	9.93%	97.62%	£2.30m	£12.90m
Persona	£3.16	£78.20m	26.6	1.46	1971.88	4.64%	11.09%	£3.40m	£43.80m
Phonelink	£0.78	£37.40m	Loss	8.58	500.00	5.44%	-59.21%	£1.90m	-£38.50m
Proteus	£0.56	£30.80m	Loss	29.06	666.67	14.29%	-53.33%	£3.90m	-£8.40m
Quality Software	£2.03	£26.30m	39.0	1.23	532.89	-8.99%	-69.13%	-£2.60m	-£55.00m
Radius	£0.65	£18.00m	13.4	0.69	467.39	1.57%	21.70%	£0.30m	£3.30m
Real Time Control	£1.86	£13.00m	8.9	1.09	3785.71	-2.88%	4.80%	-£0.40m	£0.60m
Rebus	£0.72	£52.40m	218.2	0.87	818.18	-5.26%	-18.18%	-£2.90m	-£13.60m
Recognition Systems	£0.66	£17.70m	Loss	26.42	935.71	-20.61%	-6.43%	-£4.60m	-£1.20m
Riva	£0.25	£7.40m	245.0	0.10	174.13	-3.92%	-15.52%	-£0.30m	-£1.36m
RM	£5.91	£105.20m	29.4	1.30	3377.14	-5.82%	38.73%	-£6.50m	£33.50m
Rolfe & Nolan	£3.48	£43.40m	28.2	2.53	4136.90	-7.95%	29.18%	-£3.80m	£9.80m
Romtec	£0.98	£5.04m	22.9	1.53	1560.00	0.00%	56.00%	£0.00m	£1.76m
Sage Group	£4.82	£517.20m	29.5	5.06	18538.46	4.33%	48.31%	£21.50m	£169.80m
Sanderson Electronics	£1.67	£74.30m	17.9	1.29	2842.55	10.96%	17.61%	£7.60m	£15.70m
Sema Group	£8.53	£948.00m	38.0	1.40	2680.82	6.76%	59.05%	£61.90m	£446.30m
Sherwood	£2.06	£17.70m	12.4	0.67	1716.67	3.00%	11.35%	£0.50m	£1.80m
Spargo Consulting	£1.52	£18.90m	22.8	2.56	1594.74	-5.61%	5.21%	-£1.20m	£0.90m
Staffware	£2.58	£29.80m	75.1	6.98	1144.44	-7.21%	14.44%	-£2.30m	£3.75m
Superscape	£4.98	£41.80m	Loss	10.75	2512.63	9.94%	16.24%	£3.80m	£5.80m
Systems Integrated	£0.56	£7.44m	Loss	6.00	482.61	-14.62%	-51.74%	-£1.27m	-£7.96m
Total	£0.32	£3.15m	19.7	1.09	594.34	3.28%	50.00%	£0.10m	£1.05m
Trace	£0.27	£3.74m	10.4	0.19	212.00	3.92%	-33.75%	£0.14m	-£1.86m
Triad	£1.65	£41.40m	21.0	3.54	1218.52	-17.96%	21.85%	-£9.10m	£7.40m
Vega Group	£3.23	£46.10m	20.0	2.88	2643.44	-5.84%	-9.92%	-£2.90m	-£5.10m
Virtuality	£1.32	£39.20m	Loss	3.07	776.47	-36.39%	-46.99%	-£22.00m	-£29.80m
Wakebourne	£0.14	£3.19m	Loss	0.09	77.78	-40.43%	-20.00%	-£2.17m	-£0.80m
Xavier	£0.11	£5.75m	Loss	4.79	1100.00	10.00%	10.00%	£0.52m	£0.53m
Zergo	£3.15	£29.00m	n/a	3.42	3230.77	16.67%	85.29%	£4.10m	£13.30m

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.

"Grim reality zaps Virtuality " - Daily Mail 4th Oct. 96

At **Virtuality**'s AGM in July shareholders were told that the company would make a loss similar to last years. I.e. around the £565K mark. But the interim figures for the six months to 30th June 96 were far worse than expected. On revenue down 56% to just £3.5m, a loss before tax of £3.78m was announced (loss £583K last interims). The directors have had to admit that their July statement was *"optimistic"*. The market was not happy and slashed the share price by 66p to 140p. The shares have since then fallen to end October on 132p down 36% on the month. Virtuality floated in 1993 at 170p, quickly reached a high of 361p and even earlier this year were standing at 307p. Chairman Denis Ohryn has blamed the setback on the entertainment division (70% of revenues) where sales of arcade games were down 65%. They are now cutting the workforce by 15% at a cost of around £800K and more provisions are likely in the second half of the year. So far sales of the delayed "Total Recoil" games system have been *"disappointing"*.

"This company will be very different in a year's time" promised Mr. Ohryn. Well, its certainly different to a year back! The UK has been the leader in VR technology with companies like Virtuality. But technology is moving so fast that winners can turn to laggards overnight.

In spite of all this, Denis Ohryn insists that company prospects are *"better than at any time since flotation"* and profits approaching £2m are possible next year.

Wakebourne plunges again

It's a funny old world. You can only have a sneaking respect for a Chairman who can admit *"1995 was an exceptionally poor year"* when describing a loss of £3.4m. But Leslie Warman did go on to report that 1996 had started *"ahead of budget"* and that prospects for the year *"look encouraging"*. Results for the six months to 30th June 96 have (indeed) shown PBT of £212K (compared with a loss of £356K) on revenues down 14% at £16.1m.

But our views on the hardware maintenance market are so well known that readers must be as bored with our warnings as we are by now. Warman says *"the maintenance activity was adversely affected by reduced margins and aggressive discounting by competitors"* which means that *"the result for the second half will be well below market expectations"*. As well as that, **Wakebourne** still has negative net assets (of £1.7m).

Wakebourne shares plunged to new depths this month ending Oct. on 14p. Rather a far cry from the 180p high during the Maddox *"heydays"*.

Mondas to AIM

Tim Simon who founded **Quotient** and sold it, after a pretty chequered record, to **ACT** in 1991 for £27.2m, has come back to the market with his *"brainchild"* **Mondas**. The AIM placing at 75p values Mondas at £4.52m raising £900K new money. Not bad you may think considering that Mondas had revenues of just £134K and made a loss before tax of £168K in the year to 30th Apr. 96! Losses are expected for the current year also.

Mondas has developed software - **Radica** - to enable business applications to be rapidly developed with *"the minimum of detailed technical work"*. ***Where have we heard this before?***

IT Staff Agencies

Our page one feature last month, which anticipated that growth rates would fall from 30% in 1994/95 to 13% in 97/98, drew some interesting responses. Paul Davies (MD of **Parity**) sent us an e-mail *"controversial as ever Richard"*. But the Parity formula of *"software house plus agency"* - moving away from the *"commodity"* IT contractor market - is exactly what the article backed.

That also seems to be the approach at **Hutchinson Smith** whose MD, Peter Smith, wrote to ask why they had been excluded from the Top Ten ranking. Hutchinson Smith was only set up in July 95 with the backing of Legal & General Ventures. It has since acquired **Esprit Systems**, **Computer Team** and **Macleod Group** - none of these on their own would have earned a Top Ten slot in 1995. Hutchinson Smith has yet to file any accounts. But we are happy to report that Hutchinson Smith (where its IT agency activities all trade under the Computer Team Group banner) now *"has a total turnover of around £50m in the IT contract staff market. This puts us firmly in the top five of contracting agencies and with further acquisitions planned we are set to achieve our objective of being one of the top three players in the marketplace in the next three years"*.

Indeed we understand that a couple of acquisitions in the IT consulting arena are expected in the near future. As we know only too well, any company with VC backing will be looking for a float/exit sooner rather than later....

MSB International

As readers know, we hardly had a good start with **MSB International** when they floated in May 96 at 190p. But, to be fair to MSB, firstly they (or rather MD Peter Flaherty), has gone out of their way to be helpful since and their first interim results are exemplary. Turnover increased 91% to just under £30m with PBT (after flotation costs of £180K) up 58%. EPS rose a commendable 46% (would have been 65% but for the float costs). Unlike many competitors' results, the increases are all organic. So MSB has considerably increased its market share. Chairman David Sugden said that demand for IT contractors was continuing and *"the directors believe that the Company can continue to increase market share within this growing sector"*. To give some indication of this growth, in Feb. 95 MSB had 450 contractors working - in Oct. 96 that had increased to 1200. MSB targets each salesman to earn £1m revenue by placing c25 contractors p.a. *They are aiming to take on at least 30 new sales consultants in the coming year.....* Rather surprisingly the shares fell 10p on the announcement and ended October on 257p. This is a rise of 35% on the issue price of 190p.

Hays

Hays plc is a *"business services group"* but also owns two of the largest IT staff agencies - **Modus** and **Comdex** which together had revenues of £42m in 1995. It was announced this month that the Hays division which includes these IT operations increased revenues by 26% in the year to 30th June 96. *"The main business driver continued to be the general trend towards an increased use of temporary labour.... with excellent growth in the ...IT areas"*.

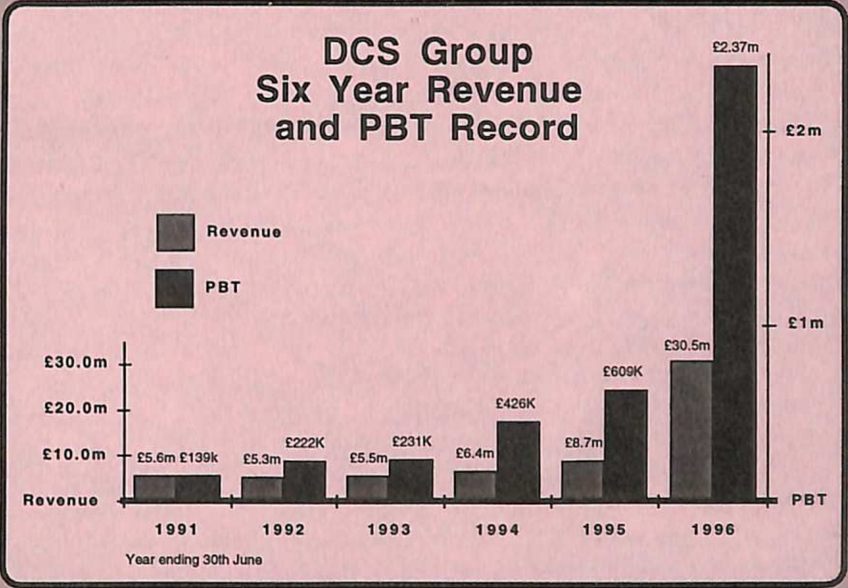
Anyone in danger of feeling optimistic about the future of our industry should read Philip Virgo's **1996 IDPM IT Skills Trends Report**. *"Several massive crises (Y2K, Euro) are coinciding to be followed by a god-awful crash..the year 2000 will be like the aftermath of decimalisation. In 1971 users stopped buying having spent so much on conversion. A lot of IT services companies went under hitting City confidence for a decade"*. This time Virgo thinks it will be even worse!

DCS Group in the fast lane

DCS (NOT to be confused the DCS (Digital Computer Services) that has just gone into receivership) supply software and services to the motor, distribution and manufacturing industries. They are considered to be #2 to market leaders Kalamazoo. They have grown partly organically but mainly by acquisition - the most notable was the June 95 purchase of CSI for a max. £8.2m.

The results for the year to 30th June 96 were excellent. Revenue increased a massive 251% to £30.48m, operating profit was up 240% to £2.19m and PBT rose an even higher 288% to £2.36m. That's a 7.8% profit margin- up from 7.0%. The EPS rise did not match these rises but still increased 66%. Of course a lot of the rise was due to the CSI acquisition with more due to an *"increased contribution from our French and Spanish partners"*.

DCS have three main lines of business. **Supply Chain Management Systems** (42% of revenue or c£12.8m) had an *"excellent"* year with good sales in USA and Japan. **Automotive Systems**' (33% revenue or c£10m) results were adversely affected by difficulties with the UK version of Global DMS product. Still over 100 systems have been sold in the UK and Europe. The company signed a major deal with Renault through their associate company Groupe Bonnaud Maupa. **Outsourcing and Technical Services** (25% or c£7.6m) is expected to provide DCS with big opportunities over the coming years.



Of course everything has not been steady cruising for DCS. They lost MD Ray Spence and two fellow directors last year following integration of the CSI business. Bob Williams came in from CSI as Deputy Chairman and CEO under Chairman Robin Lodge.

The new FY has begun well with a strong order book and *"the best list of prospects we have ever enjoyed"*. Bob Williams is reported as saying that he would be *"disappointed if sales are not £100m and profits £15m by 1998 or at least 1999"*. DCS shares jumped on these results and ended Oct. up 23% at 234p. They are currently showing a **record** 211% rise in calendar 1996.

SUPERSCAPE

VIRTUAL REALITY SOFTWARE

Superscape *"the world's leading developer of PC-based virtual reality software"* (?) was placed in April 1994 at 198p. Superscape is involved in the business (rather than games) application of virtual reality. Customers include BT, Westland, RAF, Siemens Plessey and the like. We admire the leadership that the UK has in VR, but we think CEO John Chiplin may have been a little over the top by suggesting that Superscape could *"be one of the major worldwide IT suppliers of the next decade"*.

Latest results for the year to 31st July 96 show revenues doubled to (a still minimal) £3.9m and losses increased from £1.75m to £2.87m. No long term reader will be surprised that despite these results Superscape is currently valued at nearly £42m.

In Feb. 96 Superscape announced an agreement whereby IBM will market their VR software. A few weeks later, a similar JV was announced with Silicon Graphics followed by a deal to support Intel's new MMX technology. This month (almost despite these results) Superscape shares have risen by 10% to 498p on news of *"a world-beating deal with Microsoft. Superscape's Viscape 3D package being included with every copy of Microsoft's Internet Explorer"*. If you still want to use it after two months you have to pay £29.95.

The Internet and VR are made for one another - all hype, losses and questions like *"how on earth are we going to make any money out this?"*.

Staffware flowing well

Staffware was launched on AIM in July 96 at 225p valuing the group at £26m. They specialise in workflow automation. This month Staffware announced its maiden interim results since the float. For the six months to 30th June 96, revenue increased by 122% to £4m but PBT only went up 9% to £160K. Indeed EPS fell 43%.

But these results are not quite what they seem. Flotation costs of £375K have been written off as has a further £1.54m written off intangibles due to the acquisition of **Software Group** earlier this year. As well as this they have relocated offices, acquired a minority interests in four subsidiaries (located in Sweden, Holland, Germany and Australia), increased staff from 48 to 110 and acquired 49% of Staffware in South Africa.

Historically the second half of the year generates almost all of the profits. So Staffware is on course for an estimated £2m profit this year.

Staffware also announced the acquisition of Austrian **CSE Systems** - *"substantially strengthening the Group's presence in the German speaking workflow market"*.

Staffware shares ended October on 258p - a rise of 15% since flotation.

EIDOS for NASDAQ quote

Computer games developer, **EIDOS** was a new issue in Dec. 90 at 100p and has since been about the best performer around - ending Oct. 96 on 790p!

This month they announced a NASDAQ listing to raise $70m. They also announced the purchase of a 25% stake in Norwegian games company **Innerloop** for $875K.

Products slowdown...what of services?

Fact 1 - *"The most irritating feature of System House is when you say "as we predicted several years ago"..."*

Fact 2 - *"As we predicted several years ago..."* software products revenue growth is slowing and is now lower than the SCSI market average.

For further evidence look no further than the results from the world's two largest suppliers of software - **Microsoft** and **IBM** - and Europe's largest **SAP**. Microsoft's revenue growth in Q1 was 14% (to \$2.29b) *"the slowest in the company's history"*. Indeed, Q1 last year Microsoft grew revenues by 50% and recorded 28% growth for the year as a whole.

SAP's share price crashed by 25% after they had issued their third profit warning this year. Revenue growth has slipped from 40% to 22% with *"unexpectedly moderate growth from Germany, UK, Switzerland and Sweden"*. Q3 PBT fell from DM152m to DM135m

IBM's software revenues actually declined by 1% to \$3.1b in Q3 - due to further price erosion, particularly in its mainframe software market. However, IBM's services revenues were the real star (yet again) up 26% at \$3.9b. Interestingly, both companies recorded *"flat"* (i.e. poor) performances in Europe.

And before you all say *"but look at **Netscape**'s whopping 329% revenue increase in Q3"* we would point out that it still only amounts to \$100m - or 1.5% of Microsoft + IBM's software revenues.

EDS managed a 16% growth in Q3 revenues to \$3.6b and a 8% increase in net revenue to \$266m. Unfortunately, EDS also announced that *"only"* \$5.37b of new business had been signed in the first 9 months of FY96 compared with \$6.58b in FY 95. The US markets (who seem to have even more difficulty in differentiating between a services and products company than their UK equivalents) marked EDS down 20% - **a mere \$5b market cap. reduction**. A whole new meaning to the term *"knee jerk"*.

Unisys now claims that 63% of its revenues now come from services (was 50% two years ago) with *"very strong growth on distributed computing support services more than offsetting a decline in traditional maintenance business"*.

Losses at Riva

Riva's results for the six months to 30th June 96 show revenue down 7% to £32.3m and a loss before tax of £905K (PBT £58K last time). Chairman Peter Giles said *"Riva has found it increasingly difficult to sustain profitability on hardware sales alone and we are focusing on expanding our systems integration business"*. Giles also said that despite excellent order intake in H1, timing of deliveries had been delayed. Denmark continued to make *"heavy losses"* . The position in France and Spain has *"stabilised"*. Full year is expected to show an improvement as major rollouts for contracted business commence.

Riva is finding the change from hardware/maintenance to services difficult. But with net assets now of only £226K and a market capitalisation of only £7m, they do not appear to be in a particularly strong financial position should further substantial losses be incurred.

On Demand - profit delay = share fall

On Demand - which we described at the time of its float in Nov. 93 at 78p as *"the ultimate froth stock"* - provides multimedia information systems. They were at one point valued at £100m despite a long history of increased losses on minimal revenues.

Now Chairman Graham Poulter has blamed delays in a marketing agreement with BT (which when announced last Dec. had sent the shares up 52%) together with investment costs in their new Internet₂ for *another* one year delay before profits are declared. Expected losses this year (to 31st July) will be c£2.9m (£1.8m was expected). At least better than the £3.6m loss in 95. A few months ago Poulter was forecasting that 96 would see a *return* to profit. Brokers Albert E Sharp have drastically cut their FY97 profit forecast from £4m to at best a breakeven situation or a loss of up to £2m. *Quite a swing!* Not surprisingly, the market did not like the news, marking the shares down 30% to 110p. They continued to fall to end October on 72p.

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